

23rd
ANNUAL REPORT
2002 - 2003

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BANARAS BEADS LTD.
A-1, Industrial Estate
Varanasi - 221 106

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

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) LIMITED
AB-4, SAFADRJUNG ENCLAVE
NEW DELHI - 110 029

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

NOTICE is hereby given that the Adjourned Meeting of 23rd 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 13th May, 2004 at 03:00 P.M. to receive, consider and adopt the Audited Balance Sheet as at 31/03/2003 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

Place : VARANASI
Date : 12/04/2004

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' 2003 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. 2002-2003 have been finalised and audited by Statutory Auditors with the intervention of Hon'ble Company Law Board, New Delhi vide their Order dt. 13.1.2004.
5. This Adjourned Annual General Meeting is being called by the board under the authority given by the Members in their meeting held on 31.12.2003 to receive, consider and adopt the Audited Balance Sheet as at 31st March' 2003 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

Place : VARANASI
Date : 12/04/2004

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 23rd Annual Reports together with the Audited Statements of Accounts of the Company for the year ended on 31st March 2003. The said Accounts have been finalised and audited after the intervention of Hon'ble Company Law Board, order dated 13.01.2004. The Management's dispute is still going on. To resolve the disputes Petitioner and respondent both have given their consent before Hon'ble Company Law Board, New Delhi and on the basis of the same the Hon'ble Board has passed an Order dt.13.11.2003 suggesting division of the Company. As per said Order the Delhi Unit including Noida will go to the Petitioner No.1 Shri Raj Kumar Gupta and Varanasi Unit including Tandia will go to Respondent No.2 Shri Ashok Kumar Gupta. The value of shares will be calculated by independent Valuer. The Hon'ble Board has appointed Shri R. S. Ahuja, Chartered Accountants, New Delhi as Valuer for valuation of the shares of the company and preparing Scheme of Division. We have forwarded all required information to the said valuer and hope he will shortly submit his report to the Hon'ble CLB. The financial position of the Company is as under :

FINANCIAL RESULTS:

	<u>2002-2003</u>	<u>2001-2002</u>
	(Rs. in lacs)	(Rs. in lacs)
<u>TOTAL TURNOVER</u>		
Profit for the year (Before Taxation)	1491.35	654.84
Add: Provision for taxation adjusted	58.82	(423.94)
Add: Reduction in Deferred Tax Liability	19.97	NIL
Net Profit for the year	32.72	4.11
Available for Appropriation	111.51	(419.83)
	111.51	(419.83)
<u>APPROPRIATIONS</u>		
Payment for Taxes	NIL	NIL
Proposed Dividend	NIL	NIL
Transfer to General Reserve	NIL	NIL

DIRECTORS RESPONSIBILITY STATEMENT:

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

- a) that in preparation of Annual Accounts for the F.Y. ended on 31.03.2003, 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 128%. The disputes 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 inadequate profit 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 Tanmay Deva was retired by rotation at the Annual General Meeting held on 31/12/2003 and was reappointed.

AUDITORS & AUDITORS' REPORT

At the Annual General Meeting held on 31st December, 2003 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 AND 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.1097.67 lacs from Exports of Glass Beads, Hand knotted Carpets, Handicrafts and other items. The foreign Exchange Outflow during the year has been of Rs.309.55 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.,

Sd/-

(Ashok Kumar Gupta)
Chairman & Managing Director

Place : VARANASI
Date : 12th April' 2004

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 Company has setup a new Plant (Glass Furnace) at its branch situated at G. T. Road Tandia, Varanasi. Where the production of Glass rods and other related items have been started from December' 2003. But we are not getting proper results from said plant. We are in process to remove the problem and hope shortly we will get better results from said plant. After getting proper results our cost of production will be reduced much and quality will be increased.

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 15 to 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 have to be forced to reduce the price further under pressure. The fluctuation in rate of foreign currency will also affect our business and profit.

SEGMENT-WISE PERFORMANCE

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

REVIEW OF OPERATIONS AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

	<u>2002-2003</u>	<u>2001-2002</u>
	(Rs. in lacs)	(Rs. in lacs)
<u>TOTAL TURNOVER</u>	1491.35	654.84
Profit for the year (Before Taxation)	58.82	(423.94)
Add: Provision for taxation adjusted	19.97	NIL
Add: Reduction in Deferred Tax Liability	32.72	4.11
Net Profit for the year	111.51	(419.83)
Available for Appropriation	111.51	(419.83)

OPERATION

Always we consist our self on product Quality and up-gradation to maintain our 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, DEPB and Exchange Rate 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 an adequate internal control in force, which ensures that all the transactions of the Company are duly authorised and properly recorded. The said system is being monitored by Chairman & Managing Director alongwith other Senior Officers. 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 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 in clause 49 of the Listing Agreement is set out below :

1. COMPANY'S PHILOSOPHY

Your Company's Philosophy is to achieve excellence in all aspects of performance, laying strong emphasis on transparency, accountability and integrity towards its 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 25th April', 25th July, 31st October' 2002, 13th January and 10th March' 2003 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 PARTICULARS		NUMBER OF OTHER DIRECTORSHIPS AND COMMITTEE MEMBER/CHAIRMANSHIP		
	Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
1. Shri Ashok Kumar Gupta	5	Yes	4	1	1
2. Shri Ashok Kumar Kapoor	4	Yes	3	2	1
3. Shri Praveen Singh	5	No	NIL	2	1
4. Shri Tanmay Deva	5	Yes	1	2	NIL

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 6th 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 25th April, 25th July, 30th October' 2002, and 8th March' 2003 for reviewing the financial performance of the company on quarterly basis

and for consideration of Annual Accounts for the year 2002-03. 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' 2003 to the Chairman & Managing Director Shri Ashok Kumar Gupta is Rs. 201600/- and to Shri Raj Kumar Gupta, as Executive Director (not board member) Rs. 201600/-.

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 of three Non-executive Directors viz. Shri Praveen Singh, Chairman, Shri Ashok Kumar Kapoor and Shri Tanmay 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' 2003.

8. **GENERAL BODY MEETING**

Location and time for the last three Annual General meetings are as under -

Year	Location	Date	Time
2000-2001	A-1, Industrial Estate, Varanasi - 221 106	27.09.2001	3:00 P.M
2001-2002	- Do -	31.12.2002	3:00 P.M
*2001-2002	- Do -	10.04.2003	3:00 P.M
2002-2003	- Do -	31.12.2003	3:00 P.M

- Adjourned and Supplementary AGMs were held on 10.4.2003 towards approval of the Accounts for the year 1998-99, 1999-2000, 2000-01 and 2001-02.

Postal ballots : For the year ended 31st March' 2003 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. 9 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 / stricture 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 for financial year 2002-2003 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 year. 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 un-audited 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 31.12.2003) Date, time & Venue	3:00 P.M A-1, Industrial Estate, Varanasi
2. Financial Calendar 2002-03 (F.Y. 01/04/2002 to 31/03/2003)	Reporting of Financial Results of each quarter could not be approved by the Board due to non-receipt of results from our Delhi Office.
3. Dates of Books Closure	From 25 th December' 2003 to 31 st December' 2003 (both days inclusive)
4. Dividend payment	NIL