

GARNET INTERNATIONAL LIMITED

32ND ANNUAL REPORT 2013-2014

GARNET INTERNATIONAL LTD.

BOARD OF DIRECTORS

MR. DINESH NANDWANA
MR. DEVEN MEHTA
MR. SURESH GAGGAR
MR. SHARAD RATHI
MR. RAMAKANT GAGGAR

BANK

HDFC BANK LIMITED

AUDITORS

M/S. MVK ASSOCIATES

REGISTERED OFFICE

901, RAHEJA CHAMBERS
NARIMAN POINT
MUMBAI – 400 021

| Contents | Page No. |
|--|-----------------|
| Notice | 3 |
| Directors Report | 10 |
| Analysis Report | 13 |
| Corporate Governance | 14 |
| Auditors Certificate | 23 |
| Auditors Report | 24 |
| Annexure | 26 |
| Balance Sheet – Garnet International Ltd | 29 |
| Notes on Account | 33 |
| Balance Sheet – Consolidated | 41 |
| Notes on Account | 50 |

NOTICE

NOTICE IS HEREBY GIVEN THAT the Thirty Second Annual General Meeting of Garnet International Limited will be held on Tuesday, 30th September, 2014 at 11: 00AM at 901, Raheja Chambers, Nariman Point, Mumbai - 400 021 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Statement of Accounts for the year ended 31st March 2014 and Balance Sheet as on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ramakant Gaggar (Din No- 01019838) who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, M/s. MVK Associates, Chartered Accountants (ICAI Firm Registration No. 120222W), the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the Thirty Sixth AGM of the Company to be held in the year 2018 (subject to ratification of their appointment at every AGM), to examine and audit the accounts of the Company, on such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors plus reimbursement of service tax, travelling and out-of pocket expenses.”

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-

“RESOLVED THAT Mr. Dinesh Nandwana (holding DIN 00062532), a non-executive Independent Director of the Company appointed pursuant to the provisions of the Companies Act, 1956 and acting as an Independent Director in accordance with the clause 49 of the Listing Agreement entered into with the Stock Exchange and whose term of office is liable to retirement by rotation and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act is eligible for appointment and in respect of whom the Company has received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation, for the term of five (5) consecutive years up to 31st March, 2019 pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the rules made thereunder.”

5. To consider and if thought fit, to pass, with or without modification (s) the following as an ordinary resolution:

“RESOLVED THAT Mr. Sharad Rathi (holding DIN 00437174), a non-executive Independent Director of the Company appointed pursuant to the provisions of the Companies Act, 1956 and acting as an Independent Director in accordance with the clause 49 of the Listing Agreement entered into with the Stock Exchange and whose term of office is liable to retirement by rotation and who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act is eligible for appointment and in respect of whom the Company has received a notice in writing proposing his

candidature for the office of director, be and is hereby appointed as an Independent Director of the Company, not liable to retirement by rotation, for the term of five (5) consecutive years up to 31st March, 2019 pursuant to the provisions of Section 149, 152 read with Schedule IV and other applicable provisions of the Companies Act, 2013 and the rules made thereunder.”

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

“RESOLVED that in supersession of all the earlier Resolutions Passed in the General Meetings and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) for borrowing from time to time any sum or sums of money, together with the money already borrowed by the Company (apart from temporary Loans obtained or to be obtained from the Company’s Bankers in the ordinary course of business) upto Rs. 100,00,00,000/- (Rupees One Hundred Crore only) over and above the aggregate of the paid up capital and free reserves of the Company.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution.”

7. To consider and if thought fit to pass with or without modification(s) the following Resolution as Special Resolution:

“RESOLVED THAT in supersession of the earlier Resolution passed by the Company at the General Meeting and pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013, as amended from time to time, consent of the Company be and is hereby given to the Board of Directors of the Company (“the Board”) to create such mortgage, charges and hypothecations in addition to the existing mortgages, charges and hypothecations created by the Company, on such movable and immovable assets and properties of the Company, both present and future and in such manner as the Board may deem fit, in favour of all or any Banks, financial institutions, investment institutions and their subsidiaries, any other bodies corporate and any other lenders (hereinafter collectively referred to as “the lending agencies”) and/or Trustees for the holders of debentures/bonds/other instruments to secure borrowings of the Company by way of loans/issue of debentures/bonds/ other instruments which may be issued for a sum not exceeding Rs. 100,00,00,000/- (Rupees One Hundred Crore only) over and above the aggregate of the paid up capital of the Company and its free reserves, which have been/are proposed to be obtained from or privately placed with lending agencies together with interest thereon at the agreed rates, further interest, liquidated damages, premium on prepayment or on redemption, costs, charges, expenses and all other monies payable by the Company to the Trustees under the Trust Deeds and/or to the lending agencies under their respective agreements/loan agreements/Debenture Trust Deeds entered into/to be entered into by the Company in respect of the said borrowings.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise with the lending agencies/trustees or any of them, the documents for creating the mortgages/charges/ hypothecations and to accept or make any alterations/changes/variations to or in the terms and conditions and to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary for the purpose of giving effect to this resolution.

By order of the Board

Place: Mumbai
Dated: 2nd September 2014

SURESH GAGGAR
MANAGING DIRECTOR
DIN No. 00599561

NOTES

1. The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (the Act), in regard to the business as set out in Item Nos 4 & 5 above and the relevant details of the Directors seeking re-appointment/appointment under Item Nos. 4 and 5 above as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, are annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued on behalf of the nominating organisation. Members are requested to note that a person can act as a proxy on behalf of Members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
3. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting (AGM) are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote in their behalf at the Meeting.
4. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. The Register of Members and the Transfer Books of the Company will remain closed from 24th September 2014 to 30th September 2014, both days inclusive.
6. Members holding shares in physical form and who have not registered their email IDs, are requested to register the same with Linkintime (RTA).
7. The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.
8. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with Linkintime (RTA).
9. Members may note that the Annual Report 2014, Notice of the AGM and instructions for e-voting will be available on the Company's website www.garnetint.com. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Members who require the above document(s) in physical form in addition to communication via e-mail or having any other queries, may write to us at info@garnetint.com.
10. All the documents referred to in the accompanying Notice and the Statement pursuant to Section 102(1) of the Companies Act, 2013, will be available for inspection at the Registered Office of the Company during Business Hours (9.30 a.m. to 5 p.m.) on all working days upto the date of declaration of the result of the AGM of the Company.

11. Register of Directors and Key Managerial Personnel and their shareholding, maintained u/s. 170 of the Companies Act, 2013 will be available for inspection by the members at the AGM.
12. The Register of Contracts or arrangements in which the Directors are interested, maintained u/s.189 of the Companies Act, 2013, will be available for inspection by the Members at the AGM.
13. **Voting through electronic means (e-voting):** Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 read with Clause 35B of the listing agreements, your Company is pleased to provide e-voting facility to the members to exercise their right to vote at the said AGM electronically on all the resolutions set forth in the Notice convening the 27th AGM. Instructions relating to e-voting facility forms has been provided below.
14. **Poll at the meeting :** After all the agenda items have been discussed, the Chairman will order Poll in respect of all the items. Poll will be conducted and supervised under Scrutinizers to be appointed for the purpose. After conclusion of the Poll, the Chairman may declare the meeting as closed. The Results of the Poll aggregated with the Results of e-voting will be announced by the Company on its website www.garnetint.com, and also informed to the Stock Exchanges.
15. **Instructions for Members for voting electronically (e voting) are as under:-**
 - a) Log on to the e-voting website www.evotingindia.com
 - b) Click on "Shareholders" tab.
 - c) Now, select "Garnet International Limited" from the drop down menu and click on "SUBMIT."
 - d) Now enter your User ID (For CDSL: 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID). Members holding shares in physical form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and Click on Login.
 - e) If you are holding shares in electronic form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
 - f) For Shareholders holding shares in physical form and first time users holding shares in electronic form, the steps given below are to be followed:

| | |
|---|---|
| PAN | <p>Enter your 10 digit alpha-numeric PAN issued by Income Tax Department</p> <p><input type="checkbox"/> Members who have not updated their PAN with the Company/DP are requested to use the first two letters of their name in CAPITAL followed by the last 8 digits of their demat account number/Folio No., as the case may be, in the PAN field.</p> <p><input type="checkbox"/> In case the Folio No. is less than 8 digits enter the applicable number of 0s before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Mukesh Jain and Folio No. is 1 then enter MU00000001 in the PAN field</p> |
| Date of Birth or Date of Incorporation OR Bank Account Number | <p>Enter the Date of Birth as recorded in your demat account or in the Company's records for the said demat account in dd/mm/yyyy format or enter Folio No.</p> <p style="text-align: center;">OR</p> <p>Enter the Bank Account Number as recorded in your demat account or in the Company's records for the said demat account or Folio No.</p> <p>Please enter any one of the details in order to login. In case both the details are not recorded with the Depository or the Company, please enter the number of shares held in the Bank Account Number field.</p> |

- g) After entering these details appropriately, click on "SUBMIT" tab.
- h) For Members holding shares in physical form, the login details can be used only for e-voting on the resolutions contained in this Notice. On logging in, Members holding shares in physical form will be directed to the Company selection screen.
- i) Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the electronic holders for voting on resolutions of other companies, as well, on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- j) Click on the EVSN for Garnet International Limited.
- k) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO, as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- l) Click on the "Resolutions File" Link if you wish to view the entire Notice.
- m) After selecting the Resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- n) Once you "CONFIRM" your vote on the Resolution, you will not be allowed to modify your vote
- o) You can also take a print of the voting done by you.
- p) If an electronic account holder has forgotten the set password, then he has a 'Forgot password' option to reset the password.

q) Note for Institutional Shareholders:

- Institutional shareholders (i.e. other than Individuals, HUFs, NRIs etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details, they have to create a compliance user using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the Scrutinizer to verify the same.

- r) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help section or write an email to helpdesk.evoting@cdslindia.com.

Other Instructions:

- a) The e-voting period commences on Wednesday, 24th September, 2014 (9.00 a.m. IST) and ends on Friday 26th September 2014 (6.00 p.m. IST). During this period, Members of the Company, holding shares either in physical form or in electronic form, as on 19th September 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast and confirmed by the Member, he shall not be allowed to change it subsequently.
- b) The voting rights of Members shall be in proportion to the shares held by them in the paid up equity share capital of the Company as on 19th September 2014.
- c) Ms. Suman Sureka of M/s. Suman Sureka and Associates, Practicing Company Secretary (Membership No. FCS 6842), has been appointed as the Scrutinizer to conduct the e-voting process in a fair and transparent manner.
- d) The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of atleast two witnesses not in the employment of the Company and submit a Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the Chairman of the Company.
- e) The results declared alongwith the Scrutinizer's Report shall be placed on the Company's website www.garnetint.com and on the website of CDSL www.evoting.cdsl.com within two days of the passing of the resolutions at the AGM of the Company on 29th September 2014 and communicated to BSE Limited where the shares of the Company are listed

By order of the Board

Place: Mumbai
Dated: 2nd September 2014

SURESH GAGGAR
MANAGING DIRECTOR
DIN No. 00599561

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**Item No. 4 & 5**

The concept of appointment of Independent Directors has been introduced for the first time under the provisions of Companies Act, 2013 and was made effective from 1st April, 2014. However, your Company being a listed Company, by virtue of clause 49 of the Listing Agreement with Stock exchanges, was required to appoint requisite number of Independent Directors on the Board of Directors ("the Board") of the Company. Accordingly, Mr. Dinesh Nandwana and Mr. Sharad Rathi, Directors of the Company, whose appointment has already been approved by the Board and Members of the Company, are acting as Independent Directors in compliance with the listing requirement at the commencement of the Companies Act, 2013. However their terms are subject to liable by retirement by rotation as per erstwhile Companies Act, 1956.

Section 149 of the Companies Act, 2013 inter-alia provides that every listed public company shall have at least one-third of the total number of directors as Independent Directors and that every company existing on or before the date of commencement of this Act shall, within one year from such commencement or from the date of notification of the rules in this regard as may be applicable; comply with the said requirement.

Further Section 149 of the Companies Act, 2013, inter-alia, provides that an Independent Director shall hold office for a term up to five consecutive years on the Board of a company and their office will not be subject to retirement by rotation. It is further clarified that any tenure of an Independent Director on the date of commencement of this Act shall not be counted as a term of appointment of Independent Directors.

Based on the declaration received from Mr. Dinesh Nandwana and Mr. Sharad Rathi, Directors of the Company in terms of Section 149 (7) of the Companies Act, 2013, the Board is of the opinion that Mr. Dinesh Nandwana and Mr. Sharad Rathi fulfills the criteria of being appointed as Independent Directors as stipulated in Section 149 (6) of the Companies Act, 2013 and other applicable provisions of Companies Act, 2013 and Rules made thereunder and are also independent of the management.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a member along with a deposit of requisite amount proposing the candidature for appointment of aforesaid Directors as Independent Directors.

