

30th

Annual Report

2002-2003

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BHOLANATH
INTERNATIONAL LTD

BOARD OF DIRECTORS:

1. Shri Bholanath Baranwal, Chairman & Managing Director
2. Shri Deenanath Baranwal, Joint Managing Director
3. Shri Hridaynath Baranwal, Executive Director
4. Shri Harbhajan Singh
5. Shri Sajeve Deora
6. Shri B. K. Goswami
7. Shri Rajeev Puri
8. Shri D. C. Singhania
9. Smt. Renu Baranwal

COMPANY SECRETARY:

Shri Gyaneshwar Sahai

AUDITORS:

M/s Gyan Chandra & Co.
Chartered Accountants
New Delhi

BANKER:

Allahabad Bank, Khamaria, Bhadohi

REGISTERED OFFICE & WORKS:

Khamaria, Bhadohi
(Sant Ravidas Nagar) - 221306
Phone : +5414-243501, 243502
Fax : +5414-243504

DELHI SHOWROOM & OFFICE:

M-56, Greater Kailash Part II (Market)
New Delhi-110048
Phone : +11-51 63 80 55/57
Fax: 11-51 63 80 58

REGISTRARS AND SHARE TRANSFER AGENTS

MAS Services Private Limited
AB-4, Safdurjung Enclave
New Delhi-110 049
Phone : +11-26104142, 26104326
Fax : +11-26181081

BHOLANATH INTERNATIONAL LTD.**NOTICE**

Notice is hereby given that the Thirtieth Annual General Meeting of the Members of Bholanath International Limited will be held on Tuesday the 30th day of September 2003, at 4.00 p.m. at registered office of the Company at, Khamaria, Bhadohi, (U.P.) 221306 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance-sheet as at March 31st, 2003, Profit and Loss Account for the year ended 31st March, 2003 and Reports of Directors and Auditors thereon.
2. To declare dividend on equity shares of the Company.
3. To appoint a Director in place of Smt. Renu Baranwal, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Shri D. C. Singhanian, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Gyan Chandra & Co., Chartered Accountants as Statutory Auditors, who shall 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:

To pass following resolution, as ordinary resolution with or without modification

6. APPOINTMENT OF SHRI BASANT KUMAR GOSWAMI AS DIRECTOR

"RESOLVED THAT Shri Basant Kumar Goswami who was appointed as an Additional Director of the Company and who vacates office at this meeting under Section 260 of the Companies Act, 1956 and who is eligible for re-appointment and in respect of whom the Company has received a notice from a member proposing his candidature for the office of Director be and is hereby appointed as Director of the Company liable to retire by rotation."

7. APPOINTMENT OF SHRI HARSHAJAN SINGH AS DIRECTOR

"RESOLVED THAT Shri Harshajan Singh who was appointed as an Additional Director of the Company and who vacates office at this meeting under Section 260 of the Companies Act, 1956 and who is eligible for re-appointment and in respect of whom the Company has received a notice from a member proposing his candidature for the office of Director be and is hereby appointed as Director of the Company liable to retire by rotation."

8. To consider and if thought fit to pass, with or without modification the following resolution as a special resolution, through Postal Ballot:

"Resolved that in accordance with the provisions of section 372A and other applicable provisions, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to invest upto a maximum limit of Rs. 150.00 Lacs in the preference share capital of Bholanath Industries Limited by subscribing to a maximum of 15,00,000, 10% preference shares (cumulative and redeemable) of Rs. 10/- each, at par.

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Further Resolved that consent of the Company be and is hereby also accorded for furnishing of Corporate Guarantee upto Rs. 100 lacs to Uttar Pradesh Financial Corporation (UPFC) in connection with a term loan made or advance given by the said UPFC to Bholanath Industries Limited; upto Rs. 1508.84 Lacs to Allahabad Bank, Khamaria, Bhadohi, in connection with enhancement of working capital limit to Bholanath Industries Limited; and upto Rs. 760 lacs to the President of India, through the Development Commissioner, Noida Special Economic Zone, in connection with the continuation of 100% EOU status to M/s Bholanath Industries Limited.

