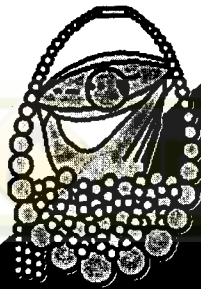


ANNUAL REPORT

2003-2004

BBL ®



ESTD-1940

JAS-ANZ



ISO 9001:2000 Certified

BANARAS BEADS LIMITED

(An Export House Recognised by Government of India)

A-1 Industrial Estate, Varanasi 221106 (U.P.) India

Phones : 0542-2370161-64 (4 lines)

**Banaras Beads Ltd.****24th Annual Report****BOARD OF DIRECTORS**

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

DELHI OFFICE INCHARGE

Mr. Raj Kumar Gupta
(As Executive Director)

AUDITORS

Kamal Kishore & Co.,
Chartered Accountants,
Varanasi

REGISTERED OFFICE

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

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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NOTICE

NOTICE is hereby given that the 24th Annual General Meeting (as adjourned on 30.12.2004) of the Members of Banaras Beads Limited will be held at the Registered Office of the Company at A-1, Industrial Estate, Varanasi - 221106 on Thursday, the 19th April, 2007 at 2:00 P.M. to receive, consider and adopt the Audited Balance Sheet as at 31st March' 2004 and the Profit and Loss Account for the year ended on that date along with the Reports of the Directors and the Auditors thereon.

By Order of the Board of Directors
For BANARAS BEADS LIMITED,

Place : VARANASI
Date : 15.03.2007

(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' 2004 and the Profit & Loss Account for the year ended on that date are annexed. Members are requested to bring their copy of the Annual Report at the Meeting.
4. Shri Raj Kumar Gupta, Executive Director and Incharge of Delhi Unit and its controlled branches allowed the Statutory Auditors of the Company to commence the audit in the month of October' 2006. Now the audit has been completed by Auditors and the Board of Directors have approved the Accounts and decided to convene the adjourned Annual General Meeting.
5. This notice convening the adjourned 24th AGM is being issued accordingly.

By Order of the Board of Directors
For BANARAS BEADS LIMITED,

Place : VARANASI
Date : 15.03.2007

(R.K.SINGH)
Company Secretary



DIRECTORS REPORT

Dear Shareholders,

Your Directors are pleased to present the 24th Annual Report together with the Audited Statements of Accounts of the Company for the year ended on 31st March' 2004.

The audit of annual accounts of the Company for F.Y. 2003-2004 has been completed now, as Shri Raj Kumar Gupta, Executive Director and Incharge of Delhi Unit and its controlled branches has allowed the Statutory Auditors of the Company to commence the audit of Annual Accounts only in the month of October, 2006.

FINANCIAL RESULTS:

	(Rs. in lacs)	
	2003-2004	2002-2003
TOTAL TURNOVER	1397.22	1491.35
Profit for the year (Before Taxation)	-8.71	58.82
Provision for Taxation	0	0
Net Profit after taxation	-8.71	58.82
Balance of Profit & Loss Account B/F	-518.90	-630.41
Deferred Tax Adjustment	120.90	32.72
Add: Old Provision for taxation adjusted	0	19.97
Balance of Profit & Loss Account C/F	-406.71	-518.9

APPROPRIATIONS

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 -

- that in preparation of Annual Accounts for the F.Y. ended on 31.03.2004, the applicable accounting standards have been followed ;
- 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 the financial year and of the Profit & Loss Accounts of the Company.
- 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 ;
- that the Directors have prepared the Annual Accounts on a "going concern" basis.

**OPERATION:**

The disputes between the Management have adversely affected the growth of the Company. During the year the overall turnover has declined from Rs. 1491.35 lac to Rs. 1397.22 lac. Your Directors are taking steps to improve the turnover of Varanasi Units. Moreover due to continued unsatisfactory performance of Delhi Units, the overall performance may still not showing satisfactory results.

SETTLEMENT OF SBI DUES / RECOVERY CLAIM:

The Company had taken Credit Facilities (Secured Loan) from State Bank of India (SBI). The SBI has recalled its credit facilities and filed Recovery Claim before Debt Recovery Tribunal, Allahabad. One Time Settlement of Rs. 7.35 Crore has been approved by the Bank on 13.1.2005 and the same has since been paid in full by the company in January 2006. Now there is no liability towards the SBI. The Bank has withdrawn its recovery claim which has been allowed by the DRT vide its order dated 20.07.2006.