Details in respect of the aforesaid three Directors are furnished in the Corporate Governance Report. All are eminent personalities in their respective fields. Your Board considers that their continued association with the Company would be of immense benefit to the Company. In view thereof, the Board recommends for approval of the shareholders for the appointment of Mr. Dinesh Nandwana and Mr. Sharad Rathi, Directors of the Company as Independent Directors of the Company pursuant to the provisions of Companies Act, 2013 for a term of five (5) consecutive years upto 31st March, 2019 and to hold office which shall not be liable to determination by retirement of directors by rotation.

Except for Mr Dinesh Nandwana & Mr Sharad Rathi, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 4 & 5.

Item No. 6

Section 180(1)(c) of the Companies Act, 2013 states that the Board of Directors shall not borrow money in excess of the Company's paid up share capital and free reserves, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, except with the consent of the members of the Company accorded by way of a Special Resolution.

The Ministry of Corporate Affairs vide their circular dated 25th March, 2014 has clarified that the resolution passed under Section 293 of the Companies Act, 1956 prior to 12th September, 2013 with respect to borrowings (subject to the limits prescribed) will be valid for a period of one year from the date of notification of Section 180 of the Companies Act, 2013 i.e. upto 11th September, 2014.

It is therefore, necessary for the Company to pass a Special Resolution under Section 180(1)(c) and any other applicable provisions if any, of the Companies Act, 2013, and the rules made thereunder, as set out at Item No.6 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow money up to Rs. 100,00,00,000/- (Rupees One Crore only) in excess of the aggregate of the paid up share capital and free reserves of the Company

None of the Directors and Key Managerial Personnel of the Company and their relatives are in any way concerned or interested in the resolution set out at Item No. 6 of this Notice

Item No. 7

To meet its long-term fund requirements, the Company will be required to borrow monies from various lending agencies from time to time including through issue of debenture/bonds. As security for these borrowings/issue of debentures or bonds, the Company is required to create mortgages/charges on certain movable and immovable properties of the Company as may be required as per the terms of the borrowings/issue of debenture or bonds. In

terms of Section 180 (1)(a) of the Companies Act, 2013, it is necessary for the Company to obtain approval of the members by way of a Special Resolution for creation of mortgage/charge/hypothecation in favour of the lending agencies/debenture trustees.

It is hence proposed that the approval of the members be sought to borrow a sum not exceeding 100,00,00,000/- (Rupees One Crore only) over and above aggregate of the paid-up capital and free reserves of the Company, to comply with Section 180(1)(a) of the Companies Act, 2013. Your Directors recommend the resolution set out in item No.7 of the accompanying Notice.

None of the Directors or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution.

**Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting
(In pursuance of Clause 49 of the Listing Agreement)**

| | | | |
|--|---------------------------------|---------------------|------------------|
| Name of Director | Mr. Ramakant Gaggar | Mr. Dinesh Nandwana | Mr. Sharad Rathi |
| Date of Birth | 01.07.1973 | 06.06.1963 | 06.06.1968 |
| Date of appointment | 24.09.2007 | 01.04.2005 | 21.07.2010 |
| Expertise in Specific Functional Area | Finance and Company Law related | Finance | Finance |
| Qualification | B.Com. | C.A. | C.A. |
| Directorship held in other Companies | 0 | 8 | 0 |
| Committee Positions held in other Companies | 0 | 0 | 0 |
| No of shares held 1. In Person 2.Details of the Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement) | 1029392 | 0 | 0 |

REQUEST TO MEMBERS

- Members are requested to bring their copy of the Annual Report to the Meeting.
- Members who have multiple folios in identical names in the same order are requested to send all the Share Certificates to the Registrar of the Company.

By order of the Board

Place: Mumbai
Dated: 2nd September 2014

SURESH GAGGAR
MANAGING DIRECTOR
DIN No. 00599561

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, 2014.

Financial Results

| Particulars | Amount in Rs | |
|---|---|---|
| | Year ended 31 st March 2014 | Year ended 31 st March 2013 |
| Total Income | 6588610 | 25618410 |
| Profit/(Loss) before Depreciation and Tax | 1137418 | 1512409 |
| Less: Depreciation | 573297 | 572916 |
| Profit/(Loss) before Tax | 564121 | 939492 |
| Less: Provision for Tax | 308637 | 274994 |
| Net Profit /(Loss) after Tax | 255484 | 664498 |

Year under review

During the year under review, your Company registered a total income of Rs. 6588610 as against Rs.25618410 in the previous year. Profit before depreciation and tax stood at Rs.1137418 as against Profit of Rs.1512409 in the previous year. Your company reported net profit of Rs.255484.

Dividend

Your Directors does not recommend any dividend for the financial year ended on 31st March, 2014.

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, 2014 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, 2014 on a going concern basis.

Subsidiary Company

Your Company has a subsidiary company namely Sukartik Clothing Private Limited with a stake of 60.13%. 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

The Board recommends appointment of M/S MVK Associates, Chartered Accountant as Statutory Auditors of the Company for the financial year 2014-15, who have also confirmed that their appointment shall be within limits specified under section 224 (1B) of the Companies Act, 1956.

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: 2nd September 2014

Suresh Gaggar
Director
DIN No. 00599561

Ramakant Gaggar
Director
DIN No. 01019838

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 promise 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.

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 Gaggar | Director | Promoter, Non-Executive; Non Independent | 0 | Nil | Nil |
| Mr. Ramakant Gaggar | Director | Promoter; Non-Executive; Non-Independent | 0 | Nil | Nil |
| Mr. Deven Mehta | Director | Promoter; Non-Executive; Non-Independent | 2 | Nil | Nil |
| Mr. Dinesh Nandwana | Director | Non-Executive; Independent | 8 | 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) Dinesh Nandwana

Mr. Dinesh Nandwana is a member of Institute of Chartered Accountants of India having over 25 years of experience of administration. He is Chairman of Vakrangee Limited, a company pioneer in the e-governance domain and has one of the largest capacities in delivering large scale document and print management solutions.

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 2013-2014, Four Audit Committee Meetings were held on 27th May 2013, 26th July 2013, 29th October 2013, and 22nd January 2014. 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 | 4 |
| Mr. Dinesh Nandwana | Member | 4 |
| Mr. Suresh Gaggar | Member | 4 |

- 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.

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

| Sr. No. | Name of the Company |
|---------|--|
| 1 | Vakrangee Limited |
| 2 | Vakrangee Capital Pvt Ltd |
| 3 | Vakrangee Technologies Limited |
| 4 | Vakrangee Shares & Stock Brokers Pvt Ltd |
| 5 | Vakrangee Multi Commodities Pvt Ltd |
| 6 | Vakrangee IT Solutions Limited |
| 7 | Vakrangee Holdings Pvt Ltd |
| 8 | NJD Biotech Pvt Ltd |
| 9 | Vakrangee Infraprojects Limited |
| 10 | eDoc Vision Infotech Pvt Ltd |
| 11 | Vakrangee Energy Pvt Ltd |
| 12 | Omnis Infra-Power Limited |
| 13 | Omnis Edu-Health Limited |
| 14 | Vakrangee Lacteus and Hortus Limited |
| 15 | Vakrangee Finserve Limited |

Mr. Dinesh Nandwana does not hold any Chairmanship/Membership in committees of other companies.

Mr. Dinesh Nandwana does not have any equity shares in the Company as on 31st March 2014.

ii) **Mr. Sharad Rathi**

Mr. Sharad Rathi is a member of Chartered Accountants of India having over 17 years of varied experience in the field of Merchant Banking, Project Financing, Syndication of Loans, IPO's, PE, Debt Assignment etc...

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

| Sr. No. | Name of the Company |
|---------|--|
| 1 | Blue Square Corporate Services Pvt Ltd |

Mr. Rathi does not hold any Chairmanship/Membership in committees of other companies.

Mr. Rathi does not have any equity shares in the Company as on 31st March 2014

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

During the financial year 2013-2014, 7 Board Meetings were held on 22nd April 2013, 27th May 2013, 29th May 2013, 26th July 2013, 10th October 2013, 29th October 2013, and 22nd January 2014. The last Annual General Meeting of the Company was held on 6th July 2013. 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 | 7 | Yes |
| Mr. Deven Mehta | 7 | Yes |
| Mr. Dinesh Nandwana | 6 | No |
| Mr. Sharad Rathi | 7 | No |
| Mr. Ramakant Gaggar | 7 | Yes |

d) **Code of Conduct**

- (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.
 - xiv) To carry out any other function as may be required to be carried out by the Audit Committee under the Companies Act, 2013 and the rules thereof, the listing agreement and all other applicable laws (including any statutory modification(s) or re-enactment thereof for the time being in force)
- 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. Nomination and Remuneration Committee (formerly known as Remuneration Committee):

This Committee acts as Nomination Committee cum Remuneration committee and was renamed in line with the provisions of the Companies Act, 2013.

- a) Composition of Remuneration Committee and Number of Meetings Attended:

During the Financial year 2013-2014, One Remuneration Committee Meetings were held on 28th May 2013. The composition of the Remuneration Committee and the number of meeting attended were as under:

| Committee Members Attending the Meeting | Designation | No. of Meetings Attended |
|---|-------------------|--------------------------|
| Mr. Deven Mehta | Chairman & Member | 1 |
| Mr. Ramakant Gaggar | Member | 1 |
| Mr. Suresh Gaggar | Member | 1 |

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.

Formulate the criteria for determining qualifications, positives attributes and independence of Director and recommend to the Board a policy, regarding remuneration for the Directors, key managerial personnel and other employees

Formulate criteria for evaluation of Independent Directors and the Board

Devise a policy on Board diversity

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. Stakeholders relationship Committee

The Shareholder's / Investors Grievance Committee of the Company has been renamed as Stakeholders Relationship Committee in line with the wider role to be played by this Committee under Companies Act, 2013

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. Two Meetings of Shareholders' / Investors' Grievance Committee held on 26th July 2013 and 22nd January 2014, during the financial year 2013-2014. 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 | 2 |

| | | |
|---------------------|--------|---|
| Mr. Ramakant Gaggar | Member | 2 |
| Mr. Deven Mehta | Member | 2 |

- b) Mr. Ramakant Gaggar is the Compliance officer of the Company.
- c) During the year 2013-2014, the Company has not received any complaints from shareholders / investors. 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 |
|----------------|----------|-----------|---|
| 2010-11 | 29/09/11 | 11.00 A.M | Raheja Chambers, Nariman Point Mumbai - 400 021 |
| 2011-12 | 29/09/12 | 11.00 A.M | Raheja Chambers, Nariman Point Mumbai - 400 021 |
| 2012-13 | 06/07/13 | 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 |
|----------------|---|
| 2010-11 | Nil |
| 2011-12 | Nil |
| 2012-13 | Fill the Casual Vacancy of Auditor |

- 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 : Tuesday, 30th September 2014 at 11.00 a.m.
- Venue : 901, Raheja Chambers, Nariman Point, Mumbai – 400 021
- Financial Year : 2013-2014
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 : 24th September 2014 to 30th September 2014 (Both days inclusive).
- Dividend payment date : N.A.
- 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 2013 | 93.15 | 60.25 |
| May 2013 | 124.50 | 97.80 |
| June 2013 | 117.00 | 102.65 |
| July 2013 | 107.65 | 98.00 |
| August 2013 | 99.85 | 95.00 |
| September 2013 | 104.25 | 85.80 |
| October 2013 | 81.55 | 77.50 |
| November 2013 | 88.80 | 73.05 |
| December 2013 | 82.50 | 74.00 |
| January 2014 | 88.00 | 70.10 |
| February 2014 | 95.00 | 90.30 |
| March 2014 | 96.00 | 84.50 |

e) 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.

f) Category wise Shareholding as at March 31, 2014:

| Sr. No. | Category | No. of Shares held | % |
|---------|--------------------------|--------------------|----------------|
| 1 | Promoter Group | 3033083 | 48.72% |
| 2 | Non-Resident Indians | 2557 | 0.04% |
| 3 | Private Bodies Corporate | 2151666 | 34.57% |
| 4 | Indian Public | 1033076 | 16.60% |
| 5 | Market Maker | 4618 | 0.07% |
| | Total | 6225000 | 100.00% |

g) Distribution of Shareholding as at March 31, 2014:

| Shareholding of Nominal Value (Rs.) | No. of Shareholders | % of Total | Share Capital Amount (Rs.) | % of Total |
|-------------------------------------|---------------------|-----------------|----------------------------|-----------------|
| 1 - 5,000 | 616 | 71.7113 | 802170 | 1.2886 |
| 5,001 - 10,000 | 81 | 9.4296 | 635280 | 1.0205 |
| 10,001 - 20,000 | 55 | 6.4028 | 790280 | 1.2695 |
| 20,001 - 30,000 | 29 | 3.3760 | 735730 | 1.1819 |
| 30,001 - 40,000 | 7 | 0.8149 | 241640 | 0.3882 |
| 40,001 - 50,000 | 9 | 1.0477 | 433600 | 0.6965 |
| 50,001 - 100,000 | 21 | 2.4447 | 1457120 | 2.3408 |
| 100,001 and above | 41 | 4.7730 | 57154180 | 91.8139 |
| TOTAL | 859 | 100.0000 | 62250000 | 100.0000 |

h) Dematerialisation of Shares and Liquidity:

About 99.86% of the shares have been dematerialized as on March 31, 2014. The equity shares of the Company are traded at Bombay Stock Exchange Ltd. (BSE) and Calcutta Stock Exchange Association Limited (CSE).

i) 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, 2014.

j) Registrar and Share Transfer Agents:

Link Intime India Pvt Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup, Mumbai-400078.

