

**26th
ANNUAL REPORT
1998-99**

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BHOLANATH INTERNATIONAL LIMITED

BHOLANATH INTERNATIONAL LIMITED

BOARD OF DIRECTORS

- : Mr. Bholanath Baranwal - Chairman & Managing Director
- : Mr. Dinanath Baranwal - Joint Managing Director
- : Mr. Hridaynath Baranwal - Executive Director
- : Mr. D. C. Singhania
- : Mr. Sajeve Deora
- : Mr. D. N. Mahajan
- : Ms. Linda Marcy Alexanian
- : Mrs. Renu Baranwal
- : Mr. Harish Baranwal

BANKERS

- : Allahabad Bank
Khamaria

AUDITORS

- : Gyan Chandra & Co.
Chartered Accountants
D-45/192-193, Guru Bagh,
Varansi.

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Request to Members

1. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested kindly to bring their copies to the meeting.
2. Members/Proxy holders are requested to bring the Attendance Slip duly filled in for attending the Meeting.

BHOLANATH INTERNATIONAL LIMITED**NOTICE**

Notice is hereby given that the Twenty Sixth Annual General Meeting of Bholanath International Limited shall be held on Saturday the 25th day of September, 1999 at the Registered Office of the Company at Khamaria, Distt. Sant Ravidas Nagar (formerly known as Bhadohi) at 4.00 p.m. to transact the following businesses :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at March 31, 1999, the audited Profit and Loss Account for the period ended on that date together with reports of Directors and Auditors thereon.
2. To declare dividend on equity shares of the Company.
3. To appoint a director in place of Mr. Sajeve Deora who retires by rotation and being eligible has offered himself for reappointment.
4. To appoint a director in place of Mr. Jacques Van Eyck who retires by rotation.
5. To appoint auditors of the Company and fix their remuneration.

By Order of the Board

May 22, 1999
Khamaria

Bholanath Baranwal
Chairman and Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and poll in his stead and such proxy need not be a member of the Company. Proxies in order to be effective should be received at the Company's registered office at least 48 hours before commencement of the meeting. The proxy form is enclosed.
2. Members/proxies should bring the Attendance Slip, sent alongwith, duly filled in, for attending the meeting.
3. The register of members and share transfer books of the Company will be closed from 16th September, 1999 to September 25th, 1999, both days inclusive, for the purpose of payment of dividend for the year ended March 31, 1999.
4. The dividend, if declared, would be paid at the rate of 6% with reference to the amount paid on each share and the period for which it is paid.
5. If the dividend on shares, as recommended by the directors, is declared at the ensuing Annual General Meeting, the payment of such dividend shall be made to those members whose names shall appear in the register of members as on September 25th, 1999.
6. Members are requested to quote their folio numbers in all correspondence with the Company and notify the company immediately of any change in their addresses.
7. Members who are holding shares in more than one folio are requested to intimate the Company the details of all their folio numbers for consolidation into a singular folio.

8. Shareholders are requested to bring their copy of Annual Report at the meeting.

By Order of the Board

May 22, 1999
Khamaria

Bholanath Baranwal
Chairman and Managing Director

DIRECTORS' REPORT

Dear Members,

Your directors take pleasure in presenting the Twenty Sixth Annual Report on the business and operations of the Company together with the audited statement of accounts for the period ended March 31, 1999.

FINANCIAL RESULT

During the year under review, the Company recorded a turnover of Rs. 126.129 Million and a net profit of Rs. 4.653 Million in the period of nine months as against turnover of Rs. 168.249 Million and a net profit of Rs. 7.785 Million in the previous year, respectively.

The financial results of the Company are summarised hereunder :

(Rs. in Millions)

	Period ended 30.06.1999 (9 Months)	Year ended 31.03.1998 (12 Months)
Profit before interest depreciation and tax	15.201	24.584
Interest	(7.944)	(13.822)
Depreciation & Misc. Expenses Written off	(2.304)	(2.677)
Profit before tax	4.953	8.085
Provision for Taxation	(0.300)	(0.300)
Profit after tax	4.653	7.785
Prior period adjustment	(0.253)	0.099
Excess provision for dividend written back	2.112	(0.050)
Appropriations Proposed dividend	(2.880)	(4.800)
Income tax on proposed dividend	(0.288)	(0.480)
Surplus in Profit & Loss Account brought forward	14.472	11.918
Surplus in Profit & Loss carried over	18.322	14.472

DIVIDEND

Your directors take pleasure in recommending dividend at the rate of 6% for the financial year ended March, 1999. The dividend shall be paid to those shareholders whose name appears in the register of members as on the date of the ensuing annual general meeting.

BHOLANATH INTERNATIONAL LIMITED**REVIEW OF OPERATIONS**

The business has increased in handtufted carpet. However, in case of handknotted carpet, it was less than anticipated. The Company has lost two major customers each in Belgium and Canada, as these customers have down sized their company and closed down their operations at many places. They also had financial problems because of which they have stopped importing any carpet from India. The company is making efforts to fill the vacuum created by this situation. Your directors anticipate that business in handknotted carpet will improve in the financial year 2000-2001.

The market in general except United States has been poor for Indian carpets.

EXPORT HOUSE

The Company holds status as an Export house under the policy of the Government of India and the said status is likely to be maintained by the Company during the current year also.

ISO 9002

The Company continues to maintain its ISO 9002 certification. The certification has facilitated the Company to place its products at par with those of other manufacturers in the overseas market.

FUTURE PLANS

The Company has chalked out a plan to increase the exports in the next three years. Accordingly, the company has created a separate marketing division. The efforts are being made to popularise the products of the Company on website. The participation in overseas fairs will be increased. The efforts are made to increase the business in non-conventional markets such as Latin America, South Africa and Middle East countries.

