

# 31st Annual Report 2003-2004

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**BHOLANATH**  
INTERNATIONAL LTD

**BOARD OF DIRECTORS**

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

**AUDITORS:**

M/s Gyan Chandra & Co.

Chartered Accountants

14A/ 62, WEA, Channa Market,

Karol Bagh, New Delhi- 110005

**BANKER:**

Allahabad Bank,

Khamaria,

Bhadohi (Sant Ravidas Nagar)-221306

**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

**NOTICE**

Notice is hereby given that the Thirty first Annual General Meeting of the Members of Bholanath International Limited will be held on Thursday the 30<sup>th</sup> day of September 2004, 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 Profit and Loss Account for the period ended 31<sup>st</sup> March, 2004 and the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To declare dividend on equity shares of the Company.
3. To appoint a Director in place of Sri Sajeve Deora, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri D. C. Singhanian, who retires by rotation and being eligible offers himself for reappointment.
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.

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**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 10<sup>th</sup> day of October 2004 to 15<sup>th</sup> day of October 2004. (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.

**NOTICE**

6. The Shareholders, who have not encashed the dividend warrant(s) so far for the financial year ended 31<sup>st</sup> March 1997 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, Sri Sajeve Deora, and Sri D. C. Singhania, shall be retiring by rotation and being eligible, offer themselves for reappointment.
8. Any queries relating to accounts must be sent to the Company at least 10 days before the date of the meeting.

Place: New Delhi  
Date : June 26, 2004

By Order of the Board  
Sd/-  
Bholanath Baranwal  
Chairman & Managing Director



**DIRECTORS' REPORT** ☐

Dear Members,

Your Directors have pleasure in presenting the 31<sup>st</sup> Annual Report together with the audited Statements of Accounts along with the Report of the Auditors for the year ended March 31, 2004.

**FINANCIAL HIGHLIGHTS**

(Rs. in Lacs)

	Year ended 31/03/2004	Year ended 31/03/2003
Profit Before Interest, Depreciation & Miscellaneous Expenditure written off	179.73	222.61
Interest	81.56	83.44
Depreciation & Miscellaneous Expenditure written off	48.83	46.67
Profit before tax	49.34	92.50
Provision for taxation: Current	9.00	13.50
Deferred	4.62	6.59
Profit after tax	35.72	72.41
Prior Period adjustment (Add)/ Less	(0.12)	0.35
Appropriations:		
Proposed Dividend	28.80	28.80
Income tax on proposed Dividend	3.69	3.69
Surplus in Profit & Loss Account brought forward	338.44	298.88
Surplus in Profit & Loss Account carried over	341.79	338.45

**TURNOVER**

The total turnover achieved during the year was Rs. 2352 Lacs as compared to Rs. 2088 Lacs during the preceding year. The Company continues to retain 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 31<sup>st</sup> March 2004. The dividend, if declared, shall be paid to those shareholders whose names appear in the register of members as on the last date of the book closure.

**DIRECTORS' REPORT****DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that:

- 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 31<sup>st</sup> March, 2004 and of the profit of the Company for the year ended on that date;
- 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 Sajeve Deora and Sri D. C. Singhanian retire at the ensuing AGM, and being eligible, have offered themselves for reappointment.

**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 is in the process of transforming its Quality Management System from ISO 9002 to ISO 9001: 2000. This will enable your Company to market its products in the international markets in a better way.

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 SA8000 Certificate.

**HUMAN RESOURCES**

Employee relations during the year were cordial. To meet the changing business requirements, your Company has taken various initiatives in the training and development