

**22nd
ANNUAL REPORT
2001-2002**

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ESTD. 1940

Banaras Beads Ltd.
A-1, Industrial Estate
Varanasi – 221 006.

BANARAS BEADS LIMITED

BOARD OF DIRECTORS

Mr. Ashok Kumar Gupta
Chairman & Managing Director
Mr. Ashok Kumar Kapoor
Mr. Praveen Singh
Mr. Tanmay Deva

REGISTERED OFFICE

A-1, Industrial Estate
Varanasi -221 106.
Tel.# : 0542-2370161 - 2370164
Fax.# : 0542-2370165 /2370214

DELHI OFFICE INCHARGE

Mr. Raj Kumar Gupta
As Executive Director

AUDITORS

Kamal Kishore & Co.,
Chartered Accountants,
Varanasi

DELHI OFFICE

Vishwa Sadan Building,
9, Janakpuri District Centre
New Delhi - 110 058.
Tel.# : 011-25504163/25504164/25510223
Fax.# : 011-25504162/25526549

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UNITS

A-1,A-5 Industrial Estate, Varanasi
Tandia, G.T. Road, Varanasi
41-C, Sector-58 Noida.

BANKERS

Bank of Baroda.

REGISTRAR & SHARE TRANSFER AGENTS

MAS SERVICES (P) LTD.
AB-4, SAFADRJUNG ENCLAVE
NEW DELHI - 110 029.

BANARAS BEADS LIMITED
REGISTERED OFFICE : A-1, INDUSTRIAL ESTATE
VARANASI - 221 106.

NOTICE

NOTICE is hereby given that the Adjourned Meeting of 22nd Annual General Meeting of the Members of Banaras Beads Limited will be held at Registered Office of the Company at A-1, Industrial Estate, Varanasi - 221106 on Thursday the 10th April, 2003 at 03:00 P.M. to receive, consider and adopt the Audited Balance Sheet as at 31/03/2002 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

Place : VARANASI
Date : 10.03.2003

By Order of the Board of Directors
for **BANARAS BEADS LIMITED,**
Sd/-
(R.K.SINGH)
Company Secretary

NOTES

1. **MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER.**

The proxy form duly completed and signed must be deposited with the Company at its Registered Office not later than forty-eight hours before the time of commencement of the meeting.

2. **Members/ Proxies should bring the attendance slip duly filled in for attending the meeting.**
3. **The Director's Report, Auditors Report and Audited Balance Sheet as at 31st March, 2002 and the Profit & Loss Account for the year ended on that date are enclosed. Members are requested to bring their copy of the Annual Report at the Adjourned Annual General Meeting.**
4. **The Annual Accounts for the F.Y. 2001-2002 have been finalised and audited by Statutory Auditors with the intervention of Hon'ble Company Law Board, New Delhi vide their Order dt. 02.07.2002 and 19.12.2002.**
5. **This Adjourned Annual General Meeting is being called by the board under the authority given by the Members in their meeting held on 31.12.2002 to receive, consider and adopt the Audited Balance Sheet as at 31/03/2002 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.**

Place : VARANASI
Date : 10.03.2003

By Order of the Board of Directors
for **BANARAS BEADS LIMITED,**
Sd/-
(R.K.SINGH)
Company Secretary

BANARAS BEADS LIMITED
A-1, INDUSTRIAL ESTATE
VARANASI - 221 106.

DIRECTORS REPORT :

Dear Shareholders,

Your Directors are presenting the 22nd Annual Reports together with the Audited Statements of Accounts of the Company for the year ended on 31st March, 2002. The Management's dispute is still going on. The said Accounts have been finalised and audited after the intervention of Hon'ble Company Law Board, dated 02.07.2002.

FINANCIAL RESULTS:

	<u>2001-2002</u>	<u>2000-2001</u>
	(Rs. in lacs)	(Rs. in lacs)
<u>TOTAL TURNOVER</u>	654.84	653.65
Profit for the year (Before Taxation)	(423.94)	(237.24)
Less: Provision for taxation	NIL	NIL
Net Profit for the year	(423.94)	(237.24)
Less: Reduction in Deferred Tax Liability	4.11	NIL
Available for Appropriation (Loss)	(419.83)	(237.24)

APPROPRIATIONS

Payment for Taxes	NIL	NIL
Proposed Dividend	NIL	NIL
Transfer to General Reserve	NIL	NIL
Profit & Loss Account Adj. with General Reserve	(419.83)	(237.24)

DIRECTORS RESPONSIBILITY STATEMENT:

Further the Directors hereby state and confirm regarding Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956 :-

- a) that in preparation of Annual Accounts for the F.Y. ended on 31.03.2002, the applicable accounting standards have been followed ;
- b) that the directors selected such accounting policies and applied them consistently and made judgements and estimates, that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the Profit & Loss Accounts of the Company.
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 to safeguard the assets of the Company and to prevent and detect fraud and other irregularities ;
- d) that the Directors have prepared the Annual Accounts on a "going concern" basis.