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

l) 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

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange, all Board Members and Senior Management Personnel have affirmed compliance with Garnet International Limited Code of Business Conduct and Ethics for the year ended on 31st March, 2014.

For Garnet International Limited

Suresh Gaggar
Managing Director

Place: Mumbai
Date: 2nd September 2014

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, 2013, 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
MVK ASSOCIATES
Chartered Accountants
Firm Reg. No: 120222W

CA Kapil Gupta
Partner
M. No. 047911

Place: Mumbai
Dated: 2nd September 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of
Garnet International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Garnet International Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"), read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the Statement of Profit and Loss, of the **profit** for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 those books;
 - c. the Balance Sheet, 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 Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013;
 - e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. as stated in note 29 to financial statements,
 - i) Loans & Advances, involving an amount of Rs.82,00,000/- (year end outstanding Rs.55,75,000/-) given during the year under review, are in contravention of provision of section 295 of the Act; and
 - ii) Contracts of purchase and sale of shares amounting to Rs.9,85,320/- and Rs.3,32,820/- respectively entered in to during the year are in contravention of provision of section 297 of the Act;

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

For MVK Associates
Chartered Accountants
Firm Reg. No: 120222W

CA. Kapil Gupta
Partner
Membership No. : 047911

Place : Mumbai
Date : May 29, 2014

Annexure to Independent Auditor's Report

Referred in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements of our report of even date

- 1)
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The Fixed assets have been physically verified by the Management at reasonable intervals. No material discrepancies were noticed on such verification.
 - c) In our opinion, the company has not disposed off substantial part of fixed assets during the year and the going concern status of the company is not affected.
- 2)
 - a) The stock in trade of shares and securities held in physical format has been physically verified and those held in dematerialized form have been verified from the relevant statements received from the depositories by the Management. In our opinion having regard to the nature of stocks, the frequency of verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock of shares and securities followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) In our opinion, the company has maintained proper records of inventory. No material discrepancies have been noticed on physical verification of stocks of shares and securities as compared to book records.
- 3)
 - a) As informed to us, the company has granted unsecured loans to two parties covered in the register maintained under section 301 of the Act. In respect of the said loans, the maximum amount outstanding at any time during the year was Rs. 222 lakhs and the year-end balance is Rs 55.75 Lakhs.
 - b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans given by the Company, are not prima facie prejudicial to the interest of the Company.
 - c) The loan amount is repayable on demand.
 - d) In respect of the said loans, there are no overdue amounts.
 - e) The Company has taken unsecured loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. In respect of the said loans, the maximum amount outstanding at any time during the year was Rs. 3.04 lakhs and the year-end balance is Rs 3.04 Lakhs.
 - f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the loans taken by the Company, are not prima facie prejudicial to the interest of the Company.

- g) The loan amount is repayable on demand.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale securities & services. During the course of audit no major weakness has been noticed in these internal controls.
- 5)
- a) According to the information and explanations given to us, each of the transactions that needed to be entered into the registered maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) According to the information and explanations given to us, each of the transactions in excess of rupees five lakhs in respect of any party during the year have been made at prices, which are reasonable having regard to prevailing market prices at the relevant time.
- 6) In our opinion and according to the information and explanations given to us the company has not accepted any deposits from the public within the meaning of section 58-A and 58-AA of the Act and the rules framed there under. Therefore, the provision of clause (vi) of the Companies (Auditor's Report) Order, 2003(as amended) are not applicable to the company.
- 7) The Company, being a listed company, also company's paid up capital & reserves at the commencement of financial year exceeded Rs. 50 lakhs and with average turnover of last three years exceeding Rs. 5 crores, is required to have an internal audit system, *however, the company during the year, had no such internal audit system.*
- 8) The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the companies Act, 1956 for any of the products of the company.
- 9)
- a) The company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed material statutory dues including Income Tax and other statutory dues and there are no undisputed statutory dues outstanding as at 31st March 2014, for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us and the records of the company examined by us there are no disputed amounts in respect of various statuses which have not been deposited except the following.

| Assessment year to which the amount relates | Amount (Rs.) | Forum where dispute is pending |
|---|---------------|---|
| 2011-12 | 2,98,77,158/- | Commissioner of Income tax (Appeals) |
| 2010-11 | 1,03,78,398/- | |
| 2009-10 | 8,67,878/- | |
| 2008-09 | 27,13,106/- | |
| 2006-07 | 10,94,507/- | |

2005-06

17,31,627/-

- 10) The company have does not have accumulated losses at the end of financial year. The Company has not incurred cash loss during the financial year covered by our audit and also in the immediately preceding financial year.
- 11) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institutions or bank.
- 12) According to the information and explanations given to us and based on the documents and records produced before us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- 13) The Company is not a chit fund or a nidhi mutual benefit/society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) order 2003 are not applicable to the company.
- 14) In our opinion the company has maintained proper records and contracts with respect to its investments where timely entries of transactions are made in order. All investments at the close of the year are held in the name of the company.
- 15) In our opinion the Company has not given any guarantee for loans taken by others from Bank or Financial institutions.
- 16) As the company has not taken any term loan, para 4 (xvi) of the order is not applicable.
- 17) The company has not raised any fund, long term or short term during the year.
- 18) The company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- 19) According to the information and explanations given to us the company has not issued debentures during the year.
- 20) The company has not raised any money through a public issue during the year.
- 21) Based upon the audit procedures performed and information and explanations given to us, we report that no fraud on or by the Company has been noticed during the course of our audit.

For MVK Associates
Chartered Accountants
Firm Reg. No.: 120222W

CA. KAPIL GUPTA
Partner
Membership No. 047911

Place: Mumbai
 Date: May 29, 2014

Balance Sheet as at 31st March 2014

(Amount in Rs.)

| Particulars | Note No. | As at 31.03.2014 | As at 31.03.2013 |
|---|----------|--------------------|--------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2 | 62,250,000 | 62,250,000 |
| Reserves and surplus | 3 | 358,404,317 | 358,130,583 |
| | | 420,654,317 | 420,380,583 |
| Non-current liabilities | | | |
| Deferred tax liabilities (net) | 4 | 284,438 | 323,501 |
| Current liabilities | | | |
| Short term borrowings | 5 | 9,654,870 | 13,491,700 |
| Trade payables | 6 | 394,013 | 366,156 |
| Other current liabilities | 7 | 5,724,889 | 6,624,775 |
| Short term provisions | 8 | 72,692 | 194,312 |
| | | 15,846,463 | 20,676,943 |
| TOTAL | | 436,785,218 | 441,381,027 |
| ASSETS | | | |
| Non current assets | | | |
| Fixed assets | | | |
| Tangible assets | 9 | 3,625,148 | 4,198,445 |
| Intangible assets | 9 | - | - |
| | | 3,625,148 | 4,198,445 |
| Non-current investments | 10 | 365,195,499 | 146,860,114 |
| Long term loans and advances | 11 | 30,000 | 203,105,000 |
| Other non current assets | 12 | 13,510,073 | 13,510,073 |
| | | 382,360,720 | 367,673,632 |
| Current assets | | | |
| Inventories | 13 | 17,754,261 | 17,806,062 |
| Trade receivables | 14 | 668,627 | 873,195 |
| Cash and bank balances | 15 | 268,977 | 545,172 |
| Short term loans and advances | 16 | 33,771,076 | 54,459,934 |
| Other current assets | 17 | 1,961,558 | 23,032 |
| | | 54,424,498 | 73,707,395 |
| TOTAL | | 436,785,218 | 441,381,027 |
| Contingent Liabilities and Commitments (To the extent not provided for) | 25 | | |
| Significant accounting policies See accompanying notes to financial statements | 1 | | |

As per our attached report of even date

For MVK Associates
Chartered Accountants
Firm registration No. 120222W

For and on behalf of the board

CA. Kapil Gupta
Partner
Membership no. 047911

Ramakant Gaggar
Director

Suresh Gaggar
Director

Mumbai
Dated: 29th May 2014

Mumbai
Dated: 29th May 2014

Statement of Profit and Loss for the year ended 31st March 2014

(Amount in Rs.)

| Particulars | Note No. | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
|--|----------|-------------------------------|-------------------------------|
| Revenue from operations | 18 | 6,517,387 | 25,234,559 |
| Other income | 19 | 71,224 | 383,851 |
| Total Revenue | | 6,588,610 | 25,618,410 |
| Expenses: | | | |
| Purchases of Stock-in-Trade | 20 | 3,327,448 | 11,828,129 |
| Changes in inventories | 21 | 51,802 | 10,238,380 |
| Employee benefit expenses | 22 | 827,173 | 705,032 |
| Finance cost | | - | - |
| Depreciation and amortisation expenses | 9 | 573,297 | 572,916 |
| Other expenses | 23 | 1,244,770 | 1,334,461 |
| Total expenses | | 6,024,490 | 24,678,918 |
| Profit before Tax | | 564,121 | 939,492 |
| Tax expenses | | | |
| Current tax | | 347,700 | 246,100 |
| Deferred tax | | (39,063) | 28,894 |
| MAT credit entitlement | | - | - |
| Profit after tax for the period | | 308,637 | 274,994 |
| | | 255,484 | 664,498 |
| Earning per equity share | 24 | | |
| Basic and Diluted | | 0.04 | 0.14 |
| Significant accounting policies | 1 | | |
| See accompanying notes to financial statements | | | |

As per our attached report of even date

For MVK Associates
Chartered Accountants
Firm registration No. 120222W

For and on behalf of the board

CA. Kapil Gupta
Partner
Membership no. 047911

Ramakant Gaggar
Director

Suresh Gaggar
Director

Mumbai
Dated: 29th May 2014

Mumbai
Dated: 29th May 2014

Cash Flow Statement For The Year Ended 31st March, 2014

| | (Amount in Rs.) | |
|--|----------------------|----------------------|
| | 2013-2014 | 2012-2013 |
| (A) CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit before tax and extraordinary items | 564,121 | 939,492 |
| Adjustment for: | | |
| Depreciation | 573,297 | 572,916 |
| Miscellaneous expenditure written off | - | - |
| Loss / (Profit) on sale of Investments | (33,692) | 11,609 |
| Loss / (Profit) on sale of land | - | (5,145,000) |
| Investment Income: | | |
| - Interest | (35,357) | (383,851) |
| - Dividend | (171,914) | (267,020) |
| Interest Expenses | - | - |
| Operating Profit before Working Capital changes | 896,455 | (4,271,853) |
| Adjustment for: | | |
| - Trade and other Receivables | 223,969,424 | (179,008,645) |
| - Inventories | 51,802 | 10,238,380 |
| - Trade & other Payables | (863,088) | (35,777,482) |
| Cash generated from operations | 224,054,593 | (208,819,600) |
| Direct taxes paid | (2,399,536) | (1,764,799) |
| Cash flow before extraordinary Items | 221,655,057 | (210,584,399) |
| Extraordinary Items | - | - |
| NET CASH FROM OPERATING ACTIVITIES | 221,655,057 | (210,584,399) |
| (B) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sale/ (Purchase) of Investments (Net) | (218,335,385) | 4,000,000 |
| Purchase of Fixed Assets | - | (7,050) |
| Sale of Fixed Assets | - | 8,155,000 |
| Interest / Other income | 35,357 | 383,851 |
| Profit / (Loss) on sale of Investments | 33,692 | (11,609) |
| Dividend received | 171,914 | 267,020 |
| Proceeds from / Payment for Deposits | - | - |
| NET CASH USED IN INVESTING ACTIVITIES | (218,094,422) | 12,787,212 |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of Share Capital | - | 15,000,000 |
| Premium on Issue of Share Capital | - | 187,349,189 |
| Repayment of Short Term Borrowings | (3,836,830) | (7,042,440) |
| Dividend paid | - | (472,500) |
| NET CASH FROM FINANCING ACTIVITIES | (3,836,830) | 194,834,249 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (276,195) | (2,962,939) |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | 545,172 | 3,508,111 |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | 268,977 | 545,172 |

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 MVK Associates
Chartered Accountants
Firm registration No. 120222W

For and on behalf of the Board

CA. Kapil Gupta
Partner
Membership no. 047911

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Dated: 29th May 2014

Place : Mumbai
Dated: 29th May 2014

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 32 carrying amount of deferred tax assets are reviewed to reassure realization.