INDUSTRIAL RELATIONS

Your directors take pleasure to report that throughout the year under review the management's relationship with labour remained harmonious and cordial. Programmes have been undertaken to create awareness amongst the employees to enhance productivity, adapt to changing technical scenario and meet customer preferences within the time frame agreed to programmes for employee training, safety measures and human resource development are implemented on an ongoing basis, to keep pace with the changing business scenario and upgrade employee performance & maintain the same at a competitive level on a global basis.

DIRECTORS

Mr. Sajeve Deora and Mr. Jacques Van Eyck, directors of the Company, retire by rotation at the ensuing annual general meeting. Mr. Sajeve Deora being eligible, has offered himself for reappointment.

ENVIRONMENT AND POLLUTION AWARENESS

The Company has made conscious efforts to upkeep the environment and reduce pollution in and around its production premises. The Company has effluent treatment plant which treats the waste water emanating from the production

process before its release outside the factory. The management lays special emphasis to strictly adhere to the directives as are issued by the pollution control authorities in this regard.

As a tool to reduce pollution the Company is using Azofree dyes and chemicals in its production process. Also, husk (agro based) is used instead of coal, used in boiler units for firing since it results in emission of reduced level of polluting gases and toxics.

CONSERVATION OF ENERGY

The utilisation of energy by your Company is need based and conscious efforts are undertaken, on a continuous basis, to conserve energy resources, reduce energy consumption and attain operational efficiencies.

TECHNOLOGY ADAPTATION, RESEARCH AND DEVELOPMENT

Your company carries on research and development activities as an ongoing function for development of new designs and ranges, experiment with colour combinations, economise on the consumption of raw material and consumables, attain optimum utilisation of assets and improve process and product quality.

Research and development activities are intrinsic to the production process aimed at continuous upgradation of product and technology.

FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rs. in Millions)	
	1998-99 (9 months)	1997-98 (12 months)
EARNINGS IN FOREIGN EXCHANGE		
FOB value of exports	106195	146621
Freight and insurance	9672	11621
Commission (MR)	153	288
EXPENDITURE IN FOREIGN EXCHANGE		
Travelling	348	416
Participation in International fairs	1385	1289
Commission	1744	1692
Raw Material		5355

PARTICULARS OF EMPLOYEES

There was no employee who was employed by your Company during the year whose particulars are required to be stated in terms of the provisions of section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975.

INFORMATION AS PER LISTING AGREEMENT

The comparison between financial projections as stated in the Company's prospectus and actual results together with reasons for variations are as under :

BHOLANATH INTERNATIONAL LIMITED**PROJECTIONS VS ACTUALS**

Particulars	(Rs. in Millions)	
	Projected For the Year ended 31.03.99	Actuals For the Year ended 31.03.99
Sales	2,556.26	1,176.72
Operative and other income	152.96	136.05
Profit after tax	265.17	46.53
Dividend (%)	30%	6%

The projections are proportionate for 9 months:

The turnover and profitability projections have not been achieved due to slow down in demand for high quality handknotted carpets.

Y2K COMPLIANCE

The Company has taken steps to be Y2K compliant. The expenditure expected to be incurred shall not be significant.

LISTING FEE

The Company's shares are listed at Kanpur, Delhi, Mumbai, Chennai & Jaipur Stock Exchanges and that no listing fee is due to any Stock Exchange.

FIXED DEPOSITS

The Company did not invite or accept any fixed deposits during the year under review.

AUDITORS

M/s Gyan Chandra & Co., Chartered Accountants, auditors of the Company, retire at the conclusion of the ensuing annual general meeting. M/s Gyan Chandra & Co. have signified their willingness to be reappointed and have confirmed their eligibility for the same.

CLARIFICATION TO AUDITORS OBSERVATIONS

The audited accounts of the Canada Branch would be received in the current year and transactions in respect thereof shall be incorporated in accounts of the current year.

Note No. 4 of the Notes of Accounts is self explanatory.

ACKNOWLEDGEMENT

Your directors place on record their appreciation for the valuable assistance and cooperation rendered by the Company's bankers, Central and State Government institutions and agencies. Your directors also place on record their appreciation for the efforts of the staff of the Company and the confidence reposed in the Management by its Shareholders.

For and On Behalf of
the Board of Directors

May 22, 1999
New Delhi

Bholanath Baranwal
Chairman & Managing Director

AUDITORS' REPORT

To The Members of

BHOLANATH INTERNATIONAL LIMITED

We have audited the attached Balance Sheet of BHOLANATH INTERNATIONAL LIMITED as at March 31, 1999, signed by us under reference to this report and also the annexed Profit and Loss Account of the company for the period of nine months ended on that date and report as under :-

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 'A' statement on the matters specified in paragraphs 4 of the said order.
2. Further to our comments in the annexure referred to in paragraph (1) above, we report that :
 - (a) Subject to Point No. 3 & 4 of Schedule of Notes to the Account 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 accounts as required by the Law have been kept by the company, so far as appears from our examination of such books.
 - (c) The Balance Sheet and Profit & Loss account dealt with by this report are in agreement with the books of account produced before us.
 - (d) In our opinion, the Profit & Loss Account & Balance Sheet referred to in this Report, comply with the applicable accounts standards referred to in sub-section 3(c) of section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanation given to us the said account read with schedule no. 1 to 21 forming part of the account and schedule no. 21 regarding notes on account 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 Balance Sheet of the state of affairs of the company as at March 31, 1999 and
 - ii) In the case of Profit & Loss Account of the Profit of the company for the period of nine months ended on that date.

For GYAN CHANDRA & CO.
Chartered Accountants

Place : New Delhi
Dated : 22.05.1999

G.C. MEHROTRA
Partner