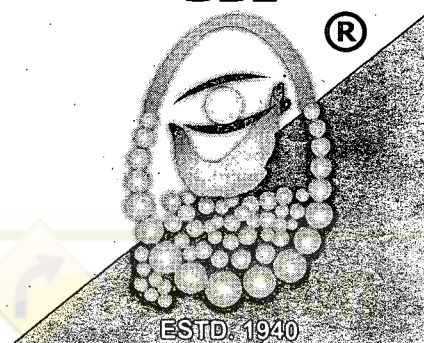


27th Annual Report

2006-2007

BBL



BANARAS BEADS LIMITED

AN EXPORT HOUSE RECOGNISED BY GOVERNMENT OF INDIA

Regd. & : A-1, Industrial Estate,
Head Office Varanasi - 221106 (INDIA)
Phones : +91-542-2370161-4 (4 Lines)
Fax : +91-542-2370165, 2370214
E-mail : info@banarasbead.com
Website : www.banarasbead.com



Banaras Beads Ltd.

27th Annual Report**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
(Ceased from incharge & directorship
of the company w.e.f . 5.9.2007 in view of
CLB order dt.4.7.2007 & 3.8.2007)

AUDITORS

Kamal Kishore & Co.,
Chartered Accountants,
Varanasi

DELHI OFFICE

Delhi Office & its controlled branches
of the company have been closed
w.e.f . 5.9.2007 in view of CLB
final order dt.4.7.2007 & 3.8.2007.

UNITS

A-1,A-5 Industrial Estate, Varanasi
Tandia, G.T. Road, Varanasi

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 Ltd.

27th Annual Report

NOTICE

NOTICE is hereby given that 27th 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 27th December, 2007 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a director in place of Mr. Ashok Kumar Kapoor, who retires by rotation and being eligible, offers him self for re-appointment.
3. To appoint the 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.

SPECIAL BUSINESS:

4. To consider and, if thought fit, pass the following proposed resolutions, with or without modifications, as a special resolution-

“RESOLVED THAT pursuant to provisions of Section 149 (2A) and other applicable provisions of the Companies Act, 1956, the approval of Members be and is hereby given to the Company to commence new business of Stockiest, commission agent, hotels, motels, builders, general engineering and contractors, undertaking, financing, investments in shares etc. as provided under sub-clause 1, 3, 7, 9 and 11 of Clause 3 (C) of Memorandum of Associations of the Company”.

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

Sd/-

(R.K.SINGH)

Company Secretary

Place : VARANASI

Date : 27.10.2007

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. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 15th December, 2007 to Thursday, the 27th December, 2007 (both days inclusive).



3. Members / Proxies should bring copy of Annual Report and their attendance slip duly filled & signed at the meeting.
4. The Company Petition No.14/1999 and other three Petitions 14/111 & 15/111 of 1999 & 1 /111 of 2001 have been decided by Hon'ble Company Law Board, Principal Bench, New Delhi on 4.7.2007.
5. The Company entered into agreements National Securities Depositories Limited (NSDL) and Central Depository Services (India) Limited (CDSL), for dematerialisation of equity shares of the Company, after introduction of depository System. **The INE number of the company is 655B01011.**

The Members, who have not dematerialized their holdings, have liberty to dematerialize their shares in the Company through a recognized Depository participant, by forwarding their request at given below address:

BANARAS BEADS LIMITED,

A-1, Industrial Estate,
Varanasi – 221-106

The REGISTRAR, for providing of Electronic Connectivity is **M/s Mas Services (P) Ltd.**, AB-4, Safdarjung Enclave, New Delhi-110 029, Tel No. 26104142 / 26104326. **But please send your all documents to the Company only, at our above address.**

6. Members are requested to send their phone, fax and E-mail detail for better communication and also notify the changes in their address, if any, immediately to the Company in respect of shares held in physical form and to their respective Depository Participants, if shares are held in electronic form.
7. Detail of Director Shri Ashok Kumar Kapoor, who retires by rotation and seeking re-appointment (In pursuance of Clause 49 of listing agreement)

Name	:	Shri Ashok Kumar Kapoor
Fathers name	:	Late Shri Ram Krishna Kapoor
Date of Birth	:	15-10-1951
Nationality	:	Indian
Qualifications	:	Bachelor of Business Management
Date of appointment on the board	:	29.01.1999
List of directorship held in other		
Company(s)	:	i) M/s R.K. Impex (P) Ltd. ii) M/s Roli Books (P) Ltd. iii) M/s R.K. Leasing & Properties (P) Ltd.