OPERATION:

Turnover of the Company has been increased by 0.18% (Varanasi office turnover increased by 9.06% and Delhi office declined by 82.89%. The dispute between the Management have adversely affected the growth of the Company. Your directors are continuously trying to come out of this situation.

DIVIDENDS:

Due to loss during the year no dividend has been recommended for this year.

MANAGEMENT DISCUSSION, ANALYSIS AND CORPORATE GOVERNANCE:

Pursuant to clause 49 of the Listing Agreement, Stock Exchanges, Management Discussion Analysis and Corporate Governance and Auditors certificate regarding Compliance of conditions of corporate governance are made part of the Annual Report:

DIRECTORS:

Shri Praveen Singh was retired by rotation at the Annual General Meeting held on 31/12/2002 and was reappointed.

AUDITORS & AUDITORS' REPORT :

At the Annual General Meeting held on 31st December, 2002 M/s Kamal Kishore & Co., Chartered Accountants, Varanasi were re-appointed as Statutory Auditors of the Company to hold office from the conclusion of meeting to conclusion of the next Annual General Meeting.

The notes of Accounts referred to in the Auditors Reports are self-explanatory and therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES:

Name of the employees of the company is covered by Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules 1975, as amended do not apply to your Company since no employee of the Company falls within the limits stipulated under the said Rules.

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION FOREIGN EXCHANGE EARNING AND OUTGO :

Information as per Section 217 (1)(e) of the Companies Act, 1956 read with Companies (disclosure of particulars in the Report of Board of Directors) Rules, 1988 are furnished as under.

a) Conservation of Energy:

The company is engaged in the cottage industrial activity which involves totally manual process. Hence the energy consumption for the product in which Company is dealing is almost negligible. However, your Company has suitable arrangement and it is conscious to conserve energy wherever possible.

b) Technological Absorption:

The Company has no collaboration arrangement with any foreign organisation at the present moment. All its technological inputs are developed in house with the efforts of experienced staff who are continuously making efforts to upgrade the quality of the products.

c) Foreign Exchange Earning and Outgo:

The foreign exchange earnings of the Company during the financial year has been Rs.283.96 lacs from Exports of Glass Beads, Hand knotted Carpets, Handicrafts and other items. The foreign Exchange Outflow during the year has been of Rs.187.31 lacs for the import of materials, foreign traveling expenses and other sales promotional activities.

INDUSTRIAL RELATIONS:

Industrial relation with the employees remained cordial through out the year. your Directors wish to place on record their appreciation for dedicated and sincere services rendered by the executives, staff and workmen at all levels.

ACKNOWLEDGMENT:

The Director wish to place on record their sincere appreciation of the devoted and efficient services rendered by, all officers and employees of the Company.

By order of the Board of Directors
for BANARAS BEADS LTD.,

(Ashok Kumar Gupta)
Chairman & Managing Director

Place : VARANASI

Date :-- 10.03.2003

MANAGEMENT DISCUSSION & ANALYSIS OVERVIEW:

INDUSTRIAL STRUCTURE AND DEVELOPMENT :

We are an Export House mainly dealing in hand made items like Glass Beads, Necklaces, Handicrafts Items & Carpets. The much-apprehended US economy slowdown and the recession becoming factual, it has started showing adverse effects on global markets. Due to this our Carpet business has been effected adversely by whereas Beads & other products being Consumable items has eluded the economic slowdown and your Company is able to maintained its business continuously in this adverse situation.

With operational improvements undertaken by your Company and focus on quality and the cost reducing drive, your Company's management is making extensive efforts to widen its marketing base. Your Directors are confident of improving business results in the years to come.

OPPORTUNITIES :

Hand made items like Glass Beads and other fashionable items are continuously appreciated in International market and on growth. It is anticipated that there is a growth rate of approximately 20% in the market in every year. Hence, there are opportunities for doing more business in this line.

THREATS :

From last few years China is trying to come in this market. Hence competition will increase and we will have to be forced to reduce the price further under pressure.

SEGMENT-WISE PERFORMANCE

The turnover of Glass Beads and other handicrafts items have shown upward turn whereas Carpet turnover declined in comparison of last year.

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE**FINANCIAL PERFORMANCE**

There was gross loss for the year Rs. 216.47 lac as compared to previous year Rs.83.79 lac.

