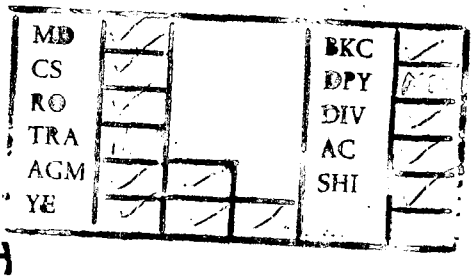
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17TH ANNUAL REPORT

1996-97

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BANARAS BEADS LIMITED

BOARD OF DIRECTORS
Mr. Ashok Kumar Gupta
Chairman & Managing Director
Mr. Raj Kumar Gupta
Executive Director
DIRECTORS
Mr. Ajit Kumar Gupta
Dr. B. D. Dikshit
Mr. M.L. Khattri
Dr. Mukund Lal
COMPANY SECRETARY
Mr. P.N.Gupta

AUDITORS
R. P. Pandey & Company,
Chartered Accountants,
O-2-Deokinandan Ki Haveli Ramapura,
Varanasi - 221 001.

REGISTERED OFFICE
A-1, Industrial Estate, Varanasi - 221 106.
Tel. No. : 0542-370161 to 370164
Fax No. : 0542-370165/0542-370214
E-MAIL NO.
beads/varanasi@dartmail.dartnet.com

CORPORATE OFFICE
Vishwa Sadan Building,
9,Janakpuri District Centre,
New Delhi - 110 058.

Tel. NO. : 011-5504163/5504164/5510223
Fax No. : 011-5504162/011-5526549
E-MAIL No. delhi.beads@axcess.net.in

BRANCH OFFICE
1st Floor, 23 Strand Road,
Calcutta - 700 001
Tel.No. : 033-2202991
Fax No.: 033-2214581

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

BANKERS
State Bank of India
The Benares State Bank Ltd.
Dena Bank
ANZ Grindlays Bank

CONTENTS:

NOTICE.....2.
DIRECTORS' REPORT.....3.
AUDITORS' REPORT.....7.
BALANCE SHEET.....10.
PROFIT & LOSS A/C.....11.
SCHEDULES.....12.
CASH FLOW STATEMENT.....27
PROXY FORM.....29.

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BANARAS BEADS LIMITED.

REGISTERED OFFICE: A-1, INDUSTRIAL ESTATE, VARANASI - 221 106

NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the Members of Banaras Beads Limited will be held at the Registered Office of the Company at A-1, Industrial Estate, Varanasi - 221 106 (U.P.) on Thursday, the 18th September, 1997 at 3.00 p.m. to transact the following business as :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 1997 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.

2. To declare Dividend.

3. To appoint a Director in place of Mr. M.L.Khattri who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

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

Place : Varanasi.
Date : 16th August, 1997

(P.N. GUPTA)
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM/HER. 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. The Directors' Report, Auditors' Report and Audited Balance Sheet as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date are enclosed. Members are requested to bring their copy of the Annual Report at the Annual General Meeting.

3. The Dividend on shares, as recommended by the Board of Directors, if approved by the members at the Annual General Meeting will be payable to those members whose names appear in the Register of Members of the Company as on 2nd September, 1997.

4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 2nd September, 1997 to Thursday 18th September, 1997 (both days inclusive)

5. Members are requested to notify the change in their address, if any, immediately to the Company quoting their Folio Numbers.

6. Members holding more than one share certificate in the same name under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.

[illegible] should bring the attendance slip duly filled in for attending the meeting.

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BANARAS BEADS LIMITED

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors have immense pleasure in presenting the 17th Annual Report and the Audited Statements of Account of the Company for the financial year ended 31st March, 1997.

FINANCIAL HIGHLIGHTS

	1996-97 (Rs. in lacs)	1995-96 (Rs. in lacs)
TOTAL TURNOVER	5042.07	5005.54
Profit for the year (Before Taxation)	247.06	627.01
Less: Provision for Taxation	48.85	12.00
Net Profit for the year	198.22	615.01
Add: Balance brought forward from the earlier year	58.80	186.34
Less: Prior Period Adjustments/Transfers (Net)	-----	-----
Available for Appropriation	257.02	801.35
APPROPRIATIONS		
Payment for Taxes	----	3.02
Proposed Dividend	88.46	220.70
Transfer to General Reserve	100.00	500.00
Balance Carried Forward	68.56	77.63

This year has been a year of consolidation, trials and turbulations for your company. Keeping in view the requirements of International market the management has concentrated all its efforts in the setting up of the Manufacturing unit at TADIA near Varanasi where manufacturing of glass Buttons, Chattons and Cobushons has already started. These are made out of machines imported from Germany produced with Czeck technology and are comparable with products of International standerds. Total expenditure done till date is Rs.110lacs.