Also Further Resolved that the Board of Directors of the Company, either by itself or through delegation to Committee(s) be and is hereby authorised to do all such acts, deeds and things that it may, in its discretion, decide to be fit, proper and necessary for the purposes of giving effect to the intents of the above resolution".

Registered Office :

Khamaria

Bhadohi

Date: 29.06.2003

By Order of the Board
Sd/-

Gyaneshwar Sahai

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT:

Item No. 6:

Shri Basant Kumar Goswami was appointed as an Additional Director of the Company during the year. Pursuant to Section 260 of the Companies Act, 1956, Shri Goswami, holds office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri Goswami for the office of Director of the Company under the provision of Section 257 of the Companies Act, 1956.

Save and except Shri Basant Kumar Goswami, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 7:

Shri Harbhajan Singh was appointed as an Additional Director of the Company during the year. Pursuant to Section 260 of the Companies Act, 1956, Shri Singh, holds office as Additional Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Shri Singh for the office of Director of the Company under the provision of Section 257 of the Companies Act, 1956.

Shri Singh aged about 62 years, is a Law Graduate and holds Masters Degree in Economics. He is also a member of C.A.I.I.B.

The Board of Directors considers that in view of the background and experience of Shri Harbhajan Singh, it would be in the interest of the Company to appoint him as a Director of the Company.

The Board recommends the resolution for approval of the members.

Save and except Shri Harbhajan Singh, none of the Directors is, in any way, concerned or interested in this resolution.

Item No. 8:

The company has been instrumental in promoting Bholanath Industries Limited, a company engaged in the business of manufacturing of semi worsted woolen yarn, having its manufacturing facilities at Kachhwa, Varanasi. For purposes of enhancing business resources and working capital Bholanath Industries Limited is issuing 10 % Cumulative Redeemable Preference shares of Rs.10/- each, at par. Your company desires to invest upto a sum of Rs. 150.00 Lacs in the preference share capital of Bholanath Industries Limited by purchase, upto a maximum, of 15,00,000 of the said preference shares at the rate of

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Rs. 10/- per share. The proposed investment is to be sourced out of the surplus funds available with your company arising out of internal accruals.

Further, Bholanath Industries Limited (100% EOU) has approached the Company to provide Corporate Guarantee in connection with the Term Loan sanctioned to it by Uttar Pradesh Financial Corporation upto the limit of Rs. 100.00 Lacs; enhancement of working capital limit by Allahabad Bank, Khamaria, Bhadohi, upto the limit of Rs. 1508.84 Lacs; and in respect of renewal of agreement with Noida Export Processing Zone, for the continuation of status of 100% EOU.

As per the provisions of the section 372A of the Companies Act 1956, in case of a company which proposes to give any loan to any body corporate, make any investments in securities of any body corporate or give guarantee or provide security of an amount which would be in excess of 60% of its aggregate of its paid up capital and free reserve or 100% of paid up capital, whichever is higher, the prior authorisation of the shareholders of the company is to be taken by passing of a special resolution.

Hence the resolution is proposed for your consideration.

Mr. Bholanath Baranwal, Mr. Deenanath Baranwal, Mr. Hridaynath Baranwal and Mrs. Renu Baranwal, directors of the company, may be considered to be interested in the resolution to the extent they or their relatives are directors/ shareholders in Bholanath Industries Limited.

NOTES

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member. The instrument appointing proxy should, however, be deposited at the Registered Office/Corporate Office of the Company not less than forty eight hours before the commencement of the meeting.
2. Members/Proxies should bring the Attendance

Slip duly filled in for attending the meeting.

Shareholders are requested to kindly bring their copies of Annual Report to the meeting.