OPERATION :

Your Company emphasises on product Quality, Several process improvements have been successfully implemented for consistent upgradation of Quality and for compliance of Standards of Specifications, throughout the manufacturing process by appropriate monitoring and collaborative built-in techniques at each stage of the Production process. As a result, besides seeing improvements in Quality levels of Products yields, reduction in waste have been achieved.

OUTLOOK :

With your Company's several Organizational strength and Leadership at the market place and the general Expectations of improvements in Economy in various spheres, your management is optimistic of further improving its Business results in the years to come. Towards this objective, your Company's management is preparing its short term and long term plans.

RISK & CONCERNS :

Any further change in duty draw back policies would have a direct bearing on the profitability of the Company. However the Company is hopeful on offsetting any adverse impact by better management abilities.

INTERNAL CONTROL SYSTEMS :

Your Company is having a adequate internal control in force, which ensures that all the transactions of the Company are duly authorised and properly recorded. There is proper safeguard of assets through internal control system, which prevents any wastage, loss and unauthorized use of any assets.

There is an effective and independent internal audit department operating in the Company, which is responsible for implementing and review of the adequate internal control system within the organisation and to suggest the corrective measures wherever necessary. The Audit Committee of the Board and Statutory Auditors also periodically review the internal control system of the Company.

HUMAN RESOURCES :

One of the most important intentions of the management is to develop the skill of the existing human resources through organizing training programs as and when required and also through job rotation techniques keeping in view the interest of the Company as well as of the employees. Your Company as provides the right atmosphere and the best working conditions to the human resources, who are valuable assets of the Company.

CORPORATE GOVERNANCE:

The detailed report on Company Governance as per the format prescribed by SEBI and incorporated in clause 49 of the Listing Agreement is set out below :

1. COMPANY'S PHILOSOPHY:

Your Company's Philosophy has been to achieve excellence in all aspects of performance, laying strong emphasis on transparency, accountability and integrity towards all its shareholders to enhance shareholders value and Company's own reputation. Your Company has always held itself to high standards of accountability, auditing, disclosure and reporting.

2. BOARD OF DIRECTORS:

The present strength of directors of the company is four, whose composition consists of three non-executive independent directors i.e. Shri Ashok Kumar Kapoor, Shri Praveen Singh and Shri Tanmay Deva. Shri Ashok Kumar Gupta is the Chairman & Managing Director of the Company.

3. NUMBERS OF BOARD MEETING HELD:

Five Board Meeting were held during the financial year on 23rd April, 26th July, 3rd October, 25th October, 2001, and 10th January, 2002 as against minimum requirement of four meetings.

4. ATTENDANCE OF EACH DIRECTORS:

The following is the attendance of each director at the Board Meeting, last Annual General Meeting and number of other Directorship and Chairman/Membership of Committees of each Director in various other Companies.

NAME OF DIRECTOR	ATTENDANCE		NUMBER OF OTHER DIRECTORSHIPS AND		
	PARTICULARS		COMMITTEE MEMBER/CHAIRMANSHIP		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanships
1. Shri Ashok Kumar Gupta	5	Yes	7	1	1
2. Shri Ashok Kumar Kapoor	5	Yes	3	2	1
3. Shri Praveen Singh	5	No	NIL	2	1
4. Shri Tanmay Deva	5	No	NIL	2	NIL
* 5. Smt. Resham Devi Gupta	No	No	NIL	NIL	NIL

* Smt. Resham Devi Gupta died on 08.05.2001.

5. AUDIT COMMITTEE

In terms of the provisions of section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors of the Company constituted an Audit Committee on 06th January, 2001, comprising three Non-Executive Directors viz. Shri Ashok Kumar Kapoor, Chairman, Shri Praveen Singh and Shri Tanmay Deva as its Members.

The meetings of the Audit Committee were held on 23rd April, 26th July, 25th October, 2001, and 10th January, 2002 for reviewing the financial performance of the company on quarterly basis and for consideration of Annual Accounts for the year 2001-02. All the members of committee were present at the said meetings.

The function of Audit Committee inter alia include : Reviewing the adequacy of internal control system and internal Audit Reports, oversight of Company's financial reporting process and disclosure of its financial statement to ensure correctness and credibility of the same, recommending the appointment of external auditors and reviewing the quarterly and annual financial performance of the Company before it is submitted to the Board.

6. REMUNERATION COMMITTEE :

The Board does not have a Remuneration Committee. The requirement to have a remuneration committee is currently not mandatory. No remuneration is paid to Non-executive Directors. The Aggregate value of salary and perquisites paid for the year ended 31st March, 2002 to the Chairman & Managing Director Shri Ashok Kumar Gupta is Rs. 202518/-.