Notes on Financial Statements for the Year ended 31st March 2014

| Particulars | (Amount in Rs.) | | | |
|---|------------------|-------------------|------------------|-------------------|
| | As at 31.03.2014 | | As at 31.03.2013 | |
| Note 2: Share capital | | | | |
| | Numbers | Amount (Rs) | Numbers | Amount (Rs) |
| Authorised: | | | | |
| Equity Shares of Rs. 10/- each | 7,500,000 | 75,000,000 | 7,500,000 | 75,000,000 |
| Total | | <u>75,000,000</u> | | <u>75,000,000</u> |
| Issued, subscribed and paid-up : | | | | |
| Equity Shares of Rs. 10/- each fully paid | 6,225,000 | 62,250,000 | 6,225,000 | 62,250,000 |
| Total | | <u>62,250,000</u> | | <u>62,250,000</u> |

2.a Reconciliation of number of equity shares outstanding at the beginning and at the end of the reporting period :-

| Particulars | Numbers | Amount (Rs) | Numbers | Amount (Rs) |
|--|-----------|-------------|-----------|-------------|
| Outstanding at the beginning of the year | 6,225,000 | 62,250,000 | 4,725,000 | 47,250,000 |
| Issued during the year | - | - | 1,500,000 | 15,000,000 |
| Bought back during the year | - | - | - | - |
| Outstanding at the end of the year | 6,225,000 | 62,250,000 | 6,225,000 | 62,250,000 |

2.b Detailed note on the terms of the rights, preferences and restrictions relating to each class of shares including restrictions on the distribution of dividends and repayment of capital.

- The Company has only one class of Equity Shares having a par value of Rs. 10/- per share. Each holder of Equity Share is entitled to one vote per share.
- In the event of liquidation of the Company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity shares held by the shareholders.

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 | 1,020,064 | 16.39 | 979,079 | 15.73 |
| Evergreen Infotech & Datacom Private limited | 500,778 | 8.04 | 500,778 | 8.04 |
| Smt. Indra Gaggar | 454,921 | 7.31 | 454,921 | 7.31 |
| Shri Suresh Gaggar | 319,206 | 5.13 | 464,206 | 7.46 |
| Navkar Corporation Limited | 1,500,000 | 24.10 | 1,500,000 | 24.10 |

2.d Detailed note on Shares reserved to be issued under option and contracts/ commitments for the sale of shares / divestments including the terms and conditions.

The company does not have any such contracts / commitment as on reporting date.

2.e Detailed terms of any securities convertible into shares, e.g. in the case of convertible warrants, debentures, bonds etc.

The Company does not have any securities convertible into shares as on reporting date.

Note 3: Reserves and surplus

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Securities premium | | | | |
| Balance at the beginning of the year | 326,349,189 | | 139,000,000 | |
| Add: Received during the year on issue of shares | - | | 187,500,000 | |
| | <u>326,349,189</u> | | <u>326,500,000</u> | |
| Less : Share Issue expenses | - | 326,349,189 | 150,811 | 326,349,189 |
| Surplus in Statement of Profit and loss : | | | | |
| Balance at the beginning of the year | 31,781,395 | | 31,116,896 | |
| Add (less): Profit (loss) after tax for the year | 255,484 | | 664,498 | |
| Add : Excess DDT Provided in earlier year (2011-12) | 18,250 | | - | |
| | | 32,055,128 | | 31,781,395 |
| Total | | <u>358,404,317</u> | | <u>358,130,583</u> |

| Particulars | (Amount in Rs.) | |
|---|------------------|------------------|
| | As at 31.03.2014 | As at 31.03.2013 |
| Note 4: Deferred tax liabilities (Net) | | |
| Deferred Tax Liabilities on account of : | | |
| Depreciation | 306,900 | 343,200 |
| Deferred Tax Assets on account of : | | |
| Business Losses * | - | - |
| Gratuity | 22,462 | 19,699 |
| Total | 284,438 | 323,501 |

* Deferred tax assets arising on losses has not been recognized in view of uncertainty in generating the profit in the future.

Note 5: Short term borrowings

| | | |
|---------------------------|------------------|-------------------|
| Unsecured Loans: * | | |
| Loans repayable on demand | | |
| - To related party | 304,870 | - |
| - To others | 9,350,000 | 13,491,700 |
| Total | 9,654,870 | 13,491,700 |

* All the above loans are interest free and repayable on demand.

Note 6: Trade payables

| | | |
|------------------------------|----------------|----------------|
| Micro and small enterprises* | - | - |
| Others | 394,013 | 366,156 |
| Total | 394,013 | 366,156 |

* 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 2014.

Note 7: Other current liabilities

| | | |
|-----------------------|------------------|------------------|
| Unpaid dividends* | 162,816 | 162,816 |
| Statutory liabilities | 36,688 | 38,318 |
| Accrued Expenses | 4,385 | 3,641 |
| Other Payables | 5,520,999 | 6,420,000 |
| Total | 5,724,889 | 6,624,775 |

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

Note 8: Short term provisions

| | | |
|---|---------------|----------------|
| Provision for employees benefits (Gratuity) (Refer note 28) | 72,692 | 63,750 |
| Provision for taxation (net of taxes paid) | - | 130,562 |
| Total | 72,692 | 194,312 |

Note 9: Fixed assets

| PARTICULARS | GROSS BLOCK (At Cost) | | | | DEPRECIATION | | | | NET BLOCK | |
|-------------------------------|-----------------------|---------------------------|--------------------------------|------------------------|--------------------------|-----------------------|------------------------------|-----------------------|------------------------|------------------------|
| | As at 01.04.2014 | Additions during the Year | Sold/transfer during the Year* | Total As at 31.03.2014 | Provided upto 01.04.2014 | Provided for the Year | Written Back during the Year | Total upto 31.03.2014 | Total as at 31.03.2014 | Total as at 01.04.2014 |
| Tangible Assets | | | | | | | | | | |
| Land | 78,090 | - | - | 78,090 | - | - | - | - | 78,090 | 78,090 |
| Vehicle | 5,160,200 | - | - | 5,160,200 | 1,606,720 | 490,219 | - | 2,096,939 | 3,063,261 | 3,553,480 |
| Office Equipments | 1,210,810 | - | - | 1,210,810 | 705,454 | 57,513 | - | 762,967 | 447,843 | 505,356 |
| Computers | 558,750 | - | - | 558,750 | 513,939 | 11,955 | - | 525,894 | 32,856 | 44,811 |
| Electric Equipment | 192,500 | - | - | 192,500 | 175,793 | 13,610 | - | 189,402 | 3,098 | 16,707 |
| Intangible Asset | | | | | | | | | | |
| Computer Software | 3,481,275 | - | - | 3,481,275 | 3,481,275 | - | - | 3,481,275 | - | - |
| Total as at 31.03.2014 | 10,681,625 | - | - | 10,681,625 | 6,483,180 | 573,297 | - | 7,056,477 | 3,625,148 | 4,198,445 |
| Total as at 31.03.2013 | 13,684,575 | 7,050 | 3,010,000 | 10,681,625 | 5,910,264 | 572,916 | - | 6,483,180 | | |

| Particulars | (Amount in Rs.) | | | |
|---|------------------|---------------------|------------------|---------------------|
| | As at 31.03.2014 | | As at 31.03.2013 | |
| Note 10: Non-current investments | | | | |
| Other than trade (at cost): | Numbers | Amount (Rs) | Numbers | Amount (Rs) |
| Quoted: Investments in fully paid equity instruments: | | | | |
| Ambitious Plastomac Company Limited having face value of Rs. 10/- | - | - | 206,400 | 6,147,550 |
| Suryajyoti Spinning Mills Limited having face value of Rs. 10/- | - | - | 75,000 | 4,053,829 |
| Vakrangee Software Limited having face value of Rs. 1/- | 220 | 1,819 | 720 | 5,952 |
| Unquoted: Investments in fully paid equity instruments: | | | | |
| a) Investment in a Subsidiary Company (refer note 27) | | | | |
| Sukartik Clothing Pvt. Ltd having face value of Rs. 10/- | 181,000 | 28,700,000 | 121,000 | 16,700,000 |
| b) Investment in an Associate Company: (refer note 27) | | | | |
| Bhuta Investment Pvt Ltd having face value of Rs. 100/- | 60,000 | 12,000,000 | 60,000 | 12,000,000 |
| c) Investment in Shares of other Companies: | | | | |
| T.N.R Infrastructures Limited having face value of Rs. 10/- | 1,435,000 | 107,625,000 | 1,435,000 | 107,625,000 |
| Reliable SmartCity Limited having face value of Rs. 10/- | 400,000 | 4,740,898 | - | - |
| Alaukik Mines & Power Pvt. Ltd. having face value of Rs. 10/- | 4,200,000 | 110,500,000 | - | - |
| Swastik Express Pvt Ltd having face value of Rs. 10/- | 844,166 | 101,300,000 | - | - |
| Investments in Government securities | | | | |
| National Saving Certificates* | | 23,000 | | 23,000 |
| Other non-current investment | | | | |
| Silver bar | 16.445Kg | 304,783 | 16.445Kg | 304,783 |
| Total | | 365,195,499 | | 146,860,114 |
| Particulars | Book value (Rs) | Market value (Rs)** | Book value (Rs) | Market value (Rs)** |
| Aggregate value of: | | | | |
| Quoted investments | 1,819 | 21,945 | 10,207,331 | 1,139,448 |
| Unquoted investments | 364,865,898 | N.A. | 136,325,000 | 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 31.03.2014 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. | | | | |
| Note 11: Long term loans and advances | | | | |
| Unsecured, considered good | | | | |
| Security deposit | | 30,000 | | 30,000 |
| Share Application money | | | | |
| To a company in which two directors of the company are members and director | | - | | 575,000 |
| Intercorporate Loans | | - | | 202,500,000 |
| Total | | 30,000 | | 203,105,000 |
| Note 12: Other non current assets | | | | |
| Minimum alternate tax credit entitlement | | 13,510,073 | | 13,510,073 |
| Total | | 13,510,073 | | 13,510,073 |
| Note 13: Inventories | | | | |
| Stock-in- trade- Shares | | 17,754,261 | | 17,806,062 |
| Total | | 17,754,261 | | 17,806,062 |
| Details of Stock -in- trade- Shares (Face value of Rs. 10/- each): | | | | |
| 371613 (P.Y 343213) equity shares of Gini Silk Mills Ltd | | 15,700,649 | | 11,034,298 |
| Nil (P.Y 1200) equity shares of Jayavant Products Limited | | - | | 41,940 |
| Nil (P.Y 75) equity shares of J.Kumar Infra Project Ltd | | - | | 11,206 |
| 179393 (P.Y 573733) equity shares of Pankaj Polymers Limited (PPOL) | | 2,046,907 | | 6,718,413 |
| Nil (P.Y 18) equity shares of Reliable Ventures India Limited | | - | | 205 |
| 100 (P.Y Nil) equity shares of Vakrangee Limited | | 6,704 | | - |
| | | 17,754,261 | | 17,806,062 |

| Particulars | (Amount in Rs.) | |
|---|-------------------|-------------------|
| | As at 31.03.2014 | As at 31.03.2013 |
| Note 14: Trade receivables | | |
| Unsecured, considered good | | |
| Debts outstanding for a period exceeding six months from the date they are due for payments | | |
| Due from a director | 307,820 | 531,000 |
| Others | 360,807 | 342,195 |
| | 668,627 | 873,195 |
| Total | <u>668,627</u> | <u>873,195</u> |
| Note 15: Cash and bank balances | | |
| Cash and cash equivalents | | |
| Balances with banks | | |
| In a Current account | 26,716 | 116,852 |
| In a Unpaid dividend account* | 162,816 | 162,816 |
| Cash in hand | 78,077 | 198,755 |
| Other bank balances | | |
| Fixed deposits with banks with maturity period more than 3 months but upto 12 months. | 1,368 | 66,749 |
| Total | <u>268,977</u> | <u>545,172</u> |
| * Earmarked against the corresponding provision. | | |
| Note 16: Short term loans and advances | | |
| Unsecured, considered good | | |
| Loans and advances to related parties (Refer note 27) | | |
| Office Deposits to Associate company | 10,000,000 | 10,000,000 |
| Loan to Subsidiary company | - | 13,000,000 |
| Loan to Associate company | 5,575,000 | 2,975,000 |
| Others | | |
| <u>Intercompany loans</u> | | |
| To the companies in which director(s) is(are) member(s) and director(s) | - | 5,250,000 |
| Others | 18,175,744 | 22,679,737 |
| | 18,175,744 | 27,929,737 |
| Prepaid expenses | 15,332 | 42,197 |
| Advance to employees | 5,000 | 13,000 |
| Other receivables | - | 500,000 |
| Total | <u>33,771,076</u> | <u>54,459,934</u> |
| Note 17: Other current assets | | |
| Interest Accrued on deposits | 22,033 | 23,032 |
| Balance with Government authorities | 1,939,525 | - |
| Provision for taxation (net of taxes paid) | - | - |
| | 1,961,558 | 23,032 |

Notes on Financial Statements for the Year ended 31st March 2014

(Amount in Rs.)