3. **Register of Members and Share Transfer Books of the Company will remain closed from 16th day of September 2003 to 21st day of September 2003. (both days inclusive).**
4. All documents referred to in the accompanying notice are open for inspection at the Registered Office/ Corporate office of the Company during office hours on all working days, except Saturdays, and holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
5. Members are requested to notify promptly any change in their addresses to the Company's Registered Office or to the Share Transfer Agent M/s MAS Services Private Limited, AB-4, Safdurjung Enclave, New Delhi - 110 049.
6. The Shareholders, who have not encashed the dividend warrant(s) so far for the financial year ended 31st March 1996 are requested to make their claim to the Company. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof.
7. Appointment/Re-appointment of Directors: At the ensuing Annual General Meeting, Shri D. C. Singhanian, and Smt. Renu Baranwal Director, shall be retiring by rotation and being eligible, offer themselves for re-appointment.
8. On the direction of Securities and Exchange Board of India the approval from the members for item No. 8 is being sought through Postal Ballot which are enclosed with this notice.
9. Any queries relating to Accounts must be sent to the Company at least 10 days before the date of the meeting.

By Order of the Board
Sd/-

Registered Office :
Khamaria , Bhadohi

Date : 29.06.2003

Gyaneshwar Sahai

BHOLANATH INTERNATIONAL LTD.**Directors' Report**

Dear Members,

Your Directors have pleasure in presenting the 30th Annual Report together with the Audited Statements of Accounts alongwith the Report of the Auditors for the year ended March 31, 2003.

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	Year ended 31/03/2003	Year ended 31/03/2002
Profit before Interest, Depreciation & Miscellaneous Expenses written off	222.61	227.61
Interest	(83.44)	(91.39)
Depreciation & Miscellaneous Expenses written off	(46.67)	(46.02)
Profit before tax	92.50	90.20
Provision for taxation: Current	(13.50)	(3.50)
Deferred	(6.59)	(9.59)
Profit after tax	72.41	77.11
Prior Period adjustment	(0.35)	(0.41)
Appropriations:		
Proposed Dividend	(28.80)	(28.80)
Income- tax on proposed Dividend	(3.69)	—
Surplus in Profit & Loss Account brought forward	298.88	250.98
Surplus in Profit & Loss Account carried over	338.45	298.88

Date : 29.06.2003

TURNOVER

The total turnover achieved during the year was Rs. 2088 Lacs as compared to Rs. 1899 Lacs during the preceding year. The Company continues its status of recognised Export House.

PUBLIC DEPOSITS

Your Company did not accept any Public Deposit, during the year under review.

INSURANCE

Your Company's assets continue to be fully insured

against the risk of fire, riot, earthquake, terrorism etc.

DIVIDEND

Your directors take pleasure in recommending dividend at the rate of 6%, for the financial year ended 31st March 2003. The dividend, if declared, shall be paid to those shareholders whose names appear in the register of members as on date of the book closure.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

BHOLANATH INTERNATIONAL LTD.

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) they have 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 as on 31st March, 2003 and of the profit or loss of the company for that period;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts are prepared on a going concern basis.

DIRECTORS

Sri D. C. Singhanian and Smt. Renu Baranwal retire at the ensuing AGM, and being eligible, have offered themselves for re-appointment.

Shri Basant Kumar Goswami and Shri Harbhajan Singh have been elected as Additional Directors during the year under review.

Notice have been received from the shareholders proposing the appointment of Shri Basant Kumar Goswami and Shri Harbhajan Singh as the Directors of the Company, liable to retire by rotation.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion & Analysis Report as required under the Listing Agreement with Stock Exchanges is enclosed at Annexure "A".

RESPONSIBLE CARE AND QUALITY

Your Company maintains ISO 9002 certification which has enabled your Company to market its products in the International Markets.

Your Company has taken the initiative of getting certification for Environment Management System, with the International Standard ISO 14001.

Your Company remains committed to Social responsibility. In this direction your Company is endeavoring to obtain the prestigious SA-8000 Certificate.

HUMAN RESOURCES

Employee relations during the year were cordial. To meet the changing business requirements, the Company has taken various initiatives in the training and development of its employees by organizing training programs. We appreciate the contributions and initiatives made by all employees towards achieving improved productivity, flexibility in operations and overall business performance of the Company.

There was no employee, employed during the period under review, whose particulars are required to be published under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters forms part of this Report and is annexed as Annexure "B" hereto.

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CORPORATE GOVERNANCE

A detailed report on Corporate Governance has been included separately in the Annual Report as Annexure "C". Certificate dated June 29, 2003 of the auditors of the Company regarding compliance of the conditions of the Corporate Governance as per requirement of clause 49 of the listing agreement with the stock exchanges is also enclosed.

