

GARNET INTERNATIONAL LTD.

30th ANNUAL REPORT
2011-2012

GARNET INTERNATIONAL LTD.

BOARD OF DIRECTORS

MR. SUERSH GAGGAR
MR. DEVEN MEHTA
MR. DINESH NANDWANA
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 30th Annual General Meeting of Garnet International Limited will be held on Saturday, 29th day of September 2012 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 Balance sheet as at 31st March 2012, the Statement of Profit and Loss for the year ended on that date and the Reports of Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares of the Company for the year ended 31st March, 2012.
3. To appoint a Director in place of Mr. Sharad Rathi who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Ramakant Gaggar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint auditors of the company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to authorize the Board to fix their remuneration.

By order of the Board

Place: Mumbai
Dated: 3rd September 2012

**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. 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.
4. Corporate Members intending to send their authorized representatives to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
5. Members/Proxies/Representatives are requested to bring the enclosed Attendance Slip, duly filled in for attending the Annual General Meeting.
6. Relevant documents referred in the accompanying Notice are available for inspection at the Registered Office of the Company on all working days except Saturday, between 11.00 a.m. to 1.00 p.m. up to the date of the meeting.

7. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, 28th September 2012 to Saturday, 29th September 2012 (both days inclusive).
8. There was no unclaimed dividends declared up to the financial year ended 31st March, 1995 as such company has not transferred any fund to the General revenue Account of the Central Government as required by the companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 (the Rules).
9. Pursuant to the provision of section 205A (5) and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remains unclaimed for a period of 7 years, will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial Year ended	Date of declaration of Dividend	Last Date for claiming unpaid Dividend	Due date for transfer to IEPF
31-03-2010	29-09-2010	28-09-2017	28-10-2017
31-03-2011	29-09-2011	28-09-2018	28-10-2018

Members, who have not so far encashed the dividend Warrant(s), are requested to seek issue of duplicate Warrant(s)/Demand Draft by writing to the company or to the company's R&TA immediately.

10. Members, who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names, are requested to send the Share Certificates to the Company 's R &TA for consolidation into a single folio.
11. A Member desirous of getting any information on the account or operation of the company, is required to forward his/her queries to the Company at least seven days prior to the meeting so that the required information can be made available by the Management at the meeting.
12. Copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies of the Annual Report to the meeting.
13. The ministry of corporate affairs has undertaken a "Green Initiative" in the field of corporate governance by permitting paperless compliance by companies vide its Circular No. 17/2011 dated 21st April, 2011 and Circular No.18/2011 dated 29th April, 2011 and has issued circulars stating that the service of notice/documents including Annual Report can be sent by E-mail to its members. In pursuance of the same, we take immense pleasure in informing you that your Company, starting from this year, by initiating this Go-green will send the soft copies of Annual Reports to the shareholders who have already registered their e-mail addresses with the **company's R&TA - Link Intime India Private Limited.**

Further with a view to encourage the same, member 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. And members who hold shares in physical form are requested to register their e-mail addressed with **company's R&TA - Link Intime India Private Limited.**

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, 2012.

Financial Results

Particulars	Amount in ₹	
	Year ended 31 st March 2012	Year ended 31 st March 2011
Total Income	257653792.11	409029110.98
Profit/(Loss) before Depreciation and Tax	7032305.46	50340100.00
Less: Depreciation	572154.31	479048.64
Profit/(Loss) before Tax	6460151.15	49861051.36
Less: Provision for Tax	160864.00	2885979.05
Net Profit /(Loss) after Tax	6299287.15	46975072.31

Year under review

During the year under review, your Company registered a total income of ₹ 257653792.11 as against ₹ 409029110.98 in the previous year. Profit before depreciation and tax stood at ₹ 7032305.46 as against Profit of ₹ 50340100.00 in the previous year. Your company reported net profit of ₹ 6299287.15.

Dividend

Your Directors have recommended a dividend of ₹ 0.10 per equity share for the financial year ended on 31st March, 2012.

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, 2012 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, 2012 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 and are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment under Section 224(1B) of the Companies Act, 1956 and have indicated their willingness to continue in the said office.

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: 3rd September 2012

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 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 Gagar	Director	Promoter, Non-Executive; Non Independent	1	Nil	Nil
Mr. Ramakant Gagar	Director	Promoter; Non-Executive; Non-Independent	2	Nil	Nil
Mr. Deven Mehta	Director	Promoter; Non-Executive; Non-Independent	3	Nil	Nil
Mr. Dinesh Nandwana	Director	Non-Executive; Independent	10	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) **Mr. Sharad Rathi**

Mr. Sharad Rathi is a member of Institute of Chartered Accountants of India having over 19 years of varied experience in the field of merchant banking, project financing, syndication of loans, IPO's, PE, debt assignments etc..

Directorships held by Mr. Sharad Rathi in other companies are as under:

Sr. No.	Name of the Company
1.	Blue Square Corporate Service P. Ltd.

Mr. Sharad Rathi 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 31st March 2012.

ii) **Mr. Ramakant Gaggar**

Mr Ramakant Gaggar is a Commerce Graduate having vast experience in administration and secretarial matter. Mr Ramakant gaggar is the Compliance officer of the Company having good knowledge of Corporate and other allied laws.

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

Sr. No.	Name of the Company
1	Alaukik Mines & Power P Ltd
2.	ARSS Engineering Limited
3.	Bhuta Investment P. Ltd.
4.	Maxwell Management Services P. Ltd.
5.	Sukartik Clothing P Ltd.
6.	Evergreen Infotech & Datacom P. Ltd.
7.	GVS Chemical Pvt. Ltd.
8.	Minex Explore Pvt. Ltd.
9.	Rajlaxmi Industries Ltd.

Mr. Gaggar holds 908743 equity shares in the Company as on 31st March 2012

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

During the financial year 2011-2012, 6 Board Meetings were held on 23rd April 2011, 10th May 2011, 10th August 2011, 16th August 2011, 8th November 2011, and 13th February 2012. The last Annual General Meeting of the Company was held on 29th September 2011. 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	6	Yes
Mr. Deven Mehta	5	Yes
Mr. Dinesh Nandwana	5	Yes
Mr. Sharad Rathi	5	Yes
Mr. Ramakant Gaggar	6	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 2011-2012, Five Audit Committee Meetings were held on 10th May 2011, 10th August 2011, 16th August 2011, 08th November 2011 and

13th February 2012. The composition of the Audit Committee and the number of meeting attended were as under:

Committee Members Attending the Meeting	Designation	No. of Meetings Attended
Mr. Sharad Rathi	Chairman	5
Mr. Dinesh Nandwana	Member	5
Mr. Suresh Gagar	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:
- i) 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.
 - ii) 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.
 - iii) 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.
 - iv) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
 - v) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - (a) 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.
 - (b) 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

- a) Composition of Remuneration Committee and the number of meetings attended:
During the financial year 2011-2012, Mr. Deven Mehta, Mr. Suresh Gaggar and Mr. Ramakant Gaggar were Members of the Remuneration Committee but there were no meetings of the remuneration committee held.
- b) Terms of reference:
The committee has the mandate to review and recommend compensation payable to the executive directors and senior management of the company. It shall also administer the company's stock option plans, if any, including the review and grant of the stock options to eligible employees under plans. The committee may review the performance of the Executive Directors, if any and for the said purpose may lay down requisite parameters for each of the executive directors at the beginning of the year.
- c) Remuneration Policy:
 - i) Management Staff :
Remuneration of employees largely consists of basic remuneration and perquisites. The components of the total remuneration vary for different grades and are governed by industry patterns, qualifications and experience of the employee, responsibilities handled by him, his individual performance, etc.
 - ii) Non-Executive Directors :

The Company does not pay any sitting fees to the Non-executive Directors.

6. Shareholders'/Investors' Grievance Committee

a) Constitution and Composition of Shareholders' Grievance Committee:

The Shareholders' / Investors' Grievance Committee has been constituted to look into investor's complaints like transfer of shares, non-receipt of declared dividends, etc. and take necessary steps for redressal thereof. The Committee is a Board level committee under the Chairmanship of Mr. Suresh Gaggar, a Non-Executive Director. No Shareholders' / Investors' Grievance Committee Meetings held during the financial year 2011-12. The Composition of the Shareholders/Investors' Grievance Committee and the number of meeting attended were as under:

Name of Director	Designation	No. of Meetings Attended
Mr. Suresh Gaggar	Chairman	0
Mr. Ramakant Gaggar	Member	0
Mr. Deven Mehta	Member	0

b) Mr. Ramakant Gaggar is the Compliance officer of the Company.

c) During the year 2011-2012, the Company has received 2 complaints from shareholders / investors which were redressed timely. There were no complaints pending as at end of the year.

d) Share Transfers in Physical Mode Shares sent for physical transfer are generally registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. The Shareholders' Committee of the Company meets as often as required.

7. General Body Meetings

a) Location, time and date of holding of the last three Annual General Meetings are given below:

Financial Year	Date	Time	Location of the Meeting
2008-09	29/09/09	4:30 P.M	Raheja Chambers, Nariman Point Mumbai - 400 021
2009-10	29/09/10	10.00 A.M	Raheja Chambers, Nariman Point Mumbai - 400 021
2010-11	29/09/11	11.00 A.M	Raheja Chambers, Nariman Point Mumbai - 400 021

b) Special Resolutions during previous three Annual General Meetings:

Financial Year	Particulars of Special Resolutions Passed
2008-09	Nil
2009-10	Nil
2010-11	Nil

- c) No Special resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting.

8. Disclosures

- a) **Related Party Transactions:**
There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives, etc that may have potential conflict with the interest of the Company at large.
Attention of members is drawn to the disclosures of transactions with the related parties set out in Note 26 of Notes on financial statements.
The Company's major related party transactions are generally with its Associates considering various business and other factors.
All related party transactions are negotiated on arms length basis and are only intended to further the interest of the Company.
- b) **Statutory Compliance, Penalties and Strictures:**
The Company has complied with requirements of the Stock Exchange/SEBI and Statutory Authorities on all matters related to capital markets during the last year. There are no penalties or strictures imposed on the Company by the Stock Exchange or SEBI or any Statutory Authorities relating to the above.
The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreements. The Company does not have Whistle Blower Policy. No employee of the Company has been denied access to the Audit Committee of the Company.
- c) The Company has complied with the non-mandatory requirements relating to remuneration Committee. The financial statements of the Company are unqualified.

9. General Shareholder Information

- a) **Means of Communication:**
The quarterly results of the Company are generally published in Free Press Journal and Dainik Navshakti. The Company proposes that all quarterly, half-yearly and full year audited results be published at least in 2 newspapers. The quarterly results shall further be submitted to the Bombay Exchange Limited shortly after the conclusion of the respective meetings.

No presentations were made to institutional investors or to the analysts during the year under review.