| Particulars | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
|---|-------------------------------|-------------------------------|
| Note 18: Revenue from operations | | |
| Sale of Shares | 6,203,587 | 16,886,042 |
| Profit (loss) on sale of Shares transaction - intra-day | (2,174) | (11,609) |
| Profit (loss) on Shares transactions- F & O | 144,060 | (5,204,334) |
| Sale of Land | - | 8,155,000 |
| Other operating revenues | | |
| Dividend | 171,914 | 267,020 |
| Commission | - | 5,142,440 |
| | 171,914 | 5,409,460 |
| Total | 6,517,387 | 25,234,559 |
| Note 19: Other income | | |
| Interest | | |
| on fixed deposits | - | 259,790 |
| on National saving certificate | 2,569 | 2,376 |
| on Loans | 32,788 | 121,685 |
| | 35,357 | 383,851 |
| Net gain on sale of Current investments | 35,866 | - |
| Total | 71,224 | 383,851 |
| Note 20: Purchases of Stock in trade | | |
| Shares & Securities | 3,327,448 | 8,818,129 |
| Cost of land transferred from fixed asset | - | 3,010,000 |
| Total | 3,327,448 | 11,828,129 |
| Note 21: Changes in inventories | | |
| Stock in Trade - Shares | | |
| Opening stocks | 17,806,062 | 28,044,442 |
| Less: Closing stocks | 17,754,261 | 17,806,062 |
| Total | 51,802 | 10,238,380 |
| Note 22: Employee benefit expenses | | |
| Salaries and Wages | 744,796 | 614,060 |
| Contribution to Provident Fund and other funds | 48,272 | 43,007 |
| Staff Welfare Expenses | 34,105 | 47,965 |
| Total | 827,173 | 705,032 |

Note 23: Other expenses

| | | |
|--|------------------|------------------|
| Advertisement and publicity | 59,609 | 170,708 |
| Auditors' remuneration (Refer note 26) | 280,900 | 302,492 |
| Bank charges | 449 | 7,311 |
| Communication expenses | 56,327 | 65,835 |
| Demat charges | 6,842 | 4,589 |
| Donation | 15,200 | - |
| General expenses | 34,190 | 61,891 |
| Insurance | 34,956 | 633 |
| Legal and professional charges | 235,961 | 170,166 |
| Bad debts | 201,379 | 134,689 |
| Printing and stationery | 22,420 | 23,670 |
| Prior Period Exp. | 62,619 | 1,500 |
| Rates and taxes | 52,356 | 36,840 |
| Repairs and maintenance | 8,094 | 14,384 |
| Securities Transaction Tax | 9,633 | 56,123 |
| Share Trading Expenses | 18,584 | 218,779 |
| Travelling and conveyance | 24,707 | 64,850 |
| Vehicle Expenses | 120,543 | - |
| Total | <u>1,244,770</u> | <u>1,334,461</u> |

Note 24 : Earning per equity share

| | | | |
|--|---------|-----------|-----------|
| | UNIT | | |
| Net profit (loss) after tax | Rs. | 255,484 | 664,498 |
| Weighted average number of shares used in computing basic earnings per share | Numbers | 6,225,000 | 4,749,658 |
| Face value of equity shares | Rs. | 10 | 10 |
| Basic earnings per share | Rs. | 0.04 | 0.14 |
| Diluted earnings per share | Rs. | 0.04 | 0.14 |

Note 25 : Contingent Liabilities not provided for:

The disputed demand outstanding from the Assessment year 2005-06 to 2011-12 is Rs. 4,66,59,674/-. Based on the decisions of the Appellate authorities and the interpretations of other relevant provisions, the Company has been legally advised that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made. Also, RBK Share Broking Limited have demanded Rs. 15,00,000 as a penalty for late payment of margin money. However, Company has denied the same and accordingly no provision has been made.

Note 26: Payment to Auditors (including service tax)

| | | |
|--|----------------|----------------|
| Statutory audit under the Companies Act 1956 | 196,630 | 196,630 |
| Tax Audit under the Income Tax Act 1961 | 33,708 | 33,708 |
| Taxation matters | 5,618 | 8,427 |
| Certifications | 44,944 | 30,899 |
| Others | - | 32,828 |
| | <u>280,900</u> | <u>302,492</u> |

Note 27 : 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
 - c) Directors
Ramakant Gaggar
Suresh Gaggar
 - d) Relative of directors
Indra Gaggar
Sarika Gaggar
 - e) Company in which directors have significant influence/control
Alaukik Mines & Power Pvt. Ltd.

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 | |
|---|------------------------|------------|----------------|------------|
| | 2013-14 | 2012-13 | 31.03.2014 | 31.03.2013 |
| Current liabilities | | | | |
| Short term borrowings | | | | |
| Unsecured Loans: | | | | |
| Bhuta Investment Private Limited | - | 8,350,000 | - | - |
| Non current assets | | | | |
| Non-current investments | | | | |
| Unquoted: Investments in fully paid equity instruments: | | | | |
| Sukartik Clothing Private Limited | 12,000,000 | - | 28,700,000 | 16,700,000 |
| Bhuta Investment Private Limited | - | - | 12,000,000 | 12,000,000 |
| Alaukik Mines & Power Pvt. Ltd. | 110,500,000 | - | 110,500,000 | - |
| Current assets | | | | |
| Short term loans and advances | | | | |
| Office Deposit | | | | |
| Bhuta Investment Private Limited | 10,000,000 | 20,000,000 | 10,000,000 | 10,000,000 |
| Intercorporate loans | | | | |
| Sukartik Clothing Private Limited | 14,000,000 | 2,000,000 | - | 13,000,000 |
| Bhuta Investment Private Limited | 8,200,000 | 2,975,000 | 5,575,000 | 2,975,000 |
| Purchases | | | | |
| Ramakant Gaggar | 81,000 | - | NA | NA |
| Indra Gaggar | 304,870 | - | NA | NA |
| Sarika Gaggar | 599,450 | - | NA | NA |
| Sales | | | | |
| Ramakant Gaggar | 332,820 | - | NA | NA |

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

Note 28 : 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

Note 29 : The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities:

(i) Loans & Advances, involving an amount of Rs. 82,00,000/- (year end outstanding Rs. 55,75,000/-) 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 Rs. 9,85,320/- and Rs. 3,32,820/- 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 30 : 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 board

For MVK Associates
Chartered Accountants
Firm registration No. 120222W

CA. Kapil Gupta
Partner
Membership no. 047911

Ramakant Gaggar
Director

Suresh Gaggar
Director

Mumbai
Dated: 29th May 2014

Mumbai
Dated: 29th May 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of
Garnet International Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of **Garnet International Limited** ("the Company"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"), read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:

- a. in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b. in the case of the consolidated Statement of Profit and Loss, of the **profit** for the year ended on that date; and
- c. in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matters

1. As stated in note 31 to the consolidated financial statements,
 - a. *Loans & Advances, involving an amount of Rs.82,00,000/- (year end outstanding Rs.55,75,000/-) given during the year under review, are in contravention of provision of section 295 of the Act; and*
 - b. *Contracts of purchase and sale of shares amounting to Rs.9,85,320/- and Rs.3,32,820/- respectively entered in to during the year are in contravention of provision of section 297 of the Act;*

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

2. As stated in note 32 on consolidated financial statements, *the subsidiary has, not made provision for gratuity as per Accounting standard 15 "Employee Benefits", the financial impact of the same, as given in the said note, is not ascertainable and therefore cannot be commented upon.*
3. Contrary to the statutory requirement, the Company and the subsidiary, during the year, had no internal audit system.

For MVK Associates
Chartered Accountants
Firm Reg. No: 120222W

CA. KAPIL GUPTA
Partner
Membership No. : 047911

Place : Mumbai
Date : May 29, 2014

Consolidated Balance Sheet as at 31st March 2014

(Amount in Rs)

| Particulars | Note No. | As at 31.03.2014 | As at 31.03.2013 |
|--|----------|---------------------------|---------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 2 | 62,250,000 | 62,250,000 |
| Reserves and surplus | 3 | <u>367,203,492</u> | <u>363,778,494</u> |
| | | 429,453,492 | 426,028,494 |
| Minority Interest | | | |
| | | 25,648,053 | 23,311,430 |
| Non-current liabilities | | | |
| Long Term Borrowing | 4 | - | 9,575 |
| Deferred tax liabilities (net) | 5 | <u>2,261,128</u> | <u>2,197,761</u> |
| | | 2,261,128 | 2,207,336 |
| Current liabilities | | | |
| Short term borrowings | 6 | 9,889,870 | 13,726,700 |
| Trade payables | 7 | 14,143,086 | 9,146,718 |
| Other current liabilities | 8 | 7,963,849 | 8,704,397 |
| Short term provisions | 9 | <u>1,573,330</u> | <u>712,487</u> |
| | | 33,570,135 | 32,290,302 |
| TOTAL | | <u>490,932,807</u> | <u>483,837,562</u> |
| ASSETS | | | |
| Non current assets | | | |
| Fixed assets | | | |
| Tangible assets | 10 | 44,301,473 | 47,785,522 |
| Intangible assets | 10 | <u>3,535,748</u> | <u>3,415,156</u> |
| | | 47,837,221 | 51,200,678 |
| Non-current investments | 11 | 331,791,172 | 125,621,901 |
| Long term loans and advances | 12 | 420,617 | 203,523,190 |
| Other non current assets | 13 | <u>14,513,419</u> | <u>13,826,163</u> |
| | | 394,562,429 | 394,171,932 |
| Current assets | | | |
| Inventories | 14 | 24,407,097 | 25,304,784 |
| Trade receivables | 15 | 25,430,865 | 16,150,617 |
| Cash and bank balances | 16 | 4,021,106 | 5,420,077 |
| Short term loans and advances | 17 | 40,491,663 | 42,708,044 |
| Other current assets | 18 | <u>2,019,648</u> | <u>82,108</u> |
| | | 96,370,378 | 89,665,630 |
| TOTAL | | <u>490,932,807</u> | <u>483,837,562</u> |
| Contingent Liabilities and Commitr (To the extent not provided for) | 27 | | |
| Significant accounting policies | 1 | | |
| See accompanying notes to financial statements | | | |

As per our attached report of even date

For MVK Associates
Chartered Accountants
Firm registration No. 120222W

For and on behalf of the board

CA. Kapil Gupta
Partner
Membership no. 047911

Ramakant Gaggar
Director

Suresh Gaggar
Director

Place: Mumbai
Dated: 29th May 2014

Place: Mumbai
Dated: 29th May 2014

Consolidated Statement of Profit and Loss for the year ended 31st March 2014

(Amount in Rs.)

| Particulars | Note No. | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
|---|----------|-------------------------------|-------------------------------|
| Gross revenue from operations | 19 | 107,494,388 | 91,554,377 |
| Less: Excise Duty | | - | (1,332,052) |
| Net revenue from operations | | 107,494,388 | 90,222,325 |
| Other income | 20 | 574,381 | 545,399 |
| Total Revenue | | 108,068,769 | 90,767,725 |
| Expenses: | | | |
| Cost of materials consumed | 21 | 48,049,821 | 27,898,007 |
| Purchases of stock-in-Trade | 22 | 4,251,474 | 12,709,552 |
| Changes in inventories | 23 | 1,838,188 | 8,504,981 |
| Employee benefit expenses | 24 | 3,665,437 | 3,932,942 |
| Finance cost | 25 | 10,328 | 23,645 |
| Depreciation and amortisation expenses | 10 | 4,927,952 | 4,676,354 |
| Other expenses | 26 | 36,756,574 | 27,579,760 |
| Total expenses | | 99,499,774 | 85,325,241 |
| Profit before Tax | | 8,568,995 | 5,442,483 |
| Tax expenses | | | |
| Current tax | | 2,733,400 | 1,295,100 |
| Deferred tax | | 63,367 | 392,274 |
| MAT credit entitlement | | - | - |
| Tax adjustment for earlier years | | - | - |
| | | 2,796,767 | 1,687,374 |
| Profit after tax before share of result of Associates and minority interest | | 5,772,228 | 3,755,109 |
| Add/(Less): Minority Interest | | (2,199,367) | (1,538,893) |
| Add/(Less): Share in Profit (Loss) of an | | (166,114) | (270,404) |
| | | (2,365,480) | (1,809,297) |
| Profit after tax for the year | | 3,406,748 | 1,945,812 |
| Earning per equity share | 27 | | |
| Basic and Diluted | | 0.55 | 0.31 |
| Significant accounting policies | 1 | | |
| See accompanying notes to financial statements | | | |

As per our attached report of even date

For MVK Associates
Chartered Accountants
Firm registration No. 120222W

For and on behalf of the board

CA. Kapil Gupta
Partner
Membership no. 047911

Ramakant Gaggar
Director

Suresh Gaggar
Director

Place: Mumbai
Dated: 29th May 2014

Place: Mumbai
Dated: 29th May 2014

Consolidated Cash Flow Statement For The Year Ended 31st March, 2014

(Amount in Rs.)