DE-MERGER OF COMPANY WITH BBL BEADS LTD.

It is reported that the Scheme of Arrangement, where under the Delhi Units are proposed to be demerged and transferred to BBL Beads Ltd., has not been sanctioned by the Hon'ble Allahabad High Court vide their order dated 28/04/2006. The Company has filed appeal against the said order before the Division Bench of the High Court which is pending.

DIVIDENDS:

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

DIRECTORS:

Shri Ashok Kumar Kapoor retired by rotation and reappointed as director of the company at the Annual General Meeting held on 30th December, 2004.

RE-APPOINTMENT OF AUDITORS:

At the Annual General Meeting held on 30th December, 2004 M/s Kamal Kishore & Co., Chartered Accountants, Varanasi were re-appointed as Statutory Auditors of the Company to hold office from the conclusion of the meeting till the conclusion of the next Annual General Meeting.

PARTICULARS OF EMPLOYEES:

The company did not have any employee covered by the provisions of Section 217(2A) of the Companies Act' 1956, read with Companies (Particulars of Employee) Rules 1975 for F.Y. 2003-04.

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 its own technological inputs for its products, developed in house with the efforts of experienced staffs and the same have been upgraded time to time. However presently no collaboration arrangement with any foreign organisation.

c) **Foreign Exchange Earning and Outgo:**

The foreign exchange earnings of the Company during the financial year has been Rs1242.37 lacs from Exports of Glass Beads, Hand knotted Carpets, Handicrafts and other items. The foreign Exchange Outflow during the year has been of Rs.15.69 lacs for the import of materials, foreign traveling expenses and other sales promotional activities.

CORPORATE GOVERNANCE :

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance has been setup, which is ensuring proper implementations of the relevant requirements. A report on corporate Governance and a certificate from the Auditors confirming compliance is part of this Report.

FIXED DEPOSITS :

The Company has not accepted any fixed deposits during the year.

TRANSFER OF UNPAID / UNCLAIM DIVIDEND AMOUNTS & APPLICATION MONEY TO IEPF :

Pursuant to the provisions of Section 205 A (5) of the Companies Act, the Company has transferred unclaim declared dividend and unclaimed Share Application refunds for F.Y. 1995-96 (pending more than seven years) to Investor Education and Protection Fund (IEPF).

ACKNOWLEDGMENT:

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

By order of the Board of Directors
For BANARAS BEADS LTD.

Place : VARANASI

Date : 15.03.2007

(Ashok Kumar Gupta)
Chairman & Managing Director

**ADDENDUM DIRECTORS REPORT**

Dear Shareholders,

Your Directors considered the various observations made by the Statutory Auditors in their Audit Report dated 15.03.2007 on Annual Accounts for F.Y. 2003-04 of the Company. The directors are of the view that all the observations and qualifications made by the Auditors are fully and satisfactorily explained in the Notes to the Accounts which are self explanatory. Hence no further clarifications / comments in respect of those observations and qualifications are required. As already stated in Notes to the Accounts the various violations of the Companies Act and other applicable laws which have been referred to by the Auditors in their report pertain to transactions taken place at Delhi Units, which under the control of Shri Raj Kumar Gupta (Executive Director / Incharge of Delhi office) under the order dated 29.04.1999 passed by Hon'ble CLB. The complete facts in respect of those violations are already explained in Note No.7,8,9,10,11 and 16 of the Notes to Accounts.

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

Place : VARANASI
Date : 15.03.2007

(Ashok Kumar Gupta)
Chairman & Managing Director



MANAGEMENT DISCUSSION & ANALYSIS OVERVIEW:

INDUSTRIAL STRUCTURE AND DEVELOPMENT

Your company is an Export House recognized by Government of India, Ministry of Commerce & Industries and main business is Exports of hand made items like Glass Beads, Necklaces, Handicrafts, Carpets & other related items to all over World. The Company's products are mainly fashionable items thus its demand round with fashion. Your Company's management is making extensive efforts on quality, cost reducing and wide it's marketing.