Chairmanship/membership of Committees in Public Companies

- i) Chairman Audit Committee of Banaras Beads Ltd.
- ii) Member Shareholders/Investor Grievance Committee of Banaras Beads Ltd.

**EXPERIENCE:**

Mr. Kapoor is having vast experience in Carpet, Handicrafts and other related items Business.

THE EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:**Item No.4:**

Your Board of Directors are of the view that in present days there are better opportunities in business of Stockiest, commission agent, hotels, motels, builders, general engineering and contractors, undertaking, financing, investments in shares etc. The proposed new business can be done by Company under the existing circumstances conveniently or advantageously combined with the present business of the company. All such business are stated in existing sub-clauses 1, 3, 7, 9, 11 of Clause 3 (C) Memorandum of Associations of the Company. Now the Company wants to commence all such business for its betterment in the long run. In this regard, as per Section 149(2A) of the Companies Act, shareholders approval by special resolution is required. The Memorandum of Associations of the Company and other related documents are available for inspection by members at the Registered Office of the Company during working hours on any day till the date of this annual General Meeting.

Your directors recommend that the resolution as set-out in item No. 4 in the notice, for approval of Members as a special resolution.

None of the directors of the Company is interested in the resolution.

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

Sd/-

(R.K.SINGH)

Company Secretary

Place : VARANASI

Date : 27.10.2007

**Banaras Beads Ltd.****27th Annual Report****DIRECTORS REPORT**

Dear Shareholders,

Your Directors are pleased to present the 27th Annual Reports together with the Audited Statements of Accounts of the Company for the year ended on 31st March' 2007.

FINANCIAL RESULTS:

	2006-2007	2005-2006
	(Rs. in lacs)	(Rs. in lacs)
TOTAL TURNOVER	2498.03	2991.85
Profit for the year	222.33	281.82
Prior Period Expenses	5.28	0
Net Profit Before Taxation	217.05	281.82
Provision for Taxation (Income Tax & Fringe Benefit tax)	4.45	1.50
Net Profit after taxation	212.60	280.32
Balance of Profit & Loss Account B/F	-194.74	-466.66
Deferred Tax Adjustment	0.97	-8.40
Add: Old Provision for taxation adjusted	0	0
Balance of Profit & Loss Account C/F	16.89	-194.74

APPROPRIATIONS

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 31.03.2007, the applicable accounting standards have been followed ;
- that the directors 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 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:

During the year the overall turnover of the Company has been declined by 16.5%. The great recession in International market and fluctuation in rate of foreign currency affected the growth of the Company. Your Directors are taking steps to improve the turnover of the Company.

DIVIDENDS:

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



SETTLEMENT OF MANAGEMENT DISPUTES:

Your Directors are glad to inform you that the decade old disputes between the two Groups of Shareholders namely Raj Kumar Gupta Group and Ashok Kumar Gupta Group stands resolved by order dated 04.07.2007 read with order dated 03.08.2007 passed by the Hon'ble Company Law Board in C.P. No. 14/99. The directions given by the CLB vide the aforesaid two orders are summarized in the Annexure to the Report.

In part implementation of the above orders, the Company has paid Rs. 1 Crore to Sri Raj Kumar Gupta on 10.07.2007 and accordingly 3116502 Equity Shares held by his Group in the Company have been cancelled. The paid up Share Capital stands reduced to Rs. 66129720 upon cancellation of the said Shares.

The Company has also closed the Delhi Branch and its controlled Units w.e.f. 05.09.2007. Sri Raj Kumar Gupta has ceased to be Director of the Company w.e.f. 05.09.2007. He has now no concern with Company in any capacity whatsoever.

All Assets and Liabilities pertaining to Delhi Office and its controlled branches are now stand transferred in the name of Sri Raj Kumar Gupta. Sri Raj Kumar Gupta has been advised by the company to get complete the required legal formalities in this regard.

All the employees of the Delhi Office have been informed that they are now deemed to be the employees of Sri Raj Kumar Gupta with continuity of service on same terms and conditions and all benefits including accrued benefits.

The other directions given by the CLB are under implementations.

Your Directors are further pleased to inform you that Sri Raj Kumar Gupta has agreed to abide by the above orders passed by the CLB.