- b) **Annual General Meeting:**
- | | | |
|-------------------------|---|---|
| ▪ Day, Date and Time | : | Saturday, 29th September 2012 at 11.00 a.m. |
| ▪ Venue | : | 901, Raheja Chambers, Nariman Point, Mumbai - 400 021 |
| ▪ Financial Year | : | 2011-2012
The Company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter. |
| ▪ Date of Book Closure | : | 28 th September 2012 to 29 th September 2012 (both days inclusive). |
| ▪ Dividend payment date | : | Dividend will be paid on or after 29 th |

September 2012

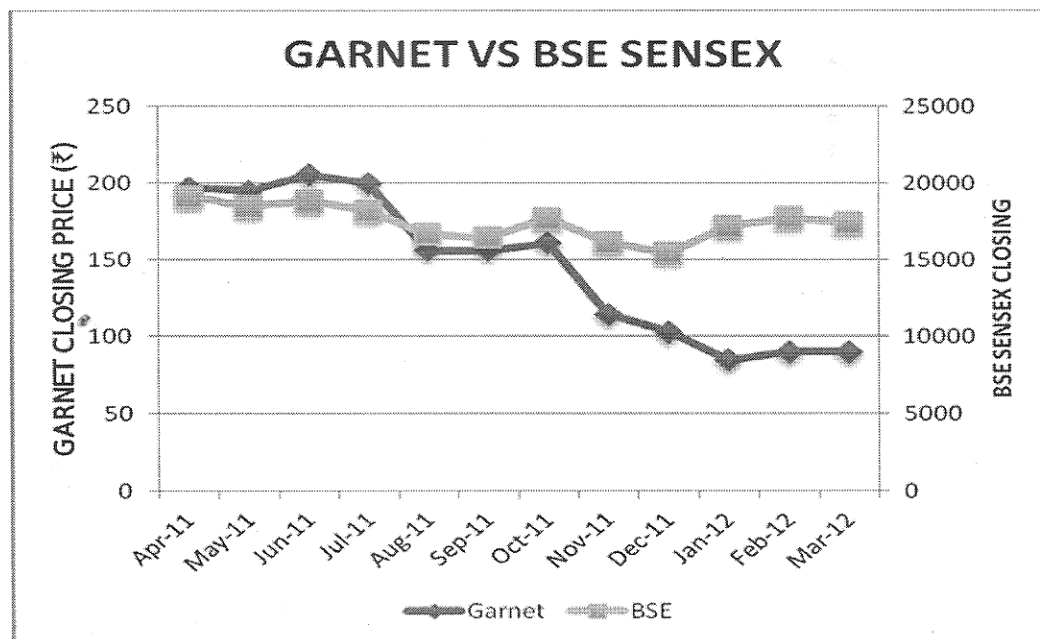
- Listing on Stock Exchanges: The Company's shares are listed on Bombay Stock Exchange Limited ("BSE") and Calcutta Stock Exchange Association Limited ("CSE"). The Company has paid the listing fees to the Bombay Stock Exchange Limited.

c) Stock Code / Symbol:
 BSE - 512493
 CSE - 35007
 ISIN No: - INE590B01010
 (Fully paid up shares having face value of Rs. 10)

d) Market Price Data:
 The monthly high and low quotations of shares traded on the Bombay Stock Exchange Ltd. During each month post listing is as follows:

Month	BSE	
	High (₹)	Low (₹)
April 2011	232.00	195.05
May 2011	220.00	183.00
June 2011	238.00	191.20
July 2011	241.10	190.10
August 2011	204.00	133.10
September 2011	184.80	143.00
October 2011	188.00	150.00
November 2011	168.00	112.00
December 2011	124.80	69.30
January 2012	99.90	81.95
February 2012	99.00	84.30
March 2012	102.00	80.00

e) Share Price Movement for the period April, 2011 to March 2012 Garnet International Limited vs BSE SENSEX



- f) **Share Transfer System:**
Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. They attend to share transfer formalities at least once in 15 days.

Shares held in the dematerialized form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update their records for sending all corporate communications, dividend warrants, etc.

Physical shares received for dematerialisation are processed and completed within a period of 21 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.

- g) **Category wise Shareholding as at March 31, 2012:**

Sr. No.	Category	No. of Shares held	%
1.	Promoter Group	2810248	59.48%
2.	Non-Resident Indians	198886	4.21%
3.	Private Bodies Corporate	681872	14.43%
4.	Indian Public	1025479	21.70%
5.	Market Maker	8515	0.18%
	Total	4725000	100.00%

- h) **Distribution of Shareholding as at March 31, 2012:**

Shareholding of Nominal Value (Rs.)	No. of Shareholders	% of Total	Share Capital Amount (Rs.)	% of Total
1 - 5,000	633	73.3490	857730	1.8150
5,001 - 10,000	80	9.2700	642120	1.3590
10,001 - 20,000	49	5.6780	694070	1.4690
20,001 - 30,000	25	2.8970	628980	1.3310
30,001 - 40,000	6	0.6950	201250	0.4260
40,001 - 50,000	11	1.2750	522010	1.1050
50,001 - 100,000	14	1.6220	1006590	2.1300
100,001 and above	45	5.2140	42697250	90.3650
TOTAL	863	100.0000	47250000	100.0000

- i) **Dematerialisation of Shares and Liquidity:**

About 99.81% of the shares have been dematerialized as on March 31, 2012. The equity shares of the Company are traded at Bombay Stock Exchange Ltd. (BSE) and Calcutta Stock Exchange Association Limited (CSE).

- j) **Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on equity:**

The Company has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on March 31, 2012.

- k) **Registrar and Share Transfer Agents:**
Link Intime India Pvt Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400078.

l) Plant Locations: The Company does not have any manufacturing activities.

m) Address for Correspondence:

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:

Link Intime India Pvt Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400078.
Tele: 022 - 25963838
Fax: 022 - 25946969 / 25960329

For general correspondence:

Garnet International Limited
Secretarial Department
901, Raheja Chambers,
Free Press Journal Marg,
Nariman Point Mumbai - 400 021.
Tel: 022 - 66369942
Fax: 022 - 66369943

CODE OF CONDUCT DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management Personnel have affirmed compliance with Code of Conduct for the year ended on 31st March, 2012.

For Garnet International Limited

Place: Mumbai
Date: 3rd September 2012

Sharad Rathi
Chairman - Audit Committee

CEO/CFO certification

As required by sub clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, I have certified to the Board that for the financial year ended 31st March 2012, the Company has complied with the requirements of the said sub clause.

For Garnet International Limited

Place: Mumbai
Date: 3rd September 2012

Sharad Rathi
Chairman - Audit Committee

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
GARNET INTERNATIONAL LIMITED

We have examined the compliance with the conditions of Corporate Governance by GARNET INTERNATIONAL LIMITED ("the company"), for the year ended on March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the company with Stock Exchange(s) in India, with the relevant records and documents maintained by the company and furnished to us and the report of Corporate Governance as approved by the Board of Directors of the company.

The compliance of conditions of Corporate Governance is the responsibility of the company's management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement subject to that *the company does not have the whole time company secretary to act as the secretary of the audit committee which is not in conformity with the requirements of clause 49 of the listing agreement with the stock exchanges.*

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of
R. S. AGRAWAL & ASSOCIATES
Chartered Accountants

Anuja Dedhia
Partner
M. No. 123589

Place : Mumbai
Dated : 3rd September 2012

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Forward-Looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realized. The company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is constantly exploring available opportunities. The company has taken constructive steps to undertake activities pertaining to garment industries and allied textile line through its subsidiary.

Opportunities and Threats

There is intense competition in the seamless garments produced by the subsidiary company still the company expects good opportunities through better quality control.

Outlook

The new activities in the subsidiary company promises a bright future. The profit margins in the sector may increase further with expected liberalized government policies.

Internal control systems and their adequacy

Garnet's internal control systems and procedures are adequately commensurate with the magnitude of its current business. The operating and business control procedures have been planned and implemented in a manner that ensures efficient use of resources, as well as compliance with procedures and regulatory requirements. The internal control system is being further strengthened by laying out well-documented guidelines, approval and authorization procedures.

Environment and Safety

Being conscious of the need for environmentally clean and safe operations, the Company conducts its operations ensuring safety of all concerned, compliance of statutory and industrial requirements for environmental protection and conservation of natural resources to the extent possible.

Human Resources

During the year under review, the Company has enjoyed cordial professional relations with employees at all levels.

AUDITORS' REPORT

TO,
THE MEMBERS,
GARNET INTERNATIONAL LIMITED

1. We have audited the attached Balance Sheet of M/s. GARNET INTERNATIONAL LIMITED (hereinafter referred to as "the company") as at 31st March 2012, the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as 'the CARO 2003') issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, (hereinafter referred to as 'the Act') we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
 - c. the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e. based on the representation made by the directors of the company and information and explanation given to us, none of the directors is prima-facie disqualified as on 31st March, 2012, from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Act, on the said date; and
 - f. as stated in note 28 to financial statements,
 - i) Loans & Advances, involving an amount of ₹ 150,58,300/- (year end outstanding ₹ 1,32,50,000/- given during the year under review, are in contravention of provisions of Section 295 of the Act; and
 - ii) Contracts of purchase and sale of shares, amounting to ₹ 8,62,13,380/- and ₹ 4,90,49,060/- respectively entered in to during the year, are in contravention of provisions of section 297 of the Act;

The possible impact of these non-compliances, in the event of the company's condonation requests are not granted has not been determined or recognized in the financial statements.

- g. in our opinion and to the best our information and according to the explanations given to us, the said accounts, *subject to our comments in paragraphs 4 (f) above and the consequential effects thereof which are not quantifiable*, read together with Significant Accounting Policies and Notes on financial statements attached thereto, give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in case of Balance Sheet, of the state of affairs of the company as at 31st March, 2012;
 - ii) in the case of statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Place: Mumbai
Date: 3rd September 2012

Anuja Dedhia
Partner
Membership No. 123589

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Garnet International Limited on the financial statements for the year ended 31st March, 2012

1. in respect of fixed assets:
 - a) the company has maintained records, showing particulars including quantitative details and situation of its fixed assets;
 - b) as explained to us, all the fixed assets have been physically verified by the management at the end of year. We are informed that no material discrepancies have been noticed by the management on such verification as compared to the aforesaid records of fixed assets; and
 - c) during the year company has not disposed off any of its fixed assets.
2. in respect of inventory:
 - a) as explained to us, inventories of shares and securities have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable;
 - b) the procedures, as explained to us, that followed by the management for physical verification of shares and securities, are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business; and
 - c) on the basis of our examination of the records of shares and securities of the company, we are of the opinion that, the company is maintaining proper records. No material discrepancies have been noticed on physical verification of shares and securities held as stock-in-trade as compared to book records.
3. according to information and explanation given to us :
 - a) the company has granted interest free unsecured loan to the companies, firm and other parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹ 2,90,58,300/- to 7 parties. The year end balance was ₹ 2,42,50,000/- from such 5 parties (including 4 parties having outstanding since last year);
 - b) the terms and conditions of the aforesaid interest free loans granted are prima facie not prejudicial to the interest of the company;
 - c) the receipt of principal amount of the aforesaid loans granted is regular;
 - d) since the aforesaid loans granted, as informed to us, are receivable on demand, no amount has been classified as overdue;
 - e) the company has taken unsecured loan from the companies, firm and other parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was ₹ 2,99,41,700/- from 3 parties. The year end balance was ₹ 1,03,91,700/- from such 2 parties;
 - f) the terms and conditions of the aforesaid loans taken were prima facie not prejudicial to the interest of the company and such loans were taken free of interest; and
 - g) since the aforesaid unsecured loans taken, as informed to us, were repayable on demand, therefore the payment of the principal amount is considered to be regular.
4. on the basis of selective checks carried out during the course of audit and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and nature of its business for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any major weaknesses in internal control system.
5.
 - a) according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act, have been entered in the register required to be maintained under that section; and
 - b) in our opinion and according to information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time where such market prices are available. *However, in respect of certain transactions of purchase and sale of shares, we are unable to comment in absence of similar transactions with other parties at the relevant time.*
6. in our opinion, the company has not accepted any deposit from the public within the meaning of section 58A and 58AA of the Act and the Rules framed there under.
7. the company is required to have an internal audit system as apart from being a listed company, the company's paid-up capital and reserves at the commencement of financial year exceeds ₹ fifty lacs and its average annual turnover of preceding three years also exceeds ₹ five crores, *however, the company, during the year, had no such internal audit system;*

8. we are informed that the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Act.
9. in respect of statutory dues:
 - a) according to the information and explanations given to us, the company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities as applicable to it. There are no arrears of undisputed statutory dues as at the last day of financial year concerned, outstanding for a period of more than six months from the date they became payable; and
 - b) according to the information and explanations given to us, there are no dues of Income tax/ Sales Tax/ Wealth Tax/ Service Tax/ Custom Duty/ Excise Duty/ Cess, outstanding on account of any dispute.
10. the accumulated losses of the company at the end of the financial year have not exceeded fifty percent of its net worth. The company has not incurred cash losses during the financial year under audit and also in the immediately preceding financial year;
11. as per the information and explanation given to us and based on documents and record produced to us, there were no dues payable to any financial institution, bank or debenture holders during the year;
12. according to the information and explanation given to us and based on documents and record produced to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities;
13. in our opinion, the company is not a chit or a nidhi / mutual benefit fund or a society;
14. in respect of dealing / trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, records have been maintained of the transactions and contracts and timely entries have been made therein. The shares and other investments have been held by the company in its own name or in process of transfer in the name of the company except to the extent of exemptions provided by section 49 of the Act;
15. according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions;
16. as per the records of the company, the company has not obtained any term loan during the year;
17. as per the information and explanation given to us and on the overall examinations of the financial statements of the company, we are of the opinion that funds raised on short-term basis have not been utilized for long-term investments;
18. during the year, the company has not made any preferential allotment of share to parties and companies covered in the Register maintained under Section 301 of the Act;
19. the company did not have any outstanding debenture during the year;
20. the company has not raised any money through a public issue during the year; and
21. based on the audit procedures performed and the information and explanations given to us by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Place: Mumbai
Date: 3rd September 2012