Your Company had a major setback this year due to fire engulfing the Company's main Showroom at New Delhi entailing a loss of goods worth Rs. 85lacs. To add fuel to the fire, one of our major overseas client cancelled a confirmed order entailing a loss of Turnover by Rs.686 lacs and profit by Rs.250 lacs. Goods costing Rs436 lacs are tied up in companys go-down. Serious attempts are being made to dispose these items in International market. The company has already sent legal notices for compensation against unlawful cancellation of Export Order.

Funds to the extent of Rs.250 lacs plus outstanding interest due thereon got stuck in court cases in recovery proceedings. While the accrual of interest on these accounts has not been recognised, for preparing the accounts, serious legal battles are going on for realisation of these funds at different courts of law.

While the management is confident to double its profit in the financial year 1997-98. The management is seriously contemplating to compansate the Share holders for the decrease in Dividend in very near future.

DIVIDENDS

The Directors are pleased to recommend a dividend @ 10% on Equity Share Capital as on 31.03.97 for the financial year ended 31st March, 1997. The dividend @Rs.1.00 per share of Rs. 10/- each fully paid-up. if approved at the Annual General Meeting by the members will entail an outflow of Rs. 88.46lacs.

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OPERATIONS

GLASS BEADS:

Your Company has once again maintained its leadership in the export of glass beads by marketing of its products with an innovative blend of packaging to cater to the niche market which had hitherto not been catered to with such extensive blend of Beads. Your Company is hopeful to get a better share in the emerging market of children toys, gift packs souvenirs and allied items. Though your Company's export of Beads has decreased by 32% to Rs.637.99lacs this year from Rs. 941.37 lacs last year the Company's Share in Export Beads market has increased from 72 % last year to 81% this year. Your Company was able to out class all its national and international competitors and is sure to yield unbelievable results this year.

CARPETS & DRUGGETS:

The international market scenario for Indian Carpet Industry presents a slightly better picture than that of last year
Your Company has also performed well in export of Carpet by increasing its sales by 15 % while Indian Industry has to still answer the cut-throat competition and price reduction by competitors from PAKISTAN,CHINA,NEPAL and IRAN who have created an impasse for the INDIAN Carpet Exporters which appear to be a stumbling block in creating more markets and exploring the same for the benefit of the Indian Exporters. During the Current year under review your Company's export of carpet and druggets amounted to Rs.631.93 lacs as against Rs.549.43 lacs during the immediately preceding year. This year your company expects to achieve a substantial increase in the Export Sales of Carpet.

GOLD AND SILVER STUDDED JEWELRY

Your Company has already entered into the field of export of Gold and Silver studded jewelry and the operating results during the year under review reflect the export sale of Rs. 244.93 lacs which is a beginning of a promising market booming in the affluent parts of the world. The Gold and Silver studded jewelry items consists of value added elements of Gold and Silver and are poised for a tremendous growth in terms of value as well as volume of business if this upward trend in its demand continues un-abated in the future as well.

HANDICRAFTS AND OTHERS:

Your Company has done remarkebly well in the exports of Handicrafts Item export business of different assorted items the value of which amounted to Rs.3267.26lacs which was Rs. 2726.28.Lacs last year. It is quite satisfying to record the achievement in pursuit of excellent export performance in an area which hitherto remained unexplored by your Company. Your Company's entry in the export market for such miscellaneous Items adds a new mile-stone to its track record stretching out for the last 55 years.

CASHEW KERNEL EXPORTS: During the under review , the company 's diversification efforts have shown some positive results with the commencement of export of Cashew Kernels from its branch based in Kerlala .Already exports worth Rs.177lacs have been made to different parts of the world and the efforts are continuing to get a better share of the international market in this field.

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STATUS OF TADIA PROJECTS.

Your Company has already set-up a manufacturing unit of glass related items for diversification and expansion of its current manufacturing activities. The quality of production of Facitated beads, Coboushons, Chattons i.e. artificial diamonds, emerald, rubies etc.. has come out so well that company will do wonders in national and International market. Few orders have already been executed in this connection and Management foresees a very bright future of this product range in coming future.

QUALITY UP GRADATION

Quality Up gradation Efforts are going on in a continuous basis within the organization. All the workers and the Management (all Junior, Middle and Senior level) were inducted to various up gradation programmes highlighting the importance of quality in the Export business. The awareness programme conducted within the premises of the Company has shown positive results improving the quality and customers satisfaction which are born by the fact of NIL rejection of our products by our Oversees Customers.

AWARENESS / TRAINING PROGRAMME

For the new manufacturing in Tadia , general training for all the facets of production processes have commenced as a continuous development programme to maintain quality of the products for survival in the international market .These training programmes were initiated under the able supervision of instructors who were specially flown from GERMANY to INDIA for this purpose.