Sri Ajit Kumar Gupta and Prashant Glass Works Pvt. Ltd. two of the Petitioners, did challenge the orders of CLB in appeals before the Hon'ble Allahabad High Court. The appeals stand dismissed vide order dated 11.9.2007.

In view of above development, your Directors are of the view that the operations of the Company are expected to show better results, barring unforeseen circumstances and any adverse trade conditions.

Further the full text of the orders dated 04.07.2007 and 03.08.2007 passed by the Hon'ble CLB and order dated 11.09.2007 passed by the Hon'ble High Court Allahabad in appeals filed by Ajit Kumar Gupta and Prashant Glass works Pvt. Ltd. have since been reported in 2007 (5) Company Law Journal at pages 253, 266 and 267, respectively.

DIRECTORS:

Shri Ashok Kumar Kapoor retires from Board of Directors by rotation in accordance with the Provisions of the Companies Act and being eligible, offer himself for re-appointment.

Mr. Kapoor is Bachelor of Business Management and aged about 56 years. He is having 27 years vast experience in the line of Manufacturing and Export of Carpets, Handicrafts and other related items.

RE-APPOINTMENT OF AUDITORS:

M/s Kamal Kishore & Co., Chartered Accountants, Varanasi, the Auditors of the Company, retire, are eligible for re-appointment and have expressed their willingness to be re-appointed as Statutory Auditors of the Company.

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. 2006-07.



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 Rs 2406.52 lacs from Exports of Glass Beads, Hand knotted Carpets, Handicrafts and other items. The foreign Exchange Outflow during the year has been Rs.75.21 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.

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.

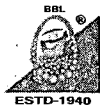
Place : VARANASI

Date : 27.10.2007

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

Sd/-

(Ashok Kumar Gupta)
Chairman & Managing Director

Annexure.DIRECTIONS GIVEN BY HON'BLE CLB IN CP NO. 14/99 :**VIDE ORDER DATED 04.07.2007:**

- 1) The company should transfer all the assets belonging to Delhi Units to the 1st Petitioner or any of his company at the choice of the Petitioner and shall also pay a sum of Rs.2 crores. In case the 1st Petitioner desires to have the property at GK Enclave, then the same should be handed over to him and the cash payment shall be reduced to Rs.1 crores. Likewise all the shares held by the company in the 1st Petitioner's companies shall also be transferred free of cost. All the expenses connected with the transfer of assets/shares shall be borne by the 1st Petitioner's group as also all
- 2) The 1st Petitioner shall hand over all the books of accounts and other documents connected with the company maintained in Delhi Office to the 2nd Respondent within the same period as also all stocks and other inventory available as on date to the company. He shall not create any new liability in the name of the company on any account. All outside liabilities of Delhi office, except relating to the properties transferred to the 1st Petitioner group shall be taken over by the company. Likewise all dues to Delhi office shall be collected by the company. The 1st Petitioner shall assist the auditors to carry out the upto date audit of Delhi units.
- 3) After this period, the 1st Petitioner shall not use the name of or the logo of the company.
- 4) Even after parting of ways, both the sides will cooperate with each other in case of any necessity on matters relating to Delhi office or Varanasi office or the company relating to the past periods. Dealing with all pending proceedings relating to the affairs of Delhi unit, shall be the responsibility of the 1st Petitioner and the company, wherever necessary assist him in dealing with the cases.
- 5) All the shares which are registered in the name of the Petitioners' group in the register of members shall be cancelled and the company is authorized to reduce its paid up capital to the extent of the face value of shares so cancelled. The book value of the assets of the company transferred to the 1st Petitioner's group and together with the sum of Rs.2 crores or Rs.1.5 and the face value of the shares held by the company and directed to be transferred to the 1st Petitioner, shall be deemed to be the consideration paid by the company for the shares. The 1st Petitioner's group shall surrender all the share scripts to the company. Effective from today, till the surrender of the shares, the 1st Petitioner shall not transfer any of the shares held by it nor acquire further shares of the company.
- 6) Neither of the groups shall have any claim against the other or the company and all the claims and counter claims made in the Petition/applications shall be cancelled/withdrawn/ written off in the books of accounts of the company at the time of consolidation of the accounts.
- 7) Within 30 days from the date of this order, all the shares involved in CPs.14/111, 15/111 of 1999 and 1/111 of 2001 shall be registered in the name of the Petitioners therein without any further act or deed.
- 8) The 1st Petitioner shall cease to be a director of the company effective from 60 days of this order.
- 9) Even though it is reported that the loans payable to the SBI have already been cleared by the company, yet, if the 1st Petitioner's personal guarantee still subsists, the company should take immediate action to relieve the 1st Petitioner of his personal guarantee.
- 10) All the litigations initiated by both the parties against each other including criminal complaints shall be withdrawn immediately.
- 11) All the employees of Delhi Units of the company shall be deemed to be the employees of the 1st Petitioner with continuity of service and benefits and all the accrued benefits in respect of such employees shall be transferred along with them.
- 12) All the Pending applications are disposed of without any orders in view of the above directions
Liberty to the parties to apply in case of any difficulty in working out this order including for seeking clarifications, if any.