OPPORTUNITIES & THREATS :

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.

The China has picked up much share in international market due to cheap cost of manufacturing. Hence competition has been increased 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-

The Company is having its commercial activity managed at Delhi and Varanasi. The company has identified two geographical segments on the basis of managerial control exercised on the basis of order of Hon'ble Company Law Board and according to this Varanasi and Tandia Units are controlled by Sri Ashok Kumar Gupta (Chairman & managing Director) and Delhi, Noida alongwith Kolkatta and Ernakulam are controlled by Sri Raj Kumar Gupta (Executive Director). These two geographical segments are taken as primary reportable segment.

The secondary segment reporting is based on business segments. Company have been dealing in mainly Glass Beads, Necklaces and other Handicraft items alongwith carpets and trading of misc. items which have been taken as separate segment for reporting purpose.

FINANCIAL / OPERATIONAL PERFORMANCE:

	2003-2004	2002-2003
	(Rs. in lacs)	(Rs. in lacs)
TOTAL TURNOVER	1397.22	1491.35
Profit for the year (Before Taxation)	-8.71	58.82
Provision for Taxation	0	0
Net Profit after taxation	-8.71	58.82
Balance of Profit & Loss Account B/F	-518.90	-630.41
Deferred Tax Adjustment	120.90	32.72
Add: Old Provision for taxation adjusted	0	19.97
Balance of Profit & Loss Account C/F	-406.71	-518.90

**APPROPRIATIONS**

Payment for Taxes	NIL	NIL
Proposed Dividend	NIL	NIL
Transfer to General Reserve	NIL	NIL

OUTLOOK

The immediate prospects of your Company are bright and we hope years to come turnover will increase. To increase turnover, your Company's management have made short term and long term plans.

RISK & CONCERNS :

The business of your Company is mainly Exports business, hence any further change in duty draw back, DEPB and Exchange Rate policies would have a direct affect on the profitability of the Company. However the Company is hopeful on offsetting any adverse impact by better management abilities.

INTERNAL CONTROL SYSTEMS :

The Company is having an adequate internal control system covering all areas of operations. There is proper safeguard of assets through internal control system, which prevents any wastage, loss and unauthorized use of any assets.

HUMAN RESOURCES & INDUSTRIAL RELATIONS:

The Industrial Relations were very cordial through out the year. Measures for safety of employees, training, welfare and development continued to receive top priorities.

For BANARAS BEADS LTD.

Place : VARANASI
Date : 15.03.2007

(Ashok Kumar Gupta)
Chairman & Managing Director



CORPORATE GOVERNANCE

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

1. COMPANY'S PHILOSOPHY:

The Company philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and its relationship with Suppliers, Buyers, Employees, Bankers and ensuring regulatory compliances. Your Company has always held itself to high standards of accountability, auditing, disclosure and reporting.

2. BOARD OF DIRECTORS:

The Board of Directors comprises of four Members and is responsible for Management of the Company's business. The Board's role, function responsibility, accountability and number of other Directorship and Chairman / Membership of Committees of each Director in various other Companies are as follows:

Name of director	-Category	Number of other directorships and committee member/chairmanship		
		Other Directorship	Committee Membership	Committee Chairmanship
1. Shri Ashok Kumar Gupta	Chairman & Managing Director	4	1	1
2. Shri Ashok Kumar Kapoor	Non-Executive	3	2	1
3. Shri Praveen Singh	Non-Executive	NIL	2	1
4. Shri Tanmay Deva	Non-Executive	1	2	NIL

3. NUMBERS OF BOARD MEETING HELD:

Seven Board Meeting were held during the financial year on 1st April' 2003, 24th April' 2003, 31st July' 2003, 31st October' 2003, 18th November' 2003, 29th January' 2004 and 18th March' 2004.

4. ATTENDANCE OF EACH DIRECTORS:

The following is the attendance of each director at the Board Meeting and last Annual General Meeting -

NAME OF DIRECTOR	ATTENDANCE PARTICULARS	
	BOARD MEETING	LAST AGM
1. Shri Ashok Kumar Gupta	7	Yes
2. Shri Ashok Kumar Kapoor	6	Yes
3. Shri Praveen Singh	7	No
4. Shri Tanmay Deva	6	Yes