| (A) CASH FLOW FROM OPERATING ACTIVITIES | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
|---|----------------------------------|----------------------------------|
| Net Profit before Tax and Extraordinary Items | 8,568,995 | 5,442,483 |
| Adjustment for | | |
| Depreciation | 4,927,952 | 4,676,354 |
| Miscellaneous Expenditure written off | - | - |
| Loss / (Profit) on sale of Land | - | (5,145,000) |
| Loss / (Profit) on sale of Investments | (33,692) | (11,609) |
| Investment Income | - | - |
| - Interest | (491,125) | (161,548) |
| - Dividend | (171,914) | (383,851) |
| Interest Expenses | 10,328 | (243,374) |
| Operating Profit before Working Capital changes | 12,810,544 | 4,173,455 |
| Adjustment for | | |
| - Trade and other Receivables | 208,325,862 | (183,595,605) |
| - Inventories | 897,688 | 7,748,791 |
| - Trade Payables | 4,361,786 | (32,643,346) |
| Cash generated from operations | 226,395,880 | (204,316,704) |
| Advance Tax & TDS | (3,802,774) | (2,236,462) |
| Cash flow before Extraordinary Items | 222,593,106 | (206,553,167) |
| Extraordinary Items | - | - |
| NET CASH FROM OPERATING ACTIVITIES | 222,593,106 | (206,553,167) |
| (B) CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sale/(Purchase) of Investments (Net) | (206,335,385) | 4,000,000 |
| Purchase of Fixed Assets | (1,427,238) | (1,942,268) |
| Loan (given) / Refund | - | - |
| Sale of Fixed Assets | - | 8,155,000 |
| Interest / Other income | 491,125 | 545,399 |
| Profit / (Loss) on sale of Investments | 33,692 | 11,609 |
| Dividend received | 171,914 | 267,020 |
| Proceeds from / Payment for Deposits | - | - |
| NET CASH USED IN INVESTING ACTIVITIES | (207,065,892) | 11,036,760 |
| (C) CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of Share Capital | - | 15,000,000 |
| Premium on Share Capital | - | 187,349,189 |
| Share Application Money | - | - |
| Miscellaneous Expenditure | - | - |
| Proceeds from Long Term Borrowings | - | - |
| Repayment of Long Term Borrowings | (106,600) | (92,671) |
| Increase (decrease) in unsecured loans | 27,573 | - |
| Proceeds from Short Term Borrowings | - | 2,000,000 |
| Repayment of Short Term Borrowings | (16,836,830) | (7,042,440) |
| Changes in Working Capital Borrowings from Banks | - | - |
| Interest Paid | (10,328) | (23,645) |
| Dividend paid | - | (472,500) |
| NET CASH FROM FINANCING ACTIVITIES | (16,926,185) | 196,717,933 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (1,398,971) | 1,201,526 |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | 5,420,077 | 4,218,551 |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | 4,021,106 | 5,420,077 |

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 MVK Associates
Chartered Accountants
Firm registration No. 120222W

For and on behalf of the Board

CA. Kapil Gupta
Partner
Membership no. 047911

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Dated: 29th May 2014

Place : Mumbai
Dated: 29th May 2014

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES ON CONSOLIDATED ACCOUNTS:

1. 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.

2. Principles of Consolidation :

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) 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, after fully eliminating Intra group balances, intra group transactions and unrealized profits or losses.
- b) 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 as the case may be.
- c) The difference between the proceeds from the disposal of investment in subsidiaries and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated Statement of Profit and Loss being the profit or loss on disposal of investment in subsidiary
- d) Minority Interest's share of net profit (loss) of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- e) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.
- f) Investment in Associate Companies has been accounted under the equity method as per Accounting Standard (AS) 23 - "Accounting for Investments in Associates in Consolidated Financial Statements"
- g) As far as possible, the consolidated financial statements are prepared using the uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements

3. Significant accounting policies :

- a) 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.

b) 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.

c) 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.

d) 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.

e) 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.

f) EMPLOYEE BENEFITS

- (i) 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.
- (ii) 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.

g) 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.

h) 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.

i) EXCISE DUTY

- (i) 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.
- (ii) 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.
- (iii) CENVAT credit available as per the provisions of the Excise Rules on capital goods is accounted for by reducing the cost of capital goods.

j) TRANSACTION IN FOREIGN CURRENCIES

- (i) Initial Reorganisation: Transactions denominated in foreign currencies are recorded by applying the exchange rates prevailing at the date of the transactions.
- (ii) Conversion: Monetary items denominated in foreign currencies remaining unsettled at the end of the year, are restated using the closing rates.

(iii) 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.

(iv) 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.

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

k) 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.

4. Other significant accounting policies :

These are set out under "Significant Accounting Policies" as given in the Company's separate financial statements.

Notes on Consolidated Financial Statements for the Year ended 31st March 2014

Note 1: General information:

| Particulars | (Amount in Rs.) | | | |
|---|------------------|-------------------|------------------|-------------------|
| | As at 31.03.2014 | | As at 31.03.2013 | |
| Note 2: Share capital | | | | |
| | Numbers | Amount (Rs.) | Numbers | Amount (Rs.) |
| Authorised: | | | | |
| Equity Shares of Rs. 10/- each | 7,500,000 | 75,000,000 | 7,500,000 | 75,000,000 |
| Total | | <u>75,000,000</u> | | <u>75,000,000</u> |
| Issued, subscribed and paid-up : | | | | |
| Equity Shares of Rs. 10/- each fully paid | 6,225,000 | 62,250,000 | 6,225,000 | 62,250,000 |
| Total | | <u>62,250,000</u> | | <u>62,250,000</u> |
| 2.a Reconciliation of number of equity shares outstanding at the beginning and at the end of the reporting period :- | | | | |
| Particulars | Numbers | Amount (Rs.) | Numbers | Amount (Rs.) |
| Outstanding at the beginning of the year | 6,225,000 | 62,250,000 | 4,725,000 | 47,250,000 |
| Issued during the year | - | - | 1,500,000 | 15,000,000 |
| Bought back during the year | - | - | - | - |
| Outstanding at the end of the year | 6,225,000 | 62,250,000 | 6,225,000 | 62,250,000 |

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 | 1,020,064 | 16.39 | 979,079 | 15.73 |
| Evergreen Infotech & Datacom Private limited | 500,778 | 8.04 | 500,778 | 8.04 |
| Smt. Indra Gaggar | 454,921 | 7.31 | 454,921 | 7.31 |
| Shri Suresh Gaggar | 319,206 | 5.13 | 464,206 | 7.46 |
| Navkar Corporation Limited | 1,500,000 | 24.10 | 1,500,000 | 24.10 |

Note 3: Reserves and surplus

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Securities premium | | | | |
| Balance at the beginning of the year | 326,349,189 | | 139,000,000 | |
| Add: Received during the year on issue of shares | - | | 187,500,000 | |
| | <u>326,349,189</u> | | <u>326,500,000</u> | |
| Less : Share Issue expenses | - | 326,349,189 | 150,811 | 326,349,189 |
| Capital Reserve on consolidation | | | | |
| At the beginning of the year and at the end of year | | 4,948,063 | | 4,948,063 |
| Surplus in Statement of Profit and loss : | | | | |
| Balance at the beginning of the year | 32,481,242 | | 30,535,430 | |
| Add (less): Profit (loss) after tax for the year | 3,406,748 | | 1,945,812 | |
| Add (less): Excess DDT Provided in earlier Year | 18,250 | | | |
| | <u>35,906,240</u> | | <u>32,481,242</u> | |
| Total | | <u>367,203,492</u> | | <u>363,778,494</u> |

Note 4: Long term borrowings

| | | | |
|-----------------------------|---|--|--------------|
| Secured Loan | | | |
| Vehicle loan from HDFC bank | - | | 9,575 |
| Total | | | <u>9,575</u> |

- (a) Nature of security : Hypothecation of the vehicle financed by the bank.
 (b) Terms of Repayment: : 35 EMIs commencing from June 2011 of Rs. 9688/- each (outstanding EMIs 13).
 (c) Current maturities 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 | 2,283,590 | | 2,217,460 |
| Deferred Tax Assets on account of : | | | |
| Business Losses * | - | | - |
| Gratuity | 22,462 | | 19,699 |
| Total | | <u>2,261,128</u> | <u>2,197,761</u> |

* Deferred tax assets arising on losses has not been recognized in view of uncertainty in generating the profit in the future.

Note 6: Short term borrowings

| | | | |
|-----------------------------------|-----------|------------------|-------------------|
| Unsecured Loans: | | | |
| Loans repayable on demand from: | | | |
| Associate Company (refer note 29) | 9,350,000 | | 11,491,700 |
| Others Companies | 539,870 | | 2,235,000 |
| Related parties | - | | - |
| | | 9,889,870 | 13,726,700 |
| Total | | <u>9,889,870</u> | <u>13,726,700</u> |

(Amount in Rs.)

| Particulars | As at 31.03.2014 | As at 31.03.2013 |
|-------------------------------|-------------------|------------------|
| Note 7: Trade payables | | |
| Micro and small enterprises* | - | - |
| Others | 14,143,086 | 9,146,718 |
| Total | 14,143,086 | 9,146,718 |

* 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 2014.

Note 8: Other current liabilities

| | | |
|--|------------------|------------------|
| Current maturities of a long-term debt | 9,575 | 106,600 |
| Unpaid dividends* | 162,816 | 162,816 |
| Creditors for capital expenditure | 295,602 | 324,237 |
| Payables to Employees | 929,386 | 824,775 |
| Advance from Customers | 154,971 | 98,563 |
| Statutory liabilities | 314,737 | 297,981 |
| Accrued expenses | 575,761 | 469,425 |
| Other payables | 5,520,999 | 6,420,000 |
| Total | 7,963,849 | 8,704,397 |

* 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 32) | 72,692 | 63,750 |
| Provision for taxation (net of taxes paid) | 1,500,638 | 648,737 |
| Total | 1,573,330 | 712,487 |

Notes on Financial Statements for the Year ended 31st March 2014**Note 10: Fixed assets**

(Amount in Rs.)

| PARTICULARS | GROSS BLOCK (At Cost) | | | | DEPRECIATION | | | | NET BLOCK | |
|---------------------------------|-----------------------|--------------------------|---------------------------------|-------------------|------------------------|-----------------------|------------------------------|------------------------|------------------------|------------------------|
| | As at 31.03.2013 | Addition during the year | Sold / Transfer during the year | As at 31.03.2014 | Total up to 31.03.2013 | Provided for the year | Written back during the year | Total up to 31.03.2014 | Total as at 31.03.2014 | Total as at 31.03.2013 |
| Tangible assets | | | | | | | | | | |
| Land | 4,428,690 | - | - | 4,428,690 | - | - | - | - | 4,428,690 | 4,428,690 |
| Office Premises | 1,042,601 | - | - | 1,042,601 | 137,371 | 16,994 | - | 154,366 | 888,235 | 905,230 |
| Office Equipments | 2,161,616 | 52,307 | - | 2,213,923 | 940,517 | 172,515 | - | 1,113,031 | 1,100,892 | 1,221,099 |
| Factory Building | 8,761,459 | 123,620 | - | 8,885,079 | 698,991 | 295,556 | - | 994,547 | 7,890,532 | 8,062,469 |
| Plant And Machinery | 34,339,779 | 1,130,672 | - | 35,470,451 | 7,054,441 | 3,618,798 | - | 10,673,240 | 24,797,211 | 27,285,337 |
| Furniture And Fixtures | 521,289 | 50,742 | - | 572,031 | 97,703 | 33,942 | - | 131,645 | 440,386 | 423,586 |
| Electric Equipment | 192,500 | - | - | 192,500 | 175,793 | 13,610 | - | 189,402 | 3,098 | 16,707 |
| Computers | 779,789 | 69,897 | - | 849,686 | 642,291 | 57,227 | - | 699,518 | 150,168 | 137,498 |
| Vehicles | 7,396,258 | - | - | 7,396,258 | 2,091,352 | 702,645 | - | 2,793,997 | 4,602,261 | 5,304,906 |
| Intangible assets | | | | | | | | | | |
| Computer Software | 3,531,275 | - | - | 3,531,275 | 3,496,551 | 16,665 | - | 3,513,216 | 18,059 | 34,724 |
| Goodwill arise on consolidation | 3,380,433 | 137,257 | - | 3,517,689 | - | - | - | - | 3,517,689 | 3,380,433 |
| Total as at 31.03.2014 | 66,535,689 | 1,564,495 | - | 68,100,183 | 15,335,011 | 4,927,952 | - | 20,262,963 | 47,837,221 | 51,200,678 |
| Total as at 31.03.2013 | 63,482,182 | 3,324,212 | - | 66,806,395 | 6,062,093 | 4,426,106 | - | 10,488,199 | 56,320,200 | 51,200,678 |

10.1 Land transferred to "Stock in trade" vide board resolution dated 30th June 2012 as due to technical reasons the land can not be used for mining purposes.

| Particulars | (Amount in Rs.) | | | |
|---|------------------|--------------------|------------------|--------------------|
| | As at 31.03.2014 | | As at 31.03.2013 | |
| Note 11: Non-current investments | | | | |
| Other than trade (at cost): | | | | |
| Quoted: Investments in fully paid equity instruments: | Numbers | Amount(Rs.) | Numbers | Amount(Rs.) |
| Ambitious Plastomac Company Limited having face value of Rs. 10/- | - | - | 206,400 | 6,147,550 |
| Suryajyoti Spinning Mills Limited having face value of Rs. 10/- | - | - | 75,000 | 4,053,829 |
| Vakrangee Software Limited having face value of Rs. 10/- | 220 | 1,819 | 720 | 5,952 |
| Unquoted: Investments in fully paid equity instruments: | | | | |
| a) Investment in an Associate Company: (refer note 30) | | | | |
| Bhuta Investment Private Limited having face value of Rs.100/- | 60,000 | 7,295,673 | 60,000 | 7,461,786 |
| b) Investment in other Companies: | | | | |
| T.N.R Infrastructures Limited having face value of Rs.10/- @ | 1,435,000 | 107,625,000 | 1,435,000 | 107,625,000 |
| Reliable SmartCity Limited having face value of Rs. 10/- | 400,000 | 4,740,898 | - | - |
| Alaukik Mines & Power Pvt. Ltd. having face value of Rs. 10/- | 4,200,000 | 110,500,000 | - | - |
| Swastik Express Pvt Ltd having face value of Rs. 10/- | 844,166 | 101,300,000 | - | - |
| Investments in Government securities | | | | |
| National Saving Certificates* | - | 23,000 | 230 | 23,000 |
| Other non-current investment | | | | |
| Investment in Silver bar | 16.445Kg | 304,783 | 16.445Kg | 304,783 |
| Total | | 331,791,172 | | 125,621,901 |

| Particulars | Book value (Rs.) | Market value (Rs.)** | Book value (Rs.) | Market value (Rs.)** |
|----------------------|------------------|----------------------|------------------|----------------------|
| Aggregate value of: | | | | |
| Quoted investments | 1,819 | 14,762 | 10,207,331 | 1,139,448 |
| Unquoted investments | 331,461,570 | N.A. | 115,086,786 | 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 31.03.2014 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.