**VIDE ORDER DATED 03.08.07 :****C. P. No. 288 of 2007 of the 1st Petitioner**

1. Transfer of shares held by 2nd respondent group in companies of petitioners' group: The same issue has been raised by the 2nd Respondent and also in his application. It is clarified and directed that not only the shares held by the company in the companies of 1st petitioner group shall be transferred free of cost, the shares held by the 2nd respondent group in those companies shall also be transferred free of cost. Likewise, the share held by the petitioners group in companies of the 2nd respondent group shall also be transferred free of cost. (In Annexure -2 of CA 293 of 2007, the details of the cross holdings have been given). Insofar as the demand of the 1st Petitioner for the property at East of Kailash is concerned, since it was not a part of the earlier valuation exercises and had been acquired later, which according to the 2nd respondent, out of his own fund, the 1st Petitioners cannot have a claim on this property.
2. Current assets and liabilities of Delhi office: The 1st Petitioner desires to keep all the current assets including realizable. In his application, the 2nd respondent had also given the same suggestion except that according to him the net current asset as on 31st March, 2006 of the Delhi office is of the order of Rs. 3 crores and out of this a reasonable lump sum should be given to the company. Since the petitioner has sought an additional amount towards the brand name, logo, goodwill etc. and also contribution towards the terminal benefit of the employees transferred to the Delhi Office, the excess current assets shall be with the 1st Petitioner group in respect of this claim and no lump sum is payable to the 2nd respondent. The 1st Petitioner shall be liable for the current liability of the Delhi office and is entitled for current assets. To this extent, direction at para 11(2) of the order dated 4.7.2007 stands modified.
3. Transfer of shares of the petitioner's shares in the Trust: Since the matter is before the Civil Court, specially when according to the 2nd respondent, the shares were transferred duly during the life time of the father of the parties with consent of the 1st petitioner no directions can be given as sought for.
4. Regarding the cost to be incurred for transferring the property of the company to the 1st Petitioner's group: All the charges shall be borne by the 1st Petitioner group and not by the company.
5. Payment of the areas of dividend for the last eight years: Since the company has not declared in dividend the question of any directions regarding payment of the same to the 1st Petitioner's group does not arise.
6. Insofar as the directing the 2nd respondent to clear the view of the Delhi office, or directing him to pay back the amount allegedly diverted from the company by the second respondent are concerned, since all these aspects have been taken into account while passing the order dated 4.7.2007 the same cannot be reopened.
7. Regarding bank account and publicity in the form of advertisement or through the letters to public authorities, till 4th September, 2007, the 2nd respondent, the company will not claim either that of the 1st petitioner has ceased to be director nor the Delhi Office has been closed. The 1st Petitioner shall continue to operate the bank accounts in the name of Delhi Office as hereto before and if necessary the company will advise the concerned bank accordingly.

CA No. 293 of 2007 of the 2nd Respondent/ the company.

1. All assets belonging to Delhi unit in term of para 11(1) of the order dated 4.7.2007 would mean all fix assets like immovable property, furniture, fixtures, fittings, cars, computers etc. (as per Annexure 1 of the application). At the end of para 1(1), the words "the other expenses which are required to be borne by the 1st Petitioner" will be added.
2. In paragraph 11 wherever the term "1st Petitioner appears, the same will be read as "1st Petitioners' group".
3. In Paragraph 11(5), the figure "Rs. 1.5 Crores" will be read as "Rs. 1 crore".
4. Insofar as the clarifications sought regarding the shares involved in the three petitions under section 111 of the Act, the same shall be decided after hearing the 2nd petitioner and his son, Mr. Prashant Gupta who has