INFORMATION PURSUANT TO CLAUSE 43 OF THE LISTING AGREEMENT

Projections as given in the prospectus for Public issue of equity shares of the Company dated 30th December,1994 vis-a-vis Actual Performance of the Company are as follows:

(Rs. in lacs)

Particulars	Projected for 1996-97	Actual 1996-97	Variation
1. Net Sales/Income from operation	9306	5042	-4264
2. Other Income	140	253	113
3. Total Expenditure	7378	5048	2330
4. Interest	202	-----	202
5. Gross Profit After Interest but before depreciation and taxation	1726	247	-1479
6. Depreciation	203	109	94
7. Provision for Taxation	-----	49	-49
8. Net Profit (After Tax)	1523	198	-1325
9. Paid-up Share Capital	886	884	-2
10. Reserves excluding revaluation reserves	5506	3851	-1655
11. Earning per share (Rs.)	17.18	2.75	
12. Book Value per share (Rs.)	72.15	53.54	

The Profitability and Sales of the Company are below projections due to delay in finalising overseas project. Though with the implementation of Tadia project the company will very soon come to terms with its projected figures.

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DIRECTORS

Sri M.L.Khattri is retiring by rotation and being eligible offer himself for re-appointment .

AUDITORS & AUDITORS' REPORT.

M/s R.P. Pandey & Company, Chartered Accountants, Varanasi retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The notes to the account referred to in the Auditors Report are self explanatory and therefore do not call for any
further comments.

FIXED DEPOSITS

During the year under review, the Company has not accepted any Fixed Deposits from the public.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is covered by Section 217(2A) of the Companies Act,1956 read with Companies (Particulars of Employees) Rules, 1975 as amended.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Information as per Section 217(1)(e) of the Companies Act ,1956 read with the 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 arrangements and is conscious to conserve energy wherever possible.

b) Technological Absorption:

The Company has no collaboration arrangement with any foreign organization 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 Earnings and Outgo:

The Foreign Exchange Earnings of the Company during the year has been Rs. 4959.10 lacs from Export of Glass Beads, Hand knotted Carpets, Handicrafts and other items. The Foreign Exchange Outflow during the year has been of Rs. 558.11 lacs for the import of materials , foreign travelling expenses and other sales promotional activities .

INDUSTRIAL RELATIONS

Industrial relations 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

Your Directors would like to place on record their appreciation of the whole-hearted support extended by the Collaborators, Customers, Bankers, Shareholders, and all those associated with the Company during the year under review.

For and on behalf of the Board of Directors

For BANARAS BEADS LIMITED

Place : Varanasi
Date : 16th August 1997

(ASHOK KUMAR GUPTA)
Chairman

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AUDITORS' REPORT

To,
The Shareholders of
BANARAS BEADS LIMITED.

We have audited the attached Balance Sheet of BANARAS BEADS LIMITED as at 31st March, 1997 and also the Profit and Loss Account of the Company for the year ended on that date, annexed hereto, and report that :-

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure here to a Statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that :-

   a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

   c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account;

   d) In our opinion and to the best of our information and according to the explanations given to us the accounts read with Accounting Policies and notes on accounts in Schedule No. 22 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view;

      i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997; and

      ii) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.

For R.P. PANDEY & COMPANY
Chartered Accountants

Place: Varanasi
Dated:16th August, 1997

(R.P. Pandey)
Proprietor

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Re: **BANARAS BEADS LIMITED**

Statement referred to in paragraph (1) of our report of even date on the Accounts for the year ended 31st March,1997.

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. As per the information and explanations given to us, the Company has a system of physical verification of all its fixed assets at reasonable intervals. Most of the fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of fixed assets by the management is reasonable having regard to the size of the Company and the nature of its business. As explained to us,
no material discrepancies were noticed on such verification.

2. None of the fixed assets have been revalued during the year.

3. The stocks of finished goods, stores, spare parts and raw materials lying at its location have
been physically verified by the Management at reasonable intervals. The Stock in possession of third parties have been verified by the Management at reasonable intervals.

4. The procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on verification between the physical stock and the book records were not material and the same have been properly dealt with in the books of account.

6. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year .

7. The Company has not taken any loan from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from the Companies under the same management as defined under Sec. 370(1B) of the Companies Act, 1956.

8. The Company has not granted any loans to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and to the Companies under the same management as defined under sub-Section (IB) of Section 370 of the Companies Act, 1956.

9. In respect of loans and advances in the nature of Loan given by the Company, parties have repaid the principal amount and interest subject to sticky accounts as given in schedule 22 of the balance sheet .

10. In our opinion and according to the information and explanations given to us, there is room for improvement for adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components,plant and machinery, equipment and other assets and for the sale of goods.

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