Anuja Dedhia
Partner
Membership No. 123589

GARNET INTERNATIONAL LIMITED
Balance Sheet as at 31st March 2012

(Amount in ₹)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	47250000.00	47250000.00
Reserves and surplus	3	<u>170116896.19</u>	<u>164366760.04</u>
		217366896.19	211616760.04
Non-current liabilities			
Deferred tax liabilities (net)	4	294607.00	288828.00
Current liabilities			
Short term borrowings	5	20534140.00	70000000.00
Trade payables	6	42585710.51	347927.97
Other current liabilities	7	188649.00	262198.00
Short term provisions	8	<u>2179564.75</u>	<u>5559247.00</u>
		65488064.26	76169372.97
TOTAL		<u>283149567.45</u>	<u>288074961.01</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	9	7774311.18	8337565.48
Intangible assets	9	<u>0.00</u>	<u>0.01</u>
		7774311.18	8337565.49
Non-current investments	10	150860114.34	93117697.67
Long term loans and advances	11	2605000.00	2821280.71
Other non current assets	12	<u>13510073.00</u>	<u>12184558.00</u>
		174749498.52	116461101.87
Current assets			
Inventories	13	28044442.06	69439972.75
Trade receivables	14	342194.75	4308759.46
Cash and bank balances	15	3508110.96	19549596.84
Short term loans and advances	16	76482923.13	78282526.13
Other current assets	17	<u>22398.03</u>	<u>33003.96</u>
		108400068.93	171613859.14
TOTAL		<u>283149567.45</u>	<u>288074961.01</u>
Significant accounting policies	1		
See accompanying notes to financial statements			

As per our attached report of even date

For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants
Firm registration No. 100156W

For and on behalf of the board

Anuja Dedhia
Partner
Membership no. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Mumbai
Dated: 03rd September 2012

Mumbai
Dated: 03rd September 2012

GARNET INTERNATIONAL LIMITED
Statement of Profit and Loss for the year ended 31st March 2012

(Amount in ₹)

Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
Revenue from operations	18	167120754.71	362056111.72
Other income	19	90533037.40	46972999.26
Total Revenue		257653792.11	409029110.98
Expenses:			
Purchases of stock-in-Trade		190795123.25	361804548.91
Changes in inventories	20	41395530.69	(14358625.61)
Employee benefit expenses	21	747184.00	589548.00
Finance cost	22	5397806.00	1697434.70
Depreciation and amortisation expenses	9	572154.31	479048.64
Other expenses	23	12285842.71	8956104.99
Total expenses		251193640.96	359168059.63
Profit before Tax		6460151.15	49861051.36
Tax expenses			
Current tax		1753625.00	10093000.00
Deferred tax		5779.00	750076.00
MAT credit entitlement		(1598540.00)	(7243083.00)
Tax adjustment for earlier years		0.00	(714013.95)
		160864.00	2885979.05
Profit after tax for the period		6299287.15	46975072.31
Earning per equity share	24		
Basic and Diluted		1.33	9.94
Significant accounting policies	1		
See accompanying notes to financial statements			

As per our attached report of even date

For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants
Firm registration No. 100156W

For and on behalf of the board

Anuja Dedhia
Partner
Membership no. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Mumbai
Dated: 03rd September 2012

Mumbai
Dated: 03rd September 2012

GARNET INTERNATIONAL LIMITED
Cash Flow Statement For The Year Ended 31st March, 2012

(Amount in ₹)

(A) CASH FLOW FROM OPERATING ACTIVITIES	2011-2012	2010-2011
Net profit before tax and extraordinary items	6460151.15	50026751.05
Adjustment for:		
Depreciation	572154.31	479048.64
Miscellaneous expenditure written off	0.00	34625.58
Loss / (Profit) on sale of Investments	(79870267.09)	(40308478.43)
Investment Income:		
- Interest	(152266.43)	(232484.06)
- Dividend	(983392.75)	(1690071.50)
Interest Expenses	5591581.00	1697097.70
Operating Profit before Working Capital changes	(68382039.81)	10006488.98
Adjustment for:		
- Trade and other Receivables	6049798.64	(29595211.72)
- Inventories	41395530.69	(14358625.61)
- Trade Payables	42172554.54	375543.50
Cash generated from operations	21235844.06	(33571804.86)
Direct taxes paid	(749498.54)	(19697264.07)
Cash flow before extraordinary Items	20486345.52	(53269068.92)
Extraordinary Items	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	20486345.52	(53269068.92)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Investments (Net)	(57742416.67)	(50535932.03)
Purchase of Fixed Assets	(8900.00)	(5368327.00)
Loan (given) / Refund	0.00	0.00
Sale of Fixed Assets	0.00	0.00
Interest / Other income	152266.43	232484.06
Profit / (Loss) on sale of Investments	79870267.09	40308478.43
Dividend received	983392.75	1690071.50
Proceeds from / Payment for Deposits	0.00	0.00
NET CASH USED IN INVESTING ACTIVITIES	23254609.60	(13673225.04)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	0.00	0.00
Premium on Share Capital	0.00	0.00
Miscellaneous Expenditure	0.00	0.00
Proceeds from Long Term Borrowings	0.00	0.00
Repayment of Long Term Borrowings	0	0.00
Proceeds from Short Term Borrowings	20534140.00	70000000.00
Repayment of Short Term Borrowings	(70000000.00)	0.00
Changes in Working Capital Borrowings from Banks	0.00	0.00
Interest Paid	(5591581.00)	(1697097.70)
Dividend paid	(4725000.00)	(4725000.00)
NET CASH FROM FINANCING ACTIVITIES	(59782441.00)	63577902.31
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(16041485.88)	(3364391.66)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	19549596.84	22913988.50
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	3508110.96	19549596.84

Notes to cash flow statement:

- All figures in brackets are outflow.
- Previous year's figures have been regrouped wherever necessary.

As per our attached report of even date
For and behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

For and on behalf of the Board

Anuja Dedhia
Partner
Membership No. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Dated: 03rd September 2012

Place : Mumbai
Dated: 03rd September 2012

Note 1: SIGNIFICANT ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING

- i) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the provisions of the Companies Act 1956 following the mercantile system of accounting and recognising income and expenditure on accrual basis.
- ii) The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

2. PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS

- i) The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3c) of the Companies Act, 1956 and the relevant provisions thereof.
- ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956.
- iii) Based on the nature of activity and the time between acquisition of assets and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

3. TANGIBLE AND INTANGIBLE ASSET

- i) Tangible fixed assets are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.
- ii) Intangible fixed asset comprising software licenses are stated at cost of acquisition including any cost attributable bringing the asset to its working condition, less accumulated amortisation. Any expenses on such software licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

4. INVESTMENTS

- i) Investments are classified into Non Current and Current Investments.
- ii) Non Current investments are being valued at cost of acquisition. Provision is made to recognize a decline, other than temporary, in the carrying amount of long term investments.
- iii) Current investments are being valued at cost or market value whichever is lower.

5. VALUATION OF STOCK OF SHARES AND SECURITIES

Shares and securities held as "stock-in-trade" are valued at cost or net realizable value whichever is lower and on FIFO basis.

6. DEPRECIATION

- i) No depreciation is provided on land.
- ii) Depreciation on fixed assets is being provided on "Straight line method basis" at the rates specified in Scheduled XIV to the Act.
- iii) Depreciation in respect of addition to fixed assets is provided on pro-rata basis from the month in which such assets are acquired/ installed.
- iv) Depreciation on fixed assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, discarded or demolished.

7. EXPENDITURE FOR BENEFIT OF ENDURING NATURE

Miscellaneous expenditure, such as preliminary expenditure and share issue expenditure is amortised over a period of 5 years from the financial year in which it is incurred.

8. INCOME FROM INVESTMENTS

Incomes from Investments, where appropriate, are taken into revenue in full on declaration or receipt and tax deducted at source thereon is treated as advance tax.

9. TREATMENT OF CONTINGENT LIABILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of Income Tax, Sales Tax etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advances till the final disposal of the matter.

10. TAXES ON INCOME:

Income tax expense comprises of Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the assessable income at the rate applicable for the relevant assessment year. The Deferred Tax Assets and Deferred Tax Liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets, arising mainly on account of unabsorbed depreciation and losses under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognized, only to the extent there is a reasonable certainty of its realization. At each balance sheet date the carrying amount of deferred tax assets are reviewed to reassure realization.

Particulars	As at 31.03.2012		As at 31.03.2011	
	Numbers	Amount(₹)	Numbers	Amount(₹)
Note 2: Share capital				
Authorised:				
Equity Shares of ₹ 10/- each	7500000	75000000.00	7500000	75000000.00
Total		<u>75000000.00</u>		<u>75000000.00</u>
Issued, subscribed and paid-up :				
Equity Shares of ₹ 10/- each fully paid	4725000	47250000.00	4725000	47250000.00
Total		<u>47250000.00</u>		<u>47250000.00</u>

2.a During the current year and in the previous year, there have been no movements in the numbers of equity shares outstanding.

2.b The equity shares of the Company have rights and restrictions as prescribed under law, in particular the Companies Act, 1956.

2.c Shareholders holding more than 5% of the share capital at the end of the year:

Name of shareholders	Numbers	% of Holding	Numbers	% of Holding
Shri Ramakant Gaggar	908743	19.23	899981	19.05
Evergreen Infotech & Datacom Private limited	500778	10.60	512754	10.85
Smt. Indra Gaggar	458921	9.71	458921	9.71
Shri Suresh Gaggar	487206	10.31	487206	10.31

Note 3: Reserves and surplus

Securities premium				
At the beginning of the year and at the end of year		139000000.00		139000000.00
Surplus in Statement of Profit and loss :				
Balance at the beginning of the year	25366760.04		(16098548.27)	
Add (less): Profit (loss) after tax for the year	6299287.15		46975072.31	
Less:				
Proposed dividend for the year [Dividend per share ₹ 0.10 (P.Y. ₹ 1.00)]	472500.00		4725000.00	
Provision for tax on proposed dividend for the year	76651.00		784764.00	
		31116896.19		25366760.04
Total		<u>170116896.19</u>		<u>164366760.04</u>

Note 4: Deferred tax liabilities (Net)

Deferred Tax Liabilities on account of :				
Depreciation		352150.00		328510.00
Deferred Tax Assets on account of :				
Business Losses		39682.00		39682.00
Gratuity		17861.00		0.00
Total		<u>294607.00</u>		<u>288828.00</u>

Note 5: Short term borrowings

Secured Loans :				
Intercompany Loans/ Deposits*		0.00		70000000.00
Unsecured Loans:				
Loans repayable on demand from other parties		12184140.00		0.00
Loans repayable on demand from Associate Company (refer note 26)		8350000.00		0.00
Total		<u>20534140.00</u>		<u>70000000.00</u>

*Nature of security:

Secured by way of Pledge of 325000 Equity Shares of ₹ 10/- each of ARSS Infrastructure Projects Ltd held by company as investment.

Note 6: Trade payables

Micro and small enterprises*		0.00		0.00
Others		42585710.51		347927.97
Total		<u>42585710.51</u>		<u>347927.97</u>

* As per the information available with the Company in response to the enquiries from all existing suppliers with whom Company deals, none of the suppliers are registered as micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March 2012.

Note 7: Other current liabilities

Unpaid dividends*		149272.00		82001.00
Statutory liabilities		35258.00		176288.00
Accrued Expenses		4119.00		3909.00
Total		<u>188649.00</u>		<u>262198.00</u>

* There is no outstanding dues to be paid to Investor Education and Protection Fund.