7. SHAREHOLDER' / INVESTORS' GRIEVANCE COMMITTEE :

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors of the Company has constituted an Investor Grievance Committee on 10th January, 2002 comprising three Non-executive Directors viz. Shri Praveen Singh, Chairman, Shri Ashok Kumar Kapoor and Shri Tanamy Deva, as its members, to specifically look into the redressal of Grievances / Complaints of Shareholders and investors such as Transfer of Shares non-receipt of Balance Sheet, etc.

The Board has designated Shri R.K. Singh, Company Secretary as the Compliance Officer. The total number of queries received and replied to the satisfaction of the shareholders during the year were 75 and no issue was pending for redressal as on 31st March, 2002.

8. GENERAL BODY MEETING

Location and time for the last three Annual General meetings were

Year	Location	Date	Time
1998-99	A-1, Industrial Estate	30.11.1999	3:00 P.M.
	Varanasi - 221 106.		
1999-00	- do -	30.09.2000	3:00 P.M.
2000-01	- do -	27.09.2001	3:00 P.M.

Postal ballots : For the year ended 31st March, 2002 there have been no ordinary or special resolutions passed by the shareholders of the Company through Postal ballot and there is no resolution proposed at the ensuing Annual General Meeting, which needs to be passed through Postal Ballot.

9. OTHER DISCLOSURES:

- a) None of the transactions with any of the related party is in conflict with the interest of the Company. Transactions with the related parties have been disclosed in note No. 10 of schedule 18 to the Accounts in the Annual Report.

There is no non-compliance of any provision of law by the company nor any penalty / structure imposed on the Company by Stock Exchange(s), SEBI or any other authority, on any matter related to capital market, during the last three years.

- b) The Company could not file Annual Accounts and Quarterly Results due to Management's dispute and the matter is pending with Hon'ble Company Law Board. Except this all compliance have been complied by the company timely. On the instruction of Hon'ble Company Law Board the Annual Accounts got finalised of all financial years and being submitted now. However no penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years. Except the National Stock Exchange & Mumbai Stock Exchange has suspended the shares of the Company w.e.f. 21.02.2001 and 17.02.2003, respectively due to non-compliance of Clause 41 of the Listing Agreements.

MEANS OF COMMUNICATION :

During the year your directors have taken their all efforts about the compliance of Clause 41 of the Listing Agreement with Stock Exchanges but they could not get approve the unaudited Financial Results of all quarters due to non-receipt of operating results from Delhi Office. Its information was sent to all Stock Exchanges in due course. The Company does not display the results in website. No official news releases have been made during the relevant period. The Management discussion and Analysis had been made included in the Annual Report. No presentation had been to the institutional investors or to the Analysts during the relevant period.

10. SHAREHOLDERS INFORMATION:

1. Adjourned Annual General Meeting (Annual General Meeting held on 31.12.2002) Date, time & Venue	10 th April, 2003 3:00 P.M. A-1, Industrial Estate, Varanasi.
2. Financial Calander 2001-02 (F.Y. 01/04/2001 to 31/03/2002)	Reporting of Financial Results of each quarters could not be approve by the Board due to non receipt of results from our Delhi Office.
3. Dates of Books Closure	From 28th December, 2002 to 31st December, 2002 (both days inclusive)
4. Dividend payment	NIL
5. Listing on Stock Exchanges	U.P. Stock Exchange, Kanpur Mumbai Stock Exchange, Mumbai (Suspended) National Stock Exchange, Mumbai (Suspended) Delhi Stock Exchange, New Delhi Ahmedabad Stock Exchange, Ahmedabad Kolkata Stock Exchange, Kolkata.
6. Listing Fees	Fees paid for BSE and U.P. Stock Exchange, only.
7. Stock Code with BSE	526849
8. Demat ISIN Number in NSDL & CDSL for Equity shares	INE655B01011
9. Registered Office	A-1, Industrial Estate Varanasi - 221 106.
10. Location of the Plant	A-1, A-5, Industrial Estate and G.T. Road, Tandia Varanasi.
11. Electronic Registrars	M/s Mas Services (P) Ltd. AB-4, Safdarjung Enclave NEW DELHI-110_029. Tel #: 6104142 / 6104326.
12. Shareholder' Correspondence	Share Transfer in physical form and all other corres- pondence communications regarding Duplicate Share Certificates, Dividends, Change of Address etc., may be addressed to the Company Secretary at the Registered office of the Company.
13. Compliance Officer	Sri R.K. Singh, Company Secretary.