@Particulars of investment in Associate company:

Name of the Associate :

Bhuta Investment Private limited

| Particulars | As at 31.03.2014 | As at 31.03.2013 |
|--|------------------|------------------|
| No. of Equity Shares held : | 60,000 | 60,000 |
| % of holding : | 32.43% | 32.43% |
| Original cost of Investment : | 12,000,000 | 12,000,000 |
| Amount of Goodwill in original cost : | 3,380,433 | 3,380,433 |
| Share in accumulated Profit/ (Loss) / Reserves : | (1,157,781) | (887,377) |
| Share in current year Profit/(Loss) : | (166,114) | (270,404) |
| Carrying amount of Investment : | 7,295,673 | 7,461,786 |

Note 12: Long term loans and advances

| | | |
|--|----------------|--------------------|
| Unsecured, considered good | | |
| Security deposits | | |
| Advance tax (net of provision for tax) | 360,250 | 360,250 |
| Unsecured, considered doubtful | | |
| Advance for capital goods | 60,367 | 87,940 |
| Share Application money | | |
| To a company in which two directors of the company are members and directors | - | 575,000 |
| Others | - | - |
| Intercorporate Loans | | 575,000 |
| Total | 420,617 | 202,500,000 |
| | | 203,523,190 |

Note 13: Other non current assets

| | | |
|--|-------------------|-------------------|
| Deposits / Investment for various projects | 140,000 | - |
| Minimum alternate tax credit entitlement | 14,373,419 | 13,826,163 |
| Total | 14,513,419 | 13,826,163 |

Note 14: Inventories

| | | |
|-----------------------|-------------------|-------------------|
| Raw Materials | 4,660,903 | 3,620,515 |
| Work in progress | - | - |
| Finished goods | 1,277,800 | 3,209,720 |
| Stock-in trade: | | |
| Shares and securities | 17,754,261 | 17,806,062 |
| Fabrics | 411,974 | 266,441 |
| Consumables | 18,166,235 | 18,072,503 |
| | 302,159 | 402,046 |
| Total | 24,407,097 | 25,304,784 |

| Particulars | (Amount in Rs.) | |
|--|-------------------|-------------------|
| | As at 31.03.2014 | As at 31.03.2013 |
| Details of Raw Materials: | | |
| Yarn | 1,890,218 | 1,784,301 |
| Dyes & Chemicals | 2,770,685 | 1,836,215 |
| | <u>4,660,903</u> | <u>3,620,515</u> |
| Details of work in progress: | | |
| Garments | - | - |
| Details of Finished goods: | | |
| Garments | 1,277,800 | 3,209,720 |
| Details of Stock-in trade: | | |
| Shares and securities (Face value of Rs. 10/- each): | | |
| 371613 (P.Y 343213) equity shares of Gini Silk Mills Ltd | 15,700,649 | 11,034,298 |
| Nil (P.Y 1200) equity shares of Jayavant Products Limited | - | 41,940 |
| Nil (P.Y 75) equity shares of J.Kumar Infra Project Ltd | - | 11,206 |
| 179393 (P.Y 573733 equity shares of Pankaj Polymers Limited (PPOL) | 2,046,907 | 6,718,413 |
| Nil (P.Y 18) equity shares of Reliable Ventures India Limited | - | 205 |
| 100 (P.Y Nil) equity shares of Vakrangee Limited | 6,704 | - |
| Fabric | 411,974 | 266,441 |
| * 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 15: Trade receivables | | |
| Unsecured, considered good | | |
| Debts outstanding for a period exceeding six months from the date they are due for payments | 646,746 | 1,730,572 |
| Other debts | | |
| Due from a company in which a director of the company is member and director | - | - |
| Due from a director | 307,820 | 531,000 |
| Others | 24,476,299 | 13,889,045 |
| | <u>24,784,119</u> | <u>14,420,045</u> |
| Total | <u>25,430,865</u> | <u>16,150,617</u> |
| Note 16: Cash and bank balances | | |
| Cash and cash equivalents: | | |
| Balances with banks | | |
| In Current accounts | 1398856.78 | 1069934.11 |
| Unpaid dividends* | 162816.40 | 162816.40 |
| Cash in hand | 473270.62 | 436474.62 |
| Other bank balances: | | |
| Fixed deposits with banks with maturity period more than 3 months but upto 12 months. | | |
| | 1,986,162 | 3,750,852 |
| Fixed deposits with banks with maturity period more than 12 months. | | |
| | - | - |
| Less: Fixed deposits with banks with maturity period more than 12 months transferred to "Other Non Current Assets". refer note 13) | | |
| | - | - |
| Total | <u>4,021,106</u> | <u>5,420,077</u> |
| * Earmarked against the corresponding provision. | | |
| Note 17: Short term loans and advances | | |
| Unsecured, considered good | | |
| Loans and advances to related parties (refer note 29) | | |
| Office Deposits to Associate company | 10,000,000 | 10,000,000 |
| Loan to Associate company | 5,575,000 | 2,975,000 |
| Loan to directors | - | - |
| Intercorporate loans | | |
| To the companies in which director(s) is(are) member(s) and director(s) | 5,000,000 | 5,250,000 |
| Others | 18,175,744 | 22,679,737 |
| | <u>23,175,744</u> | <u>27,929,737</u> |
| Advance to suppliers | 198,352 | 105,836 |
| Prepaid expenses | 182,492 | 215,213 |
| Advance to employees | 38,745 | 13,000 |
| Vat credit receivable | 1,209,442 | 906,137 |
| Duty Drawback receivable | 41,888 | 63,121 |
| Loans to Others | 70,000 | 500,000 |
| Total | <u>40,491,663</u> | <u>42,708,044</u> |
| Note 18: Other current assets | | |
| Interest Accrued on fixed deposits | 33,976 | 44,227 |
| Interest Accrued on National saving certificate | - | 2,376 |
| Interest Accrued on security deposit | 46,147 | 35,505 |
| Provision for taxation (net of taxes paid) | 1,939,525 | - |
| | <u>2,019,648</u> | <u>82,108</u> |

Notes on Consolidated Financial Statements for the Year ended 31st March 2014

(Amount in Rs.)

| Particulars | For the year ended 31.03.2014 | | For the year ended 31.03.2013 | |
|---|-------------------------------|------------------------|-------------------------------|------------------------|
| Note 19: Revenue from operations | | | | |
| Sales : | | | | |
| Shares and securities | | 6,203,587 | | 16,886,042 |
| Garments | | | | |
| Local | 53,684,159 | | 36,094,244 | |
| Export | 692,093 | 54,376,252 | 829,030 | 36,923,273 |
| Dyes & Chemicals | | 88,474 | | 25,150 |
| Sale of Land (refer note 10.1) | | - | | 8,155,000 |
| Profit (loss) on sale of Shares transaction - intra-day | | (2,174) | | (11,609) |
| Profit (loss) on Shares transactions- F & O | | 144,060 | | (5,204,334) |
| Services: | | | | |
| Job work charges | | 46,512,275 | | 29,371,395 |
| Other Operating revenues | | | | |
| Dividend | 171,914 | | 267,020 | |
| Commission | - | | 5,142,440 | |
| | | 171,914 | | 5,409,460 |
| Less: Excise duty | | - | | 1,332,052 |
| Total | | <u>107,494,388</u> | | <u>91,554,377</u> |
| Note 20: Other income | | | | |
| Interest | | | | |
| on fixed deposits | 409,621 | | 318,767 | |
| on National saving certificate | 2,569 | | 2,376 | |
| on Income Tax Refund | 7,683 | | | |
| on Loans | 32,788 | | 121,685 | |
| on security deposits | 38,464 | | 39,450 | |
| | | 491,125 | | 482,278 |
| Net gain on sale of Non-current investments | | 35,866 | | - |
| Export Incentive | | 47,390 | | 63,121 |
| Total | | <u>574,381</u> | | <u>545,399</u> |
| Note 21: Cost of materials consumed | | | | |
| Opening stocks: | | | | |
| Raw material | | | | |
| Yarn | 1,784,301 | | 1,989,265 | |
| Stock in Trade | | | | |
| Dyes & Chemicals | 1,836,215 | | 1,052,944 | |
| | | 3,620,515 | | 3,042,209 |
| Add : Cost of purchases | | | | |
| Raw materials | | | | |
| Yarn | 12,518,354 | | 5,399,894 | |
| Stock in Trade | | | | |
| Dyes & Chemicals | 36,571,855 | | 23,076,418 | |
| | | 49,090,208 | | 28,476,313 |
| Less: Closing stock | | | | |
| Raw material | | | | |
| Yarn | 1,890,218 | | 1,784,301 | |
| Stock in Trade | | | | |
| Dyes & Chemicals | 2,770,685 | | 1,836,215 | |
| | | 4,660,903 | | 3,620,515 |
| Total | | <u>48,049,821</u> | | <u>27,898,007</u> |
| Imported and Indigenous Raw materials consumed: | Consumption in Rs. | % of total consumption | Consumption in Rs. | % of total consumption |
| Imported | - | - | - | - |
| Indigenous | 48,049,821 | 100.00% | 28,898,007 | 103.58% |
| | <u>48,049,821</u> | <u>100.00%</u> | <u>28,898,007</u> | <u>103.58%</u> |
| Note 22: Purchases of stock-in-Trade | | | | |
| Fabric | | 887,437 | | 857,885 |
| Dyes & Chemicals | | 36,589 | | 23,538 |
| Shares and securities | | 3,327,448 | | 8,818,129 |
| Cost of land transferred from fixed asset (refer note 10.1) | | - | | 3,010,000 |
| | | <u>4,251,474</u> | | <u>12,709,552</u> |

| | (Amount in Rs.) | |
|---|-------------------------------|-------------------------------|
| Particulars | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
| Note 23: Changes in inventories | | |
| Opening stocks: | | |
| Finished goods | 3,209,720 | 60,986 |
| Stock in Trade : | | |
| Shares and Securities | 17,806,062 | 28,044,442 |
| Fabrics | <u>266,441</u> | <u>179,221</u> |
| | 18,072,503 | 28,223,663 |
| Work in progress | - | 1,508,250 |
| Less: Closing stocks: | | |
| Finished goods | 1,277,800 | 3,209,720 |
| Stock in Trade : | | |
| Shares and Securities | 17,754,261 | 17,806,062 |
| Fabrics | 411,974 | 266,441 |
| Work in progress | - | - |
| Add/(Less): Variation in excise duty on opening and closing stock of finished goods | - | 5,695 |
| Total | <u><u>1,838,188</u></u> | <u><u>8,504,981</u></u> |
| Note 24: Employee benefit expenses | | |
| Salaries and Wages | 3,083,571 | 3,271,501 |
| Contribution to Provident Fund and other funds | 230,607 | 382,285 |
| Staff Welfare Expenses | 351,259 | 279,156 |
| Total | <u><u>3,665,437</u></u> | <u><u>3,932,942</u></u> |
| Note 25: Finance cost | | |
| Interest on loan | 9,656 | 23,585 |
| Interest on late payment of taxes | 672 | 60 |
| Other borrowing cost | - | - |
| Total | <u><u>10,328</u></u> | <u><u>23,645</u></u> |
| Note 26: Other expenses | | |
| Manufacturing Expenses | | |
| Job Charges | 10,515,538 | 7,291,281 |
| Power and Fuel | 8,295,416 | 6,288,798 |
| Stentering Charges | - | - |
| Tubler & Compaction Exp. | 39,284 | 35,899 |
| Dyeing Charges | 105,057 | 218,918 |
| Packing Expenses | 76,458 | 35,852 |
| Fabrication Charges | 863,636 | 56,821 |
| Husk and Ash Lifting Charges | 134,700 | 113,113 |
| Stores and Spares Consumed* | 11,410,049 | 9,490,695 |
| Insurance | 92,288 | 163,464 |
| Repairs & Maintenance(Machinery) | 1,245,521 | 743,107 |
| Compaction Charges | 5,163 | 75,759 |
| Shortage Exp. | - | 1,094 |
| | <u>32,783,110</u> | <u>24,514,801</u> |
| Administration and other expenses | | |
| Brokerage and Commission | 134,546 | 26,901 |
| Communication Expenses | 255,420 | 210,374 |
| Demat charges | 6,842 | 4,589 |
| Advertisement and publicity | 59,609 | 170,708 |
| Securities Transaction Tax | 9,633 | 56,123 |
| Share Trading Expenses | 18,584 | 218,779 |
| Legal and Professional Charges | 261,933 | 200,108 |
| Auditors' remuneration (refer note 28) | 364,794 | 402,518 |
| Insurance | 34,956 | 633 |
| General expenses | 34,190 | 61,891 |
| Prior Period Exp. | 62,619 | 1,500 |
| Donation | 15,200 | 7,000 |
| Bank Commission / Charges | 9,312 | 8,737 |
| Membership and Subscription | 106,966 | 31,085 |
| Bad debts | 201,379 | 134,689 |
| Miscellaneous Expenses | 1,004,819 | 564,719 |
| Printing and Stationery | 169,363 | 111,406 |
| Rates and taxes | 77,856 | 37,350 |
| Repairs & Maintenance | 323,670 | 156,323 |
| Transportation Charges | 142,665 | 45,640 |
| Vehical Expenses | 120,543 | - |
| Travelling and Conveyance | <u>545,440</u> | <u>613,073</u> |
| | 3,960,340 | 3,064,147 |
| Net foreign exchange loss(gain) | 13,124 | 813 |
| Total | <u><u>36,756,574</u></u> | <u><u>27,579,760</u></u> |

* All stores and spares consumed are indigenous in nature.