Particulars	(Amount in ₹)	
	As at 31.03.2012	As at 31.03.2011
Note 8: Short term provisions		
Provision for employees benefits (Gratuity) (refer note27)	57804.00	49483.00
Provision for taxation (net of taxes paid)	1572609.75	0.00
Provision for proposed dividend	472500.00	4725000.00
Provision for tax on proposed dividend	76651.00	784764.00
Total	2179564.75	5559247.00

Note 9: Fixed assets

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 31.03.2011	Additions during the Year	Sold/discarded during the Year	Total As at 31.03.2012	Provided upto 31.03.2011	Provided for the Year	Written Back during the Year	Total upto 31.03.2012	Total as at 31.03.2012	Total as at 31.03.2011
	Tangible Assets									
Land	3088090.00	0.00	0.00	3088090.00	0.00	0.00	0.00	0.00	3088090.00	3088090.00
Vehicle	5160200.00	0.00	0.00	5160200.00	626281.91	490219.00	0.00	1116500.91	4043699.08	4533918.09
Office Equipments	1210810.05	0.00	0.00	1210810.05	590426.77	57513.48	0.00	647940.25	562869.80	620383.28
Computers	542800.00	8900.00	0.00	551700.00	491552.70	10812.07	0.00	502364.77	49335.23	51247.30
Electric Equipment	192500.00	0.00	0.00	192500.00	148573.18	13609.75	0.00	162182.93	30317.07	43926.82
Intangible Asset										
Computer Software	3481275.00	0.00	0.00	3481275.00	3481274.99	0.01	0.00	3481275.00	0.00	0.01
Total as at 31.03.2012	13675675.05	8900.00	0.00	13684575.05	5338109.56	572154.31	0.00	5910263.87	7774311.18	8337565.49
Total as at 31.03.2011	8307348.05	5368327.00	0.00	13675675.05	4859060.92	479048.64	0.00	5338109.55		

Note 10: Non-current investments

Other than trade (at cost):	Numbers	Amount(₹)	Numbers	Amount(₹)
Quoted: Investments in fully paid equity instruments:				
ARSS Infrastructure Projects Limited having face value of ₹ 10/-	0.00	0.00	325697	4507583.33
Ambitious Plastomac Company Limited having face value of ₹ 10/-	206400	6147550.00	206400	6147550.00
Suryajyoti Spinning Mills Limited having face value of ₹ 10/-#	75000	4053828.95	75000	4053828.95
Vakrangee Software Limited having face value of ₹ 10/-	36	5952.39	36	5952.39
Unquoted: Investments in fully paid equity instruments:				
a) Investment in a Subsidiary Company (refer note 26)				
Sukartik Clothing Pvt. Ltd having face value of ₹ 10/-	121000	16700000.00	121000	16700000.00
b) Investment in an Associate Company: (refer note 26)				
Bhuta Investment Pvt Ltd having face value of ₹ 100/-	60000	12000000.00	60000	12000000.00
c) Investment in Shares of other Companies:				
T.N.R Infrastructures Limited having face value of ₹ 10/-	1435000	107625000.00	605000	45375000.00
Reliable Smart City Private Limited having face value of ₹ 10/-	400000	4000000.00	400000	4000000.00
Investments in Government securities				
National Saving Certificates*	230	23000.00	230	23000.00
Other non-current investment				
Silver bar	16.445Kg	304783.00	16.445Kg	304783.00
Total		150860114.34		93117697.67
Particulars	Book value (₹)	Market value (₹)**	Book value (₹)	Market value (₹)**
Aggregate value of:				
Quoted investments	10207331.34	2037925.80	14714914.67	175653189.2
Unquoted investments	140325000.00	N.A.	78075000.00	N.A.

(*) stands in the name of one of the directors

** The market value of quoted investments is based on the Bombay Stock Exchange quotations as on 31.03.2012 or nearest traded date, wherever available. The market value of shares, for which the quotations of the Bombay Stock Exchange were not available, has been considered as nil.

75000 equity shares of Suryajyoti Spinning Mills Limited, were given as security to VSB Investment Private Limited, towards margin for trading in shares and securities.

Note 11: Long term loans and advances

Unsecured, considered good				
Security deposit		30000.00		30000.00
Advance tax (net of provision for tax)		0.00		216280.71
Advance for investment				
To a company in which two directors of the company are members and director	575000.00		575000.00	
Others	2000000.00		2000000.00	
Total		2575000.00		2575000.00
Total		2605000.00		2821280.71

Note 12: Other non current assets

Minimum alternate tax credit entitlement	13510073.00	11911533.00
Fixed deposits with banks with maturity period more than 12 months.	0.00	273025.00
Total	13510073.00	12184558.00

Particulars	As at 31.03.2012	As at 31.03.2011
Note 13: Inventories		
Stock-in- trade- Shares	28044442.06	69439972.75
Total	<u>28044442.06</u>	<u>69439972.75</u>
Details of Stock -in- trade- Shares(Face value of ₹ 10/- each):		
538913 (P.Y 569318) equity shares of Gini Silk Mills Ltd	21529574.35	28266638.70
1200(P.Y 1200) equity shares of Jayavant Products Limited	28560.00	23640.00
75(P.Y Nil) equity shares of J.Kumar Infra Project Ltd	11205.61	0.00
616733 (P.Y 829933) equity shares of Pankaj Polymers Limited (PPOL)	4175282.41	12366001.70
271522 (P.Y Nil) equity shares of Pankaj Polypack Limited (PPL)*	2299551.67	0.00
18(P.Y 18) equity shares of Reliable Ventures India Limited	268.02	320.40
Nil (P.Y 66051) equity shares of Suryalakhmi Cotton Mills Limited	0.00	5558191.65
Nil (P.Y 1000) equity shares of Krypton Industries limited	0.00	16550.00
Nil (P.Y 43794) equity shares of ARSS Infrastructure Products Limited	0.00	23208630.30
Total	<u>28044442.06</u>	<u>69439972.75</u>
* allotted as per scheme of demerger of PPOL in the ratio of 12:5, accordingly, the carrying cost of PPL shares has been adjusted.		
Note 14: Trade receivables		
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they are due for payments	0.00	0.00
Other debts		
Due from a company in which a director of the company is member and director	342194.75	0.00
Others	<u>0.00</u>	<u>4308759.46</u>
Total	<u>342194.75</u>	<u>4308759.46</u>
Note 15: Cash and bank balances		
Cash and cash equivalents		
Balances with banks		
In a Current account	3280345.96	19012533.84
In a Unpaid dividend account*	149272.00	82001.00
Cash in hand	53969.00	455062.00
Other bank balances		
Fixed deposits with banks with maturity period more than 3 months but upto 12 months.	24524.00	0.00
Fixed deposits with banks with maturity period more than 12 months.	0.00	273025.00
Less: Fixed deposits with banks with maturity period more than 12 months transferred to "Other Non Current Assets", refer note 12)	0.00	273025.00
Total	<u>3508110.96</u>	<u>19549596.84</u>
* Earmarked against the corresponding provision.		
Note 16: Short term loans and advances		
Unsecured, considered good		
Loans and advances to related parties		
Office Deposits (refer note 26)	30000000.00	30000000.00
Loan to Subsidiary company (refer note 26)	11000000.00	13500000.00
Others		
Intercorporate loans		
To the companies in which director(s) is(are) member(s) and director(s)	13250000.00	14908300
Others	<u>22204752.13</u>	<u>19570221.13</u>
Prepaid expenses	35454752.13	34478521.13
Advance to employees	23171.00	4005.00
Other receivables	5000.00	0.00
	0.00	300000.00
Total	<u>76482923.13</u>	<u>78282526.13</u>
Note 17: Other current assets		
Interest Accrued on fixed deposits	20201.03	30972.96
Interest Accrued on National saving certificate	2197.00	2031.00
Total	<u>22398.03</u>	<u>33003.96</u>

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Note 18: Revenue from operations		
Sale of Shares	210939597.73	368770349.67
Profit (loss) on sale of Shares transaction - intra-day	(10510503.88)	(6432036.77)
Profit (loss) on Shares transactions- F & O	(84541731.89)	(1972272.68)
Other operating revenues		
Dividend	983392.75	1690071.50
Commission	50250000.00	0.00
	51233392.75	1690071.50
Total	167120754.71	362056111.72
Note 19: Other income		
Interest		
on fixed deposits	590.43	230453.06
on National saving certificate	2197.00	2031
on Loans	149479.00	0.00
	152266.43	232484.06
Net gain on sale of Non-current investments	90380770.97	46740515.20
Total	90533037.40	46972999.26
Note 20: Changes in inventories		
Opening stocks:		
Stock in Trade - Shares	69439972.75	55081347.14
Less: Closing stocks:		
Stock in Trade - Shares	28044442.06	69439972.75
Total	41395530.69	(14358625.61)
Note 21: Employee benefit expenses		
Salaries and Wages	639741.00	505247.00
Contribution to Provident Fund and other funds	49961.00	42459.00
Staff Welfare Expenses	57482.00	41842.00
Total	747184.00	589548.00
Note 22: Finance cost		
Interest paid on loan	5204031.00	1531398.00
Interest on late payment of taxes	193775.00	166036.70
Total	5397806.00	1697434.70
Note 23: Other expenses		
Advertisement and publicity	113713.00	105866.00
Auditors' remuneration (refer note 25)	308842.00	308842.00
Bank charges	430.90	25.00
Commission and brokerage	158938.00	247494.00
Communication expenses	192168.00	134613.00
Demat charges	145176.36	227768.19
Donation	631100.00	399600.00
General expenses	60650.07	100856.62
Insurance	917.00	39781.00
Legal and professional charges	146807.00	131593.84
Membership and Subscription	0.00	51000.00
Miscellaneous Expenditure written off	0.00	34625.58
Printing and stationery	81565.00	246827.00
Prior Period Exp.	1086.00	0.00
Rates and taxes	41721.00	31306.00
Repairs and maintenance	17473.00	12495.00
Securities Transaction Tax	1691804.00	2140275.79
Share Trading Expenses	8612485.38	4680025.97
Travelling and conveyance	80966.00	63110.00
Total	12285842.71	8956104.99
Note 24 : Earning per equity share		
Net profit (loss) after tax	UNIT	
	₹	6299287.15
Weighted average number of shares used in computing basic earnings per share	Numbers	4725000
Face value of equity shares	₹	10
Basic earnings per share	₹	1.33
Diluted earnings per share	₹	1.33
		46975072.31
		4725000
		10
		9.94
		9.94

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Note 25: Payment to Auditors (including service tax)		
Statutory audit under the Companies Act 1956	193025.00	193025.00
Tax Audit under the Income Tax Act 1961	33090.00	33090.00
Taxation matters	8272.50	60665.00
Certifications	30334.50	22062.00
Others	44120.00	0.00
	308842.00	308842.00

Note 26 : Related party disclosures

Related party disclosures as required by Accounting Standard (AS) -18 "Related Party Disclosures", notified by Companies (Accounting Standards) Rules, 2006(as amended) are given below:

I) Names of related parties and description of relationships

- a) Subsidiary Company
Sukartik Clothing Private Limited
- b) Associate Company
Bhuta Investment Private Limited

II) Transactions during the year and balances outstanding as at year end with the related parties are as follows:

Particulars	Volume of Transactions		Balances as on	
	2011-12	2010-11	31.03.2012	31.03.2011
Current liabilities				
Short term borrowings				
Unsecured Loans:				
Bhuta Investment Private Limited	58100000.00	0.00	8350000.00	0.00
Non current assets				
Non-current investments				
Unquoted: Investments in fully paid equity instruments:				
Sukartik Clothing Private Limited	0.00	16700000.00	16700000.00	16700000.00
Bhuta Investment Private Limited	0.00	0.00	12000000.00	12000000.00
Current assets				
Short term loans and advances				
Office Deposit				
Bhuta Investment Private Limited	0.00	30000000.00	30000000.00	30000000.00
Intercompany loans				
Sukartik Clothing Private Limited	1000000.00	54500000.00	11000000.00	13500000.00

Sub note: Related party relationship is identified by the Company and relied upon by the auditors.

Note 27: The company has provided gratuity payable to its employees at full value without ascertaining the present value of future payment of gratuity as the Payment of Gratuity Act, 1972 is, in view of number of employees, not applicable to the company. The company has recognised as an expense, the short term benefits to its employees such as bonus, leave encashment etc.