AUDITORS

The Auditors, M/s. Gyan Chandra & Co., retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT

The Directors acknowledge with gratitude the co-operation and support received from Government, Financial Institutions and Banks. The Directors wish to place on record their appreciation for the contributions made by all employees of the Company and are also thankful to all customers, suppliers and investors for their continued support.

By Order of the Board

Sd/-

Place:
Khamaria
Bhadohi

(Bholanath Baranwal)
Chairman & Managing Director

Dated: 29.06.2003

ANNEXURE "A"**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****INDUSTRY STRUCTURE & DEVELOPMENTS**

The Global Textiles Floor Covering market size crossed the \$ 500.00 million mark in 2002-2003, a growth of 3.5% over 2001-2002. North America and Europe (EU) accounted for more than 85% of the total global Floor Coverings sales in 2002-2003.

According to Carpet Export Promotion Council, the total export of Indian carpets in the financial year 2002-2003 is Rs. 2400 Crores, registering a growth of about 9% over preceding financial year.

OUTLOOK ON OPPORTUNITIES

The consumer taste around the world has changed dramatically. Few decades back, carpet was considered as an investment item. Therefore, rich and upper middle class families were spending on carpet with a view to retain it for few generations.

In the current market scenario, a carpet is considered as an accessory in the house, complimenting the furniture, curtain and other household items.

With the changed mindset, hand knotted carpet has taken a back seat. Hand tufted carpet and other cheaper alteration are more popular due to their lower price, faster production and adaptability to changing fashion scenario.

OUTLOOK ON THREATS, RISKS AND CONCERNS

Although the hand knotted carpet sector has lost its domination in handmade carpet. Iran is the main supplier in this segment. India is also facing competition with Iran in this category. The weaker of Iranian currency is giving advantage to the importers compared

to stronger Indian Rupees.

In the other category, China is major competitor. Their lower manufacturing cost and faster delivery capability has influenced on Indian carpet manufacturers in this segment.

The Indian carpet industry has to improve its productivity and reduce the cost in order to maintain its edge against competitors.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

There are well-established procedures for internal controls for operations of the Company and its subsidiaries. The Finance and Internal Audit functions are well equipped with experienced and qualified personnel and play important roles in implementing and monitoring the statutory and internal control environment.

FINANCIAL PERFORMANCE

The Net Sales of your Company grew by 10% to reach Rs. 2087.60 Lacs. Profit before interest and depreciation was Rs. 222.61 Lacs (Previous year : Rs. 227.61 Lacs). Profit before tax at Rs. 92.50 Lacs (Previous year : Rs. 90.20 Lacs) was up by 2.70%, while Profit after tax (including deferred tax) was Rs. 72.91 Lacs (Previous year : Rs. 77.11 Lacs).

HUMAN RESOURCES

Human Resources are a highly valued asset of your Company. The Company seeks to attract, retain and nurture technical and managerial talent across its global operations and continues to create, sustain and enhance an environment that brings out the best in our people with emphasis on learning, training & development and career progression. Performance is recognised and rewarded through upgradations and job enrichment, activity based incentives and bonuses.

BHOLANATH INTERNATIONAL LTD.**ANNEXURE "B"****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH & DEVELOPMENT (R & D)**

Scarc energy resources have been utilized according to need and uses of the Company. The management is aware of the needs to conserve valuable resources and has laid down policies and measures for optimal use of the same in operations, wherever applicable.

Research and development activities are carried on by

the Company as a continuous function for development of unique designs and patterns. Research and development activities are intrinsic to the manufacturing process aimed at continuous up gradation of product and technology.

FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign exchange earning and outgo during the year under report are as under:

(Rs. in Lacs)

	Year ended 31/03/2003	Year ended 31/03/2002
EARNING		
FOB value of export	1789.11	1660.81
Freight & Insurance	109.81	83.11
OUTGO		
Traveling	8.20	8.35
Participation in International fairs	13.16	12.62
Commission	30.02	30.67
Registration & Membership	1.12	1.08
Purchases	3.51	-
Dividend	4.21	4.21