(Amount in Rs.)

| Particulars | | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
|--|---------|-------------------------------|-------------------------------|
| Note 27 : Earning per equity share | | | |
| | Unit | | |
| Net profit (loss) after tax | Rs. | 3,406,748 | 1,945,812 |
| Weighted average number of shares used in computing basic earnings per share | Numbers | 6,225,000 | 6,225,000 |
| Face value of equity shares | Rs. | 10 | 10 |
| Basic and diluted earnings per share | Rs. | 0.55 | 0.31 |
| Note 28: Payment to Auditors (including service tax) | | | |
| Statutory audit under the Companies Act 1956 | | 241,574 | 241,574 |
| Tax Audit under the Income Tax Act 1961 | | 56,180 | 56,180 |
| Taxation matters | | 19,663 | 19,663 |
| Certifications | | 36,141 | 32,002 |
| Out of pocket expenses | | - | 3,417 |
| Others | | 32,828 | 49,682 |
| | | <u>386,386</u> | <u>402,518</u> |

Note 29 : 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) Associate Company
Bhuta Investment Private Limited
- b) Directors
Ramakant Gaggar
Suresh Gaggar
- c) Relative of directors
Indra Gaggar
Sarika Gaggar
- d) Company in which directors have significant influence/control
Alaukik Mines & Power Pvt. Ltd.

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 | |
|---|------------------------|------------|----------------|------------|
| | 2013-14 | 2012-13 | 31.03.2014 | 31.03.2013 |
| Current liabilities | | | | |
| Short term borrowings | | | | |
| Unsecured Loans: | | | | |
| Bhuta Investment Private Limited | - | 8,350,000 | - | - |
| Non current assets | | | | |
| Non-current investments | | | | |
| Unquoted: Investments in fully paid equity instruments: | | | | |
| Bhuta Investment Private Limited | - | - | 12,000,000 | 12,000,000 |
| Alaukik Mines & Power Pvt. Ltd. | 110,500,000 | - | 110,500,000 | - |
| Current assets | | | | |
| Short term loans and advances | | | | |
| Office Deposit | | | | |
| Bhuta Investment Private Limited | 20,000,000 | 20,000,000 | 10,000,000 | 10,000,000 |
| Intercompany loans | | | | |
| Bhuta Investment Private Limited | 8,200,000 | 2,975,000 | 5,575,000 | 2,975,000 |
| Alaukik Mines & Power Pvt. Ltd. | 10,000,000 | - | 5,000,000 | - |
| Purchases | | | | |
| Ramakant Gaggar | 81,000 | - | NA | NA |
| Indra Gaggar | 304,870 | - | NA | NA |
| Sarika Gaggar | 599,450 | - | NA | NA |
| Sales | | | | |
| Ramakant Gaggar | 292,820 | - | NA | NA |

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

Note 30: 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 31 : The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities:

(i) Loans & Advances, involving an amount of Rs. 82,00,000/- (year end outstanding Rs. 57,75,000/-) 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 Rs. 9,85,320/- and Rs. 3,32,820/- 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 39 : Segment information

Primary segment Disclosure - Business segment

| Particulars | Shares and Securities | | Textile | | Consolidated Total | |
|---|-----------------------|-------------|-------------|------------|--------------------|-------------|
| | 2013-2014 | 2012-2013 | 2013-2014 | 2012-2013 | 2013-2014 | 2012-2013 |
| (i) Segment Revenue | | | | | | |
| Operating income | 6,553,253 | 25,234,559 | 100,977,001 | 64,987,767 | 107,530,255 | 90,222,325 |
| Less: Inter-segment revenue | - | - | - | - | - | - |
| Net revenue from operations | 6,553,253 | 25,234,559 | 100,977,001 | 64,987,767 | 107,530,255 | 90,222,325 |
| (ii) Result | | | | | | |
| Segment Results | 528,764 | 555,641 | 7,559,435 | 4,365,088 | 8,088,198 | 4,920,730 |
| Less: Unallocated corporate expenses | | | | | | |
| Operating Profit | | | | | 8,088,198 | 4,920,730 |
| Less: Interest expense (Net) | | | | | (480,797) | (521,754) |
| Profit before Tax | | | | | 8,568,995 | 5,442,483 |
| Provision for Taxation (Net) | | | | | | |
| Current Tax | | | | | 2,733,400 | 1,295,100 |
| MAT Credit Entitlement | | | | | | |
| Deferred Tax | | | | | 63,367 | 392,274 |
| Adjustment for earlier years | | | | | | |
| | | | | | 2,796,767 | 1,687,374 |
| Profit for the year before Minority Interests | | | | | 5,772,228 | 3,755,109 |
| (iii) Other Information | | | | | | |
| Segment Assets | 408,085,218 | 411,681,027 | 84,034,227 | 73,314,316 | 492,119,445 | 484,995,343 |
| Unallocated Common Assets | | | | | | |
| Total Assets | | | | | 492,119,445 | 484,995,343 |
| Segment Liabilities | 15,846,463 | 20,546,381 | 17,723,671 | 11,622,935 | 33,570,134 | 32,169,316 |
| Unallocated Common Liabilities | | | | | | |
| Total Liabilities | | | | | 33,570,134 | 32,169,316 |
| Capital Expenditure | - | - | 1,427,238 | 1,935,218 | 1,427,238 | 1,935,218 |
| Depreciation and Amortisation | 573,297 | 572,916 | 4,354,655 | 4,103,438 | 4,927,952 | 4,676,354 |
| Non-cash expenses other than depreciation | - | - | - | - | - | - |

Secondary Segment Disclosure - Geographical segment

| | Domestic | | Overseas | | Total | |
|------------------------|-------------|------------|-----------|-----------|-------------|------------|
| | 2013-2014 | 2012-2013 | 2013-2014 | 2012-2013 | 2013-2014 | 2012-2013 |
| Revenue from Customers | 107,530,255 | 90,222,325 | - | - | 107,530,255 | 90,222,325 |

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.

As per our attached report of even date

For MVK Associates
Chartered Accountants
Firm registration No. 120222W

CA. Kapil Gupta
Partner
Membership no. 047911

Place : Mumbai
Dated: 29th May 2014

For and on behalf of the Board

Suresh Gaggar
Director

Ramakant Gaggar
Director

Place : Mumbai
Dated: 29th May 2014

Details of Subsidiary Company US 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 | 310,000 | 61,323,866 | 84,034,227 | 84,034,227 | - | 100,977,001 | 8,004,874 | 2,488,130 | 5,516,744 | - |

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 the financial year ending date | The net aggregate of profits/(losses) if the subsidiary company so far as they concern the members of Garnet International Limited | |
|-----------------------------------|---|--|--|
| | | For the current financial year Dealt with in the accounts of Garnet International Limited for the year ended 31st March 2014 | For the previous financial years Not dealt with in the accounts of Garnet International Limited for the year ended 31st March 2013 |
| Sukartik Clothing Private Limited | Equity | Rs. - | Rs. - |
| | Extent of holding | Rs. - | Rs. - |
| | Numbers | Rs. - | Rs. - |
| | % | 60.13 | - |

Garnet International Limited

Registered Office: 901, Raheja Chambers, Nariman Point, Mumbai - 400 021.
 CIN: L99999MH1995PLC093448 Website: www.garnetint.com, Tel: 6636 9942.

**Form No. MGT – 11
 PROXY FORM**

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| |
|--|
| Name of the Member(s) : _____ |
| Registered Address : _____ |
| E-mail ID : _____ |
| *Folio No./DP ID and Client ID : _____ |

* For details with respect to your Folio No./DP ID, Client ID and number of shares, please refer to the Attendance Slip enclosed along with the Annual Report.

I/We, being the member(s) of _____ shares of the above named Company, hereby appoint

1. Name: _____ E-mail ID: _____
 Address: _____
 Signature: _____, or failing him/her
2. Name: _____ E-mail ID: _____
 Address: _____
 Signature: _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the _____ Annual General Meeting of Garnet International Limited, will be held on Tuesday, 30th September, 2014 at 11: 00AM at 901, Raheja Chambers, Nariman Point, Mumbai - 400 021 and at any adjournment thereof in respect of such resolutions and in such manner as are indicated below:

| Resolution No. | Resolutions | Optional* | |
|--------------------------|--|-----------|---------|
| | | For | Against |
| Ordinary Business | | | |
| 1 | Adoption of Audited Financial Statements, Directors' Report & Auditors' Report for the year ended 31 st March, 2014. | | |
| 2 | Re-appointment of Mr. Ramakant Gaggar (Din No- 01019838) as Director, who retires by rotation. | | |
| 3 | Re-appointment of, M/s. MVK Associates, Chartered Accountants as Statutory Auditors of the Company for a period of 4years. | | |
| Special Business | | | |
| 4 | Appointment of Mr. Dinesh Nandwana (holding DIN 00062532) as Independent Director | | |
| 5 | Appointment of Mr. Sharad Rathi (holding DIN 00437174), as Independent Director | | |
| 6 | Special Resolution for increasing the borrowing powers as per provisions of Section 180(1)(c) of the Companies Act, 2013. | | |
| 7 | Special Resolution for creation of mortgage, charges and hypothecations over movable/immovable assets as per the provisions of Section 180(1)(a) of the Companies Act, 2013. | | |

Signed this _____ day of _____ 2014. Affix Revenue Stamp

 Signature of Shareholder Signature of Proxy holder(s)

Notes:

1. A Proxy need not be a member of the Company. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total share capital of the Company. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as proxy for any other member.
2. *It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
3. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the _____ Annual General Meeting of the Company.
4. This form of Proxy, to be effective, should be duly completed and deposited at the Registered Office of the Company at 901, Raheja Chambers, Nariman Point, Mumbai - 400 021, not later than 48 hours before the commencement of the aforesaid meeting.

FORM B

Clause 31(a) of the listing Agreement

Format of Covering Letter of the annual Audit report to be filed with the Stock Exchange

| | | |
|---|--|--|
| 1 | Name of the Company | GARNET INTERNATIONAL LIMITED |
| 2 | Annual Financial Statements for the quarter ended | 31 st March, 2014 |
| 3 | Type of Audit Observation | Qualified |
| 4 | Frequency of Audit Observation | Appeared repetitive |
| 5 | Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report | <p>Refer to Point 2f. on Page No. 25 in the Annual Report</p> <p>Management response to the qualification in the directors report: Under para "Comments on Auditor's report" of directors' report it has been mentioned that the company is in the process of taking remedial measures on the observations made by the Auditors in their Report.</p> <p>Note 29 to the Standalone financial statements is reproduced below :- "The management is proposing to make applications for condonation for following non-compliances to the appropriate authorities: (i) Loans & Advances, involving an amount of Rs. 82,00,000/-,(year end outstanding Rs. 55,75,000/-) 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 Rs. 9,85,320/- and Rs. 3,32,820/- respectively entered into by the company at arm length prices during the year, are in contravention of provisions of section 297 of the Act;"</p> |
| 6 | Additional comments from the Board/Audit committee Chairman | As per disclosures made in the Annual Report. |
| 7 | To be signed by: Managing Director Audit committee Chairman Auditor of the Company | <p>Suresh Gaggar </p> <p>Sharad Rathi </p> <p>MVK Associates </p> <p></p> <p></p> |