Note 28: The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities:

- (i) Loans & Advances, involving an amount of ₹ 15058300/- (year end outstanding ₹ 13250000/-) given by the company during the year, are in contravention of provisions of Section 295 of the Act;
- (ii) Contracts of purchase and sale of shares and securities, amounting to ₹ 86213380/- and ₹ 49049060/- respectively entered into by the company at arm length prices during the year, are in contravention of provisions of section 297 of the Act;

Note 29 : During the year the Company has taken office premises on leave and license basis. The same is not non-cancellable and for a period of 11 months and renewable at the mutual consent at mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with agreed terms. No rentals are payable on such lease

Note 30: During the year ended 31st March, 2012 the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

As per our attached report of even date
For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants
Firm registration No. 100156W

For and on behalf of board

Anuja Dedhia
Partner
Membership no. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Mumbai
Dated: 03rd September 2012

Mumbai
Dated: 03rd September 2012

AUDITORS' REPORT

TO,
THE BOARD OF DIRECTORS,
GARNET INTERNATIONAL LIMITED

1. We have audited the attached Consolidated Balance Sheet of M/s. **GARNET INTERNATIONAL LIMITED** (hereinafter referred to as "the company") and its subsidiary M/s. Sukartik Clothing Private Limited (hereinafter referred to as "the subsidiary"), collectively referred to as "the group", as at 31st March 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the group for the year ended on that date, annexed thereto, which we have signed under reference to this report. The Consolidated Financial Statements include investment in an associate M/s. Bhuta Investment Private Limited (hereinafter referred to as "the associate") accounted on the equity method in accordance with Accounting Standard 23 (Accounting for Investments in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006. These consolidated financial statements are the responsibility of the company's management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) and Accounting Standard 23 (Accounting for Investment in Associates in Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
4. As stated in note 31 on consolidated financial statements, the basis of charging depreciation by the associate is not similar to the method of charging depreciation by the group.

The possible impact, of not following the similar method, as followed by the group, of charging depreciation by the associate, on the company's share of profit/(loss) in the associate, considered in the consolidated Profit and Loss Account and carrying cost of investment in the associate, cannot be commented upon.

5. As stated in note 32 on the consolidated financial statements:
 - (i) *Loans & Advances, involving an amount of ₹ 15,58,300/- , (year end outstanding ₹1,32,500,00/-) given by the company during the year under review, are in contravention of provisions of Section 295 of the Act;*
 - (ii) *Contracts of purchase and sale of shares, amounting to ₹ 8,62,13,380/- and ₹ 4,90,49,060/- respectively entered in to by the company during the year, are in contravention of provisions of section 297 of the Act;*

The possible impact of these non-compliances, in the event of condonation requests are not granted, has not been determined or recognized in the consolidated financial statements.

6. As stated in note 33 on consolidated financial statements, *the subsidiary company has, during the year, not made provision for gratuity as per Accounting Standard-15, the financial impact of the same, as given in the said note, is not ascertainable and therefore cannot be commented upon .*
7. based on our audit and on consideration of the separate audit reports on individual financial statements and other financial information of the entities referred to in paragraph 1 above, and to the best of our information and according to the explanations given to us, in our opinion, *subject to our comments in paragraphs 4, 5 and 6 above and the consequential impact thereof which are not quantifiable*, the aforesaid Consolidated Financial Statements,

read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31st March, 2012;
- ii) in the case of the Consolidated Statement of Profit and Loss , of the profit of the group for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the year ended on that date.

For and on behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

Place: Mumbai
Date: 3rd September 2012

Anuja Dedhia
Partner
Membership No. 123589

GARNET INTERNATIONAL LIMITED
Consolidated Balance Sheet as at 31st March 2012

(Amount in ₹)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	47250000.00	47250000.00
Reserves and surplus	3	<u>174483493.11</u>	<u>169152014.35</u>
		221733493.11	216402014.35
Minority Interest			
		21772536.15	21954485.01
Non-current liabilities			
Long Term Borrowing	4	116175.59	0.00
Deferred tax liabilities (net)	5	<u>1805487.00</u>	<u>288828.00</u>
		1921662.59	288828.00
Current liabilities			
Short term borrowings	6	20769140.00	70235000.00
Trade payables	7	47855579.51	1715269.47
Other current liabilities	8	2630897.50	1790062.70
Short term provisions	9	<u>2179564.75</u>	<u>5585271.82</u>
		73435181.76	79325603.99
TOTAL		<u>318862873.62</u>	<u>317970931.36</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	10	56910040.57	57999031.45
Intangible assets	10	<u>34723.75</u>	<u>0.01</u>
		56944764.32	57999031.46
Deferred tax assets (net)	11	0.00	906590.00
Non-current investments	12	129892304.66	72385080.28
Long term loans and advances	13	3082351.13	3253470.71
Other non current assets	14	<u>13826163.00</u>	<u>12198511.00</u>
		203745583.11	146742683.44
Current assets			
Inventories	15	33053574.78	73241488.68
Trade receivables	16	10829941.40	6025716.46
Cash and bank balances	17	4218551.06	24119128.71
Short term loans and advances	18	66958812.95	67740683.30
Other current assets	19	<u>56410.32</u>	<u>101230.77</u>
		115117290.51	171228247.92
TOTAL		<u>318862873.62</u>	<u>317970931.36</u>
Contingent Liabilities and Commitments			
(To the extent not provided for)			
General information			
Significant accounting policies	38		
See accompanying notes to financial statements			

As per our attached report of even date

For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants
Firm registration No. 100156W

For and on behalf of the board

Anuja Dedhia
Partner
Membership no. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place: Mumbai
Dated: 3rd September 2012

Place: Mumbai
Dated: 3rd September 2012

GARNET INTERNATIONAL LIMITED

Consolidated Statement of Profit and Loss for the year ended 31st March 2012

(Amount in ₹)

Particulars	Note No.	For the year ended 31.03.2012	For the year ended 31.03.2011
Gross revenue from operations	20	214944316.09	363382120.16
Less: Excise Duty		(1144190.00)	0.00
Net revenue from operations		213800126.09	363382120.16
Other income	21	90641412.74	47400488.89
Total Revenue		304441538.83	410782609.05
Expenses:			
Cost of materials consumed	22	17,798,244.99	639705.83
Purchases of stock-in-Trade	23	191100763.25	361897548.91
Changes in inventories	24	39834441.02	(14540297.61)
Employee benefit expenses	25	3769197.00	860670.00
Finance cost	26	5426613.16	1697434.70
Depreciation and amortisation expenses	10	4517693.58	791025.72
Other expenses	27	33372615.64	9497954.44
Total expenses		295819568.64	360844041.97
Profit before Tax		8621970.19	49938567.08
Tax expenses			
Current tax		2165525.00	10107400.00
Deferred tax		2423249.00	(156514.00)
MAT credit entitlement		(1900677.00)	(7257036.00)
Tax adjustment for earlier years		0.00	(705062.95)
		2688097.00	1988787.05
Profit after tax before share of result of associates and minority interest		5933873.19	47949780.03
Add/(Less): Minority Interest		181948.86	(485331.64)
Add/(Less): Share in Profit (Loss) of an Associate for the year		(235192.29)	(137325.73)
for earlier year		0.00	(514859.01)
		(53243.43)	(1137516.39)
Profit after tax for the year		5880629.76	46812263.64
Earning per equity share	28		
Basic and Diluted		1.24	9.91
General information	1		
Significant accounting policies	38		
See accompanying notes to financial statements			

As per our attached report of even date

For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants
Firm registration No. 100156W

For and on behalf of the board

Anuja Dedhia
Partner
Membership no. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place: Mumbai
Dated: 3rd September 2012

Place: Mumbai
Dated: 3rd September 2012

GARNET INTERNATIONAL LIMITED
Consolidated Cash Flow Statement For The Year Ended 31st March, 2012

(Amount in ₹)

(A) CASH FLOW FROM OPERATING ACTIVITIES	For the year ended 31.03.2012	For the year ended 31.03.2011
Net Profit before Tax and Extraordinary Items	8621970.19	50104266.77
Adjustment for		
Depreciation	4517693.58	791025.71
Miscellaneous Expenditure written off	0.00	34625.58
Loss / (Profit) on sale of Fixed Assets	0.00	0.00
Loss / (Profit) on sale of Investments	(79870267.09)	(40308478.43)
Investment Income		0.00
- Interest	(260641.77)	(659973.69)
- Dividend	(983392.75)	(1690071.50)
Interest Expenses	5617307.16	1697097.70
Operating Profit before Working Capital changes	(62357330.68)	9968492.14
Adjustment for		
- Trade and other Receivables	(1190509.14)	(34784695.70)
- Inventories	40187913.89	(18148492.53)
- Trade Payables	46896795.27	3256701.94
Cash generated from operations	23536869.35	(39707994.16)
Advance Tax & TDS	(1246584.49)	(19758763.25)
Cash flow before Extraordinary Items	22290284.86	(59466757.40)
Extraordinary Items	0.00	0.00
NET CASH FROM OPERATING ACTIVITIES	22290284.86	(59466757.40)
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Sale/(Purchase) of Investments (Net)	(57742416.67)	(50535932.03)
Purchase of Fixed Assets	(3463426.45)	(45562797.63)
Loan (given) / Refund	0.00	0.00
Sale of Fixed Assets	0.00	0.00
Interest / Other income	260641.77	659973.69
Profit / (Loss) on sale of Investments	79870267.09	40308478.43
Dividend received	983392.75	1690071.50
Proceeds from / Payment for Deposits	0.00	0.00
NET CASH USED IN INVESTING ACTIVITIES	19908458.49	(53440206.04)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	0.00	1510000.00
Premium on Share Capital	0.00	40690000.00
Share Application Money	0.00	(7500000.00)
Miscellaneous Expenditure	0.00	0.00
Proceeds from Long Term Borrowings	280000.00	0.00
Repayment of Long Term Borrowings	(71153.84)	0.00
Increase (decrease) in unsecured loans	0.00	13535000.00
Proceeds from Short Term Borrowings	20534140.00	70000000.00
Repayment of Short Term Borrowings	(72500000.00)	0.00
Changes in Working Capital Borrowings from Banks	0.00	0.00
Interest Paid	(5617307.16)	(1697097.70)
Dividend paid	(4725000.00)	(4725000.00)
NET CASH FROM FINANCING ACTIVITIES	(62099321.00)	111812902.31
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(19900577.65)	(1094061.14)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	24119128.71	25213189.85
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	4218551.06	24119128.71

Notes to cash flow statement:

1. All figures in brackets are outflow.
2. Previous year's figures have been regrouped wherever necessary.

As per our attached report of even date

For and behalf of
R.S.AGRAWAL & ASSOCIATES
Chartered Accountants
(Registration no. 100156W)

For and on behalf of the Board

Anuja Dedhia
Partner
Membership No. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Dated: 3rd September 2012

Place : Mumbai
Dated: 3rd September 2012

Note 1: General information:

I The Consolidated Financial Statements relate to Garnet International Limited and its subsidiary Sukartik Clothing Private Limited. The Consolidated Financial Statements have been prepared in accordance with the Accounting Standard 21 "Consolidated Financial Statements" and Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as notified under the Companies (Accounting Standards) Rules, 2006. The Consolidated financial Statements have been prepared on the following basis:

A Investment in Subsidiary:

- i) The Financial Statements of the Company and its subsidiary company have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra group balances, intra group transactions and unrealized profits or losses have been fully eliminated.
- ii) The difference between the costs of investment in the subsidiary and the Company's share of equity at the time of acquisition of shares in the subsidiary is recognized in the financial statements as Goodwill or Capital Reserve.
- iii) There is, during the year, no disposal of investment in the subsidiary.
- iv) Minority interest in the net assets of consolidated subsidiary consists of:
 - (a) the amount of equity attributable to minorities at the date on which investment in subsidiary is made; and
 - (b) the minorities' share of movements in equity since the date the parent subsidiary relationship comes into existence.
- v) The subsidiary, (mentioned below) along with Garnet International Limited, the parent, constitutes the group, considered in the presentation of these Consolidated Financial Statements.
- vi) The details of subsidiary:
 - Sukartik Clothing Private Limited ("the subsidiary")
 - Country of incorporation: India
 - Proportion of ownership interest as at 31st March 2012 is 50.21% (P.Y. 50.21%).
 - Financial statement is drawn up to 31st March 2012

B Investment in Associate:

- Bhuta Investment Private Limited ("the associate")
- Country of incorporation - India
- Percentage of ownership interest as at 31st March 2012 is 32.43% (PY 32.43%)
- Financial statement is drawn up to 31st March 2012.

II Significant Accounting Policies and Notes to these Consolidated Financial Statements are intended to serve as a means of informative disclosure and a guide to better understanding the consolidated positions of the Companies. Recognising this purpose, the Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures.

Particulars	(Amount in ₹)			
	As at 31.03.2012		As at 31.03.2011	
Note 2: Share capital				
	Numbers	Amount(₹)	Numbers	Amount(₹)
Authorised:				
Equity Shares of ₹10/- each	7500000	75000000	7500000	75000000
Total		<u>75000000.00</u>		<u>75000000.00</u>
Issued, subscribed and paid-up :				
Equity Shares of ₹10/- each fully paid	4725000	47250000	4725000	47250000
Total		<u>47250000.00</u>		<u>47250000.00</u>

2.a During the current year and in the previous year, there have been no movements in the numbers of equity shares outstanding.

2.b The equity shares of the Company have rights and restrictions as prescribed under law, in particular the Companies Act, 1956.

2.c Shareholders holding more than 5% of the share capital at the end of the year:

Name of shareholders	Numbers	% of Holding	Numbers	% of Holding
Shri Ramakant Gaggar	908743	19.23	899981	19.05
Evergreen Infotech & Datacom Private limited	500778	10.60	512754	10.85
Smt. Indra Gaggar	458921	9.71	458921	9.71
Shri Suresh Gaggar	342206	7.24	342206	7.24

Note 3: Reserves and surplus

Securities premium				
At the beginning of the year and at the end of year		139000000.00		139000000.00
Capital Reserve on consolidation				
At the beginning of the year and at the end of year		4948062.98		4948062.98
Surplus in Statement of Profit and loss :				
Balance at the beginning of the year	25203951.37		(16098548.27)	
Add (less): Profit (loss) after tax for the year	5880629.76		46812263.64	
Less:				
Proposed dividend for the year [Dividend per share ₹ 0.10 (P.Y. ₹ 1.00)]	472500.00		472500.00	
Provision for tax on proposed dividend for the year	76651.00		784764.00	
		<u>30535430.13</u>		<u>25203951.37</u>
Total		<u>174483493.11</u>		<u>169152014.35</u>

Particulars	As at 31.03.2012	As at 31.03.2011
Note 4: Long term borrowings		
Secured Loan		
Vehicle loan from HDFC bank	116175.59	0.00
Total	<u>116175.59</u>	<u>0.00</u>
(a) Nature of security : Hypothecation of the vehicle financed by the bank.		
(b) Terms of Repayment : 35 EMIs commencing from June 2011 of ₹ 9688/- each (outstanding EMI'S 25).		
(c) Current maturities of Principal amount out of EMIs has been grouped under "Other Current Liabilities" refer note 8.		
Note 5: Deferred tax liabilities (Net)		
Deferred Tax Liabilities on account of :		
Depreciation	1863030.00	328510.00
Deferred Tax Assets on account of :		
Business Losses	39682.00	39682.00
Gratuity	17861.00	0.00
Total	<u>1805487.00</u>	<u>288828.00</u>
Note 6: Short term borrowings		
Secured Loans :		
Intercompany Loans/ Deposits*	0.00	70000000.00
Unsecured Loans:		
Loans repayable on demand from:		
Associate Company (refer note 30)	8350000.00	0.00
Others Companies	<u>12419140.00</u>	<u>235000.00</u>
Total	<u>20769140.00</u>	<u>235000.00</u>
* Nature of security:	<u>20769140.00</u>	<u>70235000.00</u>
Secured by way of Pledge of 325000 Equity Shares of ₹ 10/- each of ARSS Infrastructure Projects Ltd held by company as investment.		
Note 7: Trade payables		
Micro and small enterprises*	0.00	0.00
Others	47855579.51	1715269.47
Total	<u>47855579.51</u>	<u>1715269.47</u>
* As per the information available with the Company in response to the enquiries from all existing suppliers with whom Company deals, none of the suppliers are registered as micro and small enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006 as at 31st March 2012.		
Note 8: Other current liabilities		
Current maturities of a long-term debt	92670.57	0.00
Unpaid dividends*	149272.00	82001.00
Overdrawn Bank balance	846558.93	0.00
Creditors for capital expenditure	149715.00	1204260.11
Payables to Employees	601937.00	211025.00
Advance from Customers	161542.00	100000.00
Statutory liabilities	254928.00	177536.00
Accrued expenses	374274.00	15240.59
Total	<u>2630897.50</u>	<u>1790062.70</u>
* There is no outstanding dues to be paid to Investor Education and Protection Fund.		
Note 9: Short term provisions		
Provision for employees benefits (Gratuity) (refer note 34)	57804.00	49483.00
Provision for taxation (net of taxes paid)	1572609.75	26024.82
Provision for proposed dividend	472500.00	4725000.00
Provision for tax on proposed dividend	76651.00	784764.00
Total	<u>2179564.75</u>	<u>5585271.82</u>

Note 10: Fixed assets

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 31.03.2011	Addition during the year	Sold / Transfer during the year	As at 31.03.2012	Total up to 31.03.2011	Provided for the year	Written back during the year	Total up to 31.03.2012	Total as at 31.03.2012	Total as at 31.03.2011
Tangible assets										
Land	3088090.00	0.00	0.00	3088090.00	0.00	0.00	0.00	0.00	3088090.00	3088090.00
Office Premises	4350600.00	0.00	0.00	4350600.00	0.00	0.00	0.00	0.00	4350600.00	4350600.00
Office Equipments	2478763.05	968105.00	0.00	3446868.05	710882.30	209264.73	0.00	920147.03	2526721.02	1767880.75
Factory Building	1042601.00	0.00	0.00	1042601.00	103382.58	16994.40	0.00	120376.97	922224.03	939218.42
Plant And Machinery	7661442.16	925800.00	0.00	8587242.16	133761.84	274499.35	0.00	408261.19	8178980.97	7527680.32
Furniture And Fixtures	31447433.00	1329108.45	0.00	32776541.45	271323.61	3346794.32	0.00	3618117.93	29158423.52	31176109.39
Electric Equipment	192500.00	0.00	0.00	192500.00	148573.18	13609.75	0.00	162182.93	30317.07	43926.82
Computers	998660.30	45396.00	0.00	1044056.30	526658.25	41412.51	0.00	568070.77	475985.54	472002.05
Vehicles	5360384.93	5803.00	0.00	5366187.93	686236.28	523531.25	0.00	1209767.54	4156420.39	4674148.64
Intangible assets										
Computer Software	3481275.00	50000.00	0.00	3531275.00	3481274.99	0.01	0.00	3481275.00	50000.00	0.01
Goodwill arise on consolidation	3380432.65	0.00	0.00	3380432.65	0.00	0.00	0.00	0.00	3380432.65	3380432.65
Total as at 31.03.2012	63482182.09	3324212.45	0.00	66806394.54	6062093.04	4426106.32	0.00	10488199.36	56318195.18	57420089.06
Total as at 31.03.2011	15196763.81	48943230.28	0.00	67520426.75	5349936.92	1046739.08	255713.37	6140962.64		

Particulars	As at 31.03.2012	As at 31.03.2011
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Note 11: Deferred tax assets (Net)

Deferred Tax Assets:
Depreciation

	0.00	906590.00
Total	0.00	906590.00

Note 12: Non-current investments

Other than trade (at cost):

Quoted: Investments in fully paid equity instruments:

ARSS Infrastructure Projects Limited having face value of ₹ 10/-
Ambitious Plastomac Company Limited having face value of ₹ 10/-
Suryajyoti Spinning Mills Limited having face value of ₹ 10/-#
Vakrangee Software Limited having face value of ₹ 10/-

	Numbers	Amount(₹)	Numbers	Amount(₹)
ARSS Infrastructure Projects Limited having face value of ₹ 10/-	0.00	0.00	325697	4507583.33
Ambitious Plastomac Company Limited having face value of ₹ 10/-	206400.00	6147550.00	206400	6147550.00
Suryajyoti Spinning Mills Limited having face value of ₹ 10/-#	75000.00	4053828.95	75000	4053828.95
Vakrangee Software Limited having face value of ₹ 10/-	36.00	5952.39	36	5952.39

Unquoted: Investments in fully paid equity instruments:

a) Investment in an Associate Company: (refer note 30)

Bhuta Investment Private Limited having face value of ₹100/-

60000.00 7732190.32 60000 7967382.61

c) Investment in other Companies:

T.N.R Infrastructures Limited having face value of ₹10/- @

1435000.00 107625000.00 605000 45375000.00

Reliable Smart City Private Limited having face value of ₹10/-

400000.00 4000000.00 400000 4000000.00

Investments in Government securities

National Saving Certificates*

230.00 23000.00 230 23000.00

Other non-current investment

Investment in Silver bar

16.445Kg 304783.00 16.445Kg 304783.00

Total **129892304.66** **72385080.28**

Particulars

Aggregate value of:

Quoted investments

Unquoted investments

	Book value (₹)	Market value (₹)**	Book value (₹)	Market value (₹)**
Quoted investments	10207331.34	2037925.80	14714914.67	175653189.15
Unquoted investments	119357190.32	N.A.	57342382.61	N.A.

(*) stands in the name of one of the directors

** The market value of quoted investments is based on the Bombay Stock Exchange quotations as on 31.03.2012 or nearest traded date, wherever

available. The market value of shares, for which the quotations of the Bombay Stock Exchange were not available, has been considered as nil.

75000 equity shares of Suryajyoti Spinning Mills Limited, were given as security to VSB Investment Private Limited, towards margin for trading in shares and securities.

@Particulars of investment in Associate company:

Name of the Associate :

Bhuta Investment Private limited

Particulars

As at 31.03.2012

As at 31.03.2011

No. of Equity Shares held :

60000

60000

% of holding :

32.43%

32.43%

Original cost of Investment :

12000000.00

12000000.00

Amount of Goodwill in original cost :

3380432.65

3380432.65

Share in accumulated Profit/ (Loss) / Reserves :

(652184.74)

(514859.01)

Share in current year Profit/(Loss) :

(235192.29)

(137325.73)

Carrying amount of Investment :

7732190.32

7967382.61

GARNET INTERNATIONAL LIMITED

Notes on Consolidated Financial Statements for the Year ended 31st March 2012

Particulars	(Amount in ₹)	
	As at 31.03.2012	As at 31.03.2011
Note 13: Long term loans and advances		
Unsecured, considered good		
Security deposits	360250.00	374250.00
Advance tax (net of provision for tax)	59161.13	216280.71
Advance for capital goods	87940.00	87940.00
Advance for investment		
To a company in which two directors of the company are members and directors	575000.00	575000.00
Others	2000000.00	2000000.00
	<u>2575000.00</u>	<u>2575000.00</u>
Total	<u>3082351.13</u>	<u>3253470.71</u>
Note 14: Other non current assets		
Minimum alternate tax credit entitlement	13826163.00	11925486.00
Fixed deposits with banks with maturity period more than 12 months.	0.00	273025.00
Total	<u>13826163.00</u>	<u>12198511.00</u>
Note 15: Inventories		
Raw Materials	3042209.15	3378330.17
Work in progress	1508250.00	0.00
Finished goods	60985.97	97805.22
Stock-in trade:		
Shares and securities	28044442.06	69439972.75
Fabrics	179220.67	93000.00
	<u>28223662.73</u>	<u>69532972.75</u>
Consumables	218466.94	232380.54
Total	<u>33053574.78</u>	<u>73241488.68</u>
Details of Raw Materials:		
Yarn	1989265.13	232380.54
Dyes & Cemics	1052944.01	552516.31
	<u>3042209.15</u>	<u>784896.85</u>
Details of work in progress:		
Garments	1508250.00	0.00
Details of Finished goods:		
Garments	60985.97	97805.22
Details of Stock-in trade:		
Shares and securities (Face value of ₹ 10/- each):		
538913 (P.Y 569318) equity shares of Gini Silk Mills Ltd	21529574.35	28266638.70
1200(P.Y 1200) equity shares of Jayavant Products Limited	28560.00	23640.00
75(P.Y Nil) equity shares of J.Kumar Infra Project Ltd	11205.61	0.00
616733 (P.Y 829933) equity shares of Pankaj Polymers Limited (PPOL)	4175282.41	12366001.70
271522 (P.Y Nil) equity shares of Pankaj Polypack Limited (PPL)*	2299551.67	0.00
18(P.Y 18) equity shares of Reliable Ventures India Limited	268.02	320.40
Nil (P.Y 66051) equity shares of Suryalakhsmi Cotton Mills Limited	0.00	5558191.65
Nil (P.Y 1000) equity shares of Krypton Industries limited	0.00	16550.00
Nil (P.Y 43794) equity shares of ARSS Infrastructure Products Limited	0.00	23208630.30
Fabric	179220.67	93000.00
* allotted as per scheme of demerger of PPOL in the ratio of 12:5, accordingly, the carrying cost of PPL shares has been adjusted.		
Note 16: Trade receivables		
Unsecured, considered good		
Debts outstanding for a period exceeding six months from the date they are due for payments	419090.00	0.00
Other debts		
Due from a company in which a director of the company is member and director	342194.75	0.00
Others	10068656.65	6,025,716.46
	<u>10410851.40</u>	<u>6025716.46</u>
Total	<u>10829941.40</u>	<u>6025716.46</u>

Particulars	(Amount in ₹)	
	As at 31.03.2012	As at 31.03.2011
Note 17: Cash and bank balances		
Cash and cash equivalents:		
Balances with banks		
In Current accounts	3286557.98	19050237.26
Unpaid dividends*	149272.00	82001.00
Cash in hand	541894.45	1508362.45
Other bank balances:		
Fixed deposits with banks with maturity period more than 3 months but upto 12 months.	240826.63	3478528.00
Fixed deposits with banks with maturity period more than 12 months.	0.00	273025.00
Less: Fixed deposits with banks with maturity period more than 12 months transferred to "Other Non Current Assets", refer note 14)	0.00	273025.00
Total	<u>4218551.06</u>	<u>24119128.71</u>
* Earmarked against the corresponding provision.		
Note 18: Short term loans and advances		
Unsecured, considered good		
Loans and advances to related parties		
Office Deposits (refer note 30)	30000000.00	30000000.00
Others		
Intercorporate loans		
To the companies in which director(s) is(are) member(s) and director(s)	13250000.00	14908300
Others	<u>22204752.13</u>	<u>19570221.13</u>
	35454752.13	34478521.13
Advance to suppliers	11470.00	671056.00
Prepaid expenses	217163.00	193063.00
Advance to employees	10000.00	0.00
Vat credit receivable	1262004.94	1364507.39
Other receivables	3422.88	1033535.78
Total	<u>66958812.95</u>	<u>67740683.30</u>
Note 19: Other current assets		
Interest Accrued on fixed deposits	23886.32	80065.77
Interest Accrued on National saving certificate	2197.00	2031.00
Interest Accrued on security deposit	30327.00	19134.00
	<u>56410.32</u>	<u>101230.77</u>

GARNET INTERNATIONAL LIMITED
Notes on Consolidated Financial Statements for the Year ended 31st March 2012

(Amount in ₹)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Note 20: Revenue from operations		
Sales :		
Shares and securities	210939597.73	368770349.67
Garments	<u>25552244.20</u>	<u>525712.52</u>
	236491841.93	369296062.19
Profit (loss) on sale of Shares transaction - intra-day	(10510503.88)	(6432036.77)
Profit (loss) on Shares transactions- F & O	(84541731.89)	(1972272.68)
Services:		
Job work charges	22271317.18	800295.92
Other Operating revenues		
Dividend	983392.75	1690071.50
Commission	<u>50250000.00</u>	<u>0.00</u>
	51233392.75	1690071.50
Total	<u><u>214944316.09</u></u>	<u><u>363382120.16</u></u>

Note 21: Other income

Interest		
on fixed deposits	75268.77	634024.69
on National saving certificate	2197.00	2031
on Loans	149479.00	0.00
on security deposits	<u>33697.00</u>	<u>23918.00</u>
	260641.77	659973.69
Net gain on sale of Non-current investments	90380770.97	46740515.20
Total	<u><u>90641412.74</u></u>	<u><u>47400488.89</u></u>

Note 22: Cost of materials consumed

Opening stocks:				
Raw material				
Yarn	2825813.86		11649.00	
Dyes & Chemicals	<u>552516.31</u>		<u>0.00</u>	
	3378330.17		11649.00	
Add : Cost of purchases				
Raw materials				
Yarn	2821692.49		3052817.22	
Dyes & Chemicals	<u>14640431.47</u>		<u>953569.78</u>	
	17462123.96		4006387.00	
Less: Closing stock				
Raw material				
Yarn	1989265.13		2825813.86	
Dyes & Chemicals	<u>1052944.01</u>		<u>552516.31</u>	
	3042209.15		3378330.17	
Total	<u><u>17798244.99</u></u>		<u><u>639705.83</u></u>	
Imported and Indigenous Raw materials consumed:		% of total		% of total
Imported	Consumption in ₹	consumption	Consumption in ₹	consumption
Indigenous	613100.49	3.44%	180048.07	28.15%
	17185144.50	96.56%	459657.76	71.85%
	<u>17798244.99</u>	<u>100.00%</u>	<u>639705.83</u>	<u>100.00%</u>

Note 23: Purchases of stock-in-Trade

Fabric	305640.00	93000.00
Shares and securities	190795123.25	361804548.91
	<u>191100763.25</u>	<u>361897548.91</u>

Note 24: Changes in inventories

Opening stocks:		
Finished goods	97805.22	0.00
Stock in Trade :		
Shares and Securities	69439972.75	55081347.14
Fabrics	<u>93000.00</u>	<u>0.00</u>
	69532972.75	55081347.14
Work in progress	0.00	0.00
Less: Closing stocks:		
Finished goods	60985.97	97805.22
Stock in Trade :		

GARNET INTERNATIONAL LIMITED

Notes on Consolidated Financial Statements for the Year ended 31st March 2012

(Amount in ₹)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011	
Shares and Securities	28044442.06	69439972.75	
Fabrics	179220.67	93000.00	
Work in progress	1508250.00	0.00	
Add/(Less): Variation in excise duty on opening and closing stock of finished goods	3438.24	(9133.22)	
Total	39834441.02	(14540297.61)	
Note 25: Employee benefit expenses			
Salaries and Wages	2934958.00	747492.00	
Contribution to Provident Fund and other funds	566064.00	42459.00	
Staff Welfare Expenses	268175.00	70719.00	
Total	3769197.00	860670.00	
Note 26: Finance cost			
Interest paid on loan	5229757.16	1531398.00	
Interest on late payment of taxes	193775.00	166036.70	
Other borrowing cost	3081.00	0.00	
Total	5426613.16	1697434.70	
Note 27: Other expenses			
Manufacturing Expenses			
Job Charges	5321107.60	0.00	
Power and Fuel	4823313.53	226049.81	
Stentering Charges	216315.00	0.00	
Tubler & Compaction Exp.	96146.00	0.00	
Dyeing Charges	223497.59	0.00	
Packing Expenses	658903.55	16815.00	
Fabrication Charges	192177.00	0.00	
Husk and Ash Lifting Charges	79800.00	0.00	
Stores and Spares Consumed*	6758446.30	66300.79	
Insurance	149436.00	7957.00	
Repairs & Maintenance(Machinery)	436969.96	0.00	
Compaction Charges	46827.00	0.00	
Shortage Exp.	5234.00	0.00	
	19008173.53	317122.60	
Administration and other expenses			
Brokerage and Commission	396116.00	247494.00	
Communication Expenses	359232.98	158384.59	
Demat charges	145176.36	227768.19	
Advertisement and publicity	113713.00	105866.00	
Securities Transaction Tax	1691804.00	2140275.79	
Share Trading Expenses	8612485.38	4680025.97	
Legal and Professional Charges	215018.00	131593.84	
Auditors' remuneration (refer note 29)	413675.00	330902.00	
Insurance	917.00	39781.00	
General expenses	60650.07	100856.62	
Prior Period Exp.	1086.00	0.00	
Miscellaneous Expenditure written off	0.00	34625.58	
Donation	646100.00	401700.00	
Bank Commission / Charges	761.80	25.00	
Membership and Subscription	82224.00	51000.00	
Miscellaneous Expenses	411608.06	18418.00	
Printing and Stationery	165164.00	254513.00	
Rates and taxes	41721.00	69881.00	
Repairs & Maintenance	271712.00	15196.00	
Transportation Charges	168453.15	106646.26	
Travelling and Conveyance	560074.80	65879.00	
	14357692.60	9180831.84	
Net foreign exchange loss(gain)	6749.51	0.00	
Total	33372615.64	9497954.44	
* All stores and spares consumed are indigios in nature.			
Note 28 : Earning per equity share			
Net profit (loss) after tax	Unit ₹	5880629.76	46812263.64
Weighted average number of shares used in computing basic earnings per share	Numbers	4725000	4725000
Face value of equity shares	₹	10	10
Basic and diluted earnings per share	₹	1.24	9.91

GARNET INTERNATIONAL LIMITED

Notes on Consolidated Financial Statements for the Year ended 31st March 2012

(Amount in ₹)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
Note 29: Payment to Auditors (including service tax)		
Statutory audit under the Companies Act 1956	237969.00	209570.00
Tax Audit under the Income Tax Act 1961	55561.00	33090.00
Taxation matters	19508.50	66180.00
Certifications	30334.50	22062.00
Out of pocket expenses	9637.00	0.00
Others	60665.00	0.00
	<u>413675.00</u>	<u>330902.00</u>

Note 30 : Related party disclosures

Related party disclosures as required by Accounting Standard (AS) -18 "Related Party Disclosures", notified by Companies (Accounting Standards) Rules, 2006(as amended) are given below:

- I) Names of related parties and description of relationships
Associate Company
Bhuta Investment Private Limited
- II) Transactions during the year and balances outstanding as at year end with the related parties are as follows:

Particulars	Volume of Transactions		Balances as on	
	2011-12	2010-11	31.03.2012	31.03.2011
Current liabilities				
Short term borrowings				
Unsecured Loans:				
Bhuta Investment Private Limited	58100000.00	0.00	8350000.00	0.00
Non current assets				
Non-current investments				
Unquoted: Investments in fully paid equity instruments:				
Bhuta Investment Private Limited	0.00	0.00	12000000.00	12000000.00
Current assets				
Short term loans and advances				
Office Deposit				
Bhuta Investment Private Limited	0.00	30000000.00	30000000.00	30000000.00

Sub note: Related party relationship is identified by the Company and relied upon by the auditors.

Note 31: The associate concern charges the depreciation on fixed assets on Written Down Value Method, whereas the group charges the depreciation on fixed assets on Straight Line Method.

Note 32 : The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities:

- (i) Loans & Advances, involving an amount of ₹ 15,58,300/- (year end outstanding ₹ 1,32,50,000/- given by the company during the year under review, are in contravention of provisions of Section 295 of the Act; and
- (ii) Contracts of purchase and sale of shares, amounting to ₹ 8,62,13,380/- and ₹ 4,90,49,060/- respectively entered in to by the company during the year, are in contravention of provisions of section 297 of the Act;

Note 33 :

- (a) In case of Subsidiary Company: No provision has been made for accrued liability in respect of gratuity payable to employees, as the company is in the process of taking actuarial valuation certificate for present value of future liabilities.
- (b) The company has provided gratuity payable to its employees at full value without ascertaining the present value of future payment of gratuity as the Payment of Gratuity Act, 1972 is, in view of number of employees, not applicable to the company. The company

Note 34: Contingent liabilities (to the extent not provided for)

	Amount(₹)	
	As at 31.03.2012	As at 31.03.2011
Undertakings given by the subsidiary company under EPCG Scheme, pending fulfillment of export obligation	1143839.00	1143839.00

Note 35 : During the year the Company has taken office premises on leave and license basis. The same is not non-cancellable and for a period of 11 months and renewable at the mutual consent at mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with agreed terms. No rentals are payable on such lease

Note 36 : Segment information

Primary segment Disclosure - Business segment

Particulars	Shares and Securities		Textile		Consolidated Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
(i) Segment Revenue						
Operating income	257501525.68	408796626.92	46679371.38	1326008.44	304180897.06	410122635.36
Less: Inter-segment revenue	0.00	0.00	0.00	0.00	0.00	0.00
Net revenue from operations	257501525.68	408796626.92	46679371.38	1326008.44	304180897.06	410122635.36
(ii) Result						
Segment Results	11705690.72	51326001.99	2082250.86	(349973.91)	13787941.58	50976028.08
Less: Unallocated corporate expenses					0.00	0.00
Operating Profit					13787941.58	50976028.08
Less: Interest expense (Net)					5165971.39	1037461.01
Profit before Tax					8621970.19	49938567.08
Provision for Taxation (Net)						
Current Tax					2165525.00	10107400.00
MAT Credit Entitlement					(1900677.00)	(7257036.00)
Deferred Tax					2423249.00	(156514.00)
Adjustment for earlier years					0.00	(705062.95)
Profit for the year before Minority Interests					2688097.00	1988787.05
					5933873.19	47949780.03
(iii) Other Information						
Segment Assets	255390406.32	257658680.30	64241522.07	59841565.09	319631928.39	317500245.39
Unallocated Common Assets					0.00	0.00
Total Assets					319631928.39	317500245.39
Segment Liabilities	63915454.51	76169372.97	8063293.09	3130206.20	71978747.60	79299579.17
Unallocated Common Liabilities					0.00	0.00
Total Liabilities					71978747.60	79299579.17
Capital Expenditure	8900.00	5368327.00	3315312.45	3454526.45	3324212.45	5368327.00
Depreciation and Amortisation	572154.31	479048.64	3945539.28	311977.08	4517693.58	479048.64
Non-cash expenses other than depreciation	0.00	34625.58	0.00	0.00	0.00	34625.58

Secondary Segment Disclosure - Geographical segment

	Domestic		Overseas		Total	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Revenue from Customers	304180897.06	410122635.36	0.00	0.00	304180897.06	410122635.36

Foot notes:

1 Business Segment :

The group has considered business segments as the primary segment for disclosure. The segments have been identified taking into account the organisational structure as well as the differing risks and returns of these segments. Shares and Securities Segment comprises of income from share trading, intra-day transaction, investments and dividend. Textile Segment comprises of sales of garments and dyeing done on job work basis.

2 Secondary Segment :

The geographical segments are considered for disclosure as secondary segment. Domestic segment includes sales to customers located in India and income accrued in India. Overseas segment includes sales to customers located outside India and income derived from outside India.

3 Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

Note: 37 Previous year figures:

During the year ended 31st March, 2012 the Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

Note: 38 Significant accounting policies:

1. SYSTEM OF ACCOUNTING

- (i) The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the provisions of the Companies Act 1956 following the mercantile system of accounting and recognising income and expenditure on accrual basis.
- (ii) The preparation of financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognised in the period in which the results are known or materialised.

2. PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS

- i) The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the applicable Accounting Standards notified under Section 211(3c) of the Companies Act, 1956 and the relevant provisions thereof.
- ii) All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956.
- iii) Based on the nature of activity and the time between acquisition of assets and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

3. TANGIBLE AND INTANGIBLE ASSETS

- i) Tangible fixed assets are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.
- ii) Intangible fixed asset comprising software licenses are stated at cost of acquisition including any cost attributable bringing the asset to its working condition, less accumulated amortisation. Any expenses on such software licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

4. CAPITAL WORK IN PROGRESS

The cost incurred for fixed assets, the construction of which is not completed, are included under "capital work-in-progress" and the same are classified and added to the respective assets on the completion.

5. INVESTMENTS

- i) Investments are classified into Non Current and Current Investments.
- ii) Non Current investments are being valued at cost of acquisition. Provision is made to recognize a decline, other than temporary, in the carrying amount of long term investments.
- iii) Current investments are being valued at cost or market value whichever is lower.

6. VALUATION OF STOCK OF SHARES AND SECURITIES AND INVENTORIES

- i) Shares and securities held as "stock-in-trade" are valued at cost or net realizable value whichever is lower and on FIFO basis.
- ii) Valuation of inventories is exclusive of taxes or duties incurred and on FIFO basis except otherwise stated.
- iii) Raw materials and Work in progress are being valued at cost or net realisable value whichever is lower.

- iv) Stores, spares and tools are being valued at weighted average cost.
- v) Goods in transit, if any, are stated at actual cost up to the date of the Balance Sheet.
- vi) Finished stocks are being valued at direct cost or net realisable values whichever is lower.

7. DEPRECIATION

- i) No depreciation is provided for leasehold land and freehold land.
- ii) Depreciation on fixed assets is being provided on "Straight line method basis" at the rates specified in Scheduled XIV to the Act.
- iii) Depreciation in respect of addition to fixed assets is provided on pro-rata basis from the month in which such assets are acquired/ installed/started commercial production.
- iv) Depreciation on fixed assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, discarded or demolished.

8. REVENUE RECOGNITION

- i) Incomes from investments, where appropriate, are taken into revenue in full on declaration or receipt and tax deducted at source thereon is treated as advance tax.
- ii) Sale of Goods is recognized on transfer of significant risks and rewards of ownership which is on the dispatch of goods.
- iii) Sales are stated net of discount, claims, and shortage. Commission, brokerage and incentives on sales, wherever applicable, have been separately recognized as an expense.
- iv) Incomes from job charges are recognized as and when the services are rendered.
- v) Interest income is accounted on accrual basis.

9. PRIOR PERIOD EXPENSES/INCOME

The group follows the practice of making adjustments through "prior period items" in respect of all material transaction pertaining to the period prior to current accounting period/year.

10. MISCELLANEOUS EXPENDITURE

Miscellaneous expenditure, such as preliminary expenditure and share issue expenditure is amortized over a period of 5 years, as the case may be, from the financial year in which it is incurred.

11. EMPLOYEE BENEFITS

- a) Employees' benefit under defined contribution plan such as contribution to provident fund and employees' benefits under defined benefit plan for leave encashment are charged off at the undiscounted amount in the year in which the related service provided.
- b) Post employment benefits under defined benefit plan such as gratuity are charged off in the year in which the employee has rendered services at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain and/or losses in respect of post employment benefits are charged to profit and loss account or capitalised in case of new projects are taken up by the company.

12. BORROWING COSTS

The group capitalizes interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset or a new unit, the group uses the interest rates applicable to that specific borrowing as the capitalization rate. Capitalization of borrowing costs ceases when all the

activities necessary to prepare the fixed assets for their intended use are substantially complete. Other borrowing costs are charged to Profit and Loss Account.

13. TREATMENT OF CONTINGENT LIABILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of Income Tax, Sales Tax, excise, customs and other proceeding etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advances till the final disposal of the matter.

14. SEGMENT REPORTING

The accounting policies adopted for segment reporting are in line with the accounting policies of the group. Segments have been identified in line with the Accounting Standard - 17, taking into account the organisational structure as well as the differing risks and returns. The business segment is disclosed as primary segment.

15. CONTINGENT LAIBILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of central excise, customs, income tax and other proceeding etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advance till the final disposal of the matters.

16. EXCISE DUTY

- a) CENVAT credit available as per the provisions of the Excise Rules on raw material, packing material, etc purchased, is accounted for by reducing the cost of the respective items.
- b) Excise duty payable on finished goods lying at the factory premises at the close of the year is provided in the books as per the Excise Rules.
- c) CENVAT credit available as per the provisions of the Excise Rules on capital goods is accounted for by reducing the cost of capital goods.

17. TRANSACTION IN FOREIGN CURRENCIES :

a) Initial Reorganisation:

Transactions denominated in foreign currencies are recorded by applying the exchange rates prevailing at the date of the transactions.

b) Conversion:

Monetary items denominated in foreign currencies remaining unsettled at the end of the year, are restated using the closing rates.

c) Exchange Difference:

The exchange difference arising on the settlement of monetary items or on reporting unsettled monetary items at the rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or as expenses in the year in which they arise.

In case the monetary items are covered by the forward exchange contracts, the difference between the yearend exchange rate and the exchange rate at the date of the inception of the forward exchange contract is recognised as exchange difference.

d) Forward Exchange Contracts:

In case of transactions covered by forward exchange contracts, which are not intended for trading or speculation purposes, the premium/discount represented by difference between the exchange rate at the date of the inception of the forward exchange contract and forward rate specified in the contract is amortised as expense or income over the life of the contract.

Exchange differences on such contracts are recognised in the statement of profit and loss account in the year in which the exchange rate changes.

Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

- In case of transactions covered by forward exchange contracts, which are intended for trading or speculation purposes, the premium/discount is ignored and at each balance sheet date, the value of the contract is marked to its market value and gain/loss on the contract is recognised.

e) Non-monetary foreign currency items such as investments are carried at cost.

18. TAXES ON INCOME:

Income tax expense comprises of Current Tax and Deferred Tax charge or credit. Provision for current tax is made on the assessable income at the rate applicable for the relevant assessment year. The Deferred Tax Assets and Deferred Tax Liability are calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets, arising mainly on account of unabsorbed depreciation and losses under tax laws, are recognized, only if there is a virtual certainty of its realization, supported by convincing evidence. Deferred Tax Assets on account of other timing differences are recognized, only to the extent there is a reasonable certainty of its realization. At each balance sheet date the carrying amount of deferred tax assets are reviewed to reassure realization.

19. IMPAIRMENT LOSS

Impairment loss is provided to the extent the carrying amount(s) of assets exceed their recoverable amount(s). Recoverable amount is the higher of an assets net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in an arm length transaction between knowledgeable, willing parties, less the cost of disposal.

As per our attached report of even date

For and on behalf of the board

For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants
Firm registration No. 100156W

Anuja Dedhia
Partner
Membership no. 123589

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place: Mumbai
Dated: 3rd September 2012

Place: Mumbai
Dated: 3rd September 2012

Details of Subsidiary Company U/S 212(8)

Name of the Subsidiary	Capital (a)	Reserves and Surplus (b)	Total Assets (c)	Total Liabilities (d)	Details of Investments (e)	Turnover (f)	Profit before Taxation (g)	Provision for Taxation (h)	Profit after Taxation (i)	Proposed Dividend (j)
Sukartik Clothing Private Limited	2410000.00	41316510.11	64300683.20	64300683.20	0.00	47823561.38	2161819.04	(2527233.00)	(365413.96)	0.00

Foot note:

Pursuant to circular number 2/2011 dated 8th February, 2011 of the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Accounts and other documents of the subsidiary companies are not required to be attached with the Balance Sheet of the company. Any member desirous of the same may write to the Company.

Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary company

Name of the Subsidiary	Number of shares in the subsidiary company held by Garnet International Limited at the financial year ending date		The net aggregate of profits/(losses) if the subsidiary company so far as they	
	Equity	Extent of holding	For the current financial year Dealt with in the Not dealt with in the	For the previous financial years Dealt with in the Not dealt with in the
Sukartik Clothing Private Limited	121000	50.21	For the current financial year Dealt with in the Not dealt with in the accounts of Garnet International Limited for the year ended 31st March 2012	For the previous financial years Dealt with in the Not dealt with in the accounts of Garnet International Limited for the year ended 31st March 2011
		%	₹	₹

GARNET INTERNATIONAL LIMITED

PROXY FORM

Registered Office: 901, Raheja Chambers, Nariman Point, Mumbai - 400 021

I / We _____
of _____
being a Shareholder/Shareholders of **GARNET INTERNATIONAL LIMITED** hereby appoint _____ of _____
of failing him/her _____
of _____
as my/our Proxy to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on _____ day the ____ day of _____, 2012 at _____ a.m./p.m. and at any adjournment thereof.

Signed on this _____ day of _____ 2012

Signature of Shareholder _____

Note:

The Proxy form duly completed and signed must be deposited at the Registered Office of the Company at _____ not less than 48 hours before the time for holding the Meeting.

Affix
Rs. 1.00
Revenue
Stamp

Name _____ Address _____
_____ Regd. Folio. No. _____ No. of Shares held _____
Client I.D. No. _____ DP. ID. No. _____

GARNET INTERNATIONAL LIMITED

ATTENDANCE SLIP

Registered Office: : 901, Raheja Chambers, Nariman Point, Mumbai - 400 021

I/We hereby record my/our presence at the thirteenth Annual General Meeting of the Company at _____ on _____ day, the _____ day of _____, 2012 at _____ a.m/p.m.

Name _____ Address _____
_____ Regd.Folio. No. _____ No. of Shares held _____
Client ID. No. _____ DP. ID. No. _____

Name of Proxy/Representative, if any _____
Signature of the Shareholder(s)/Proxy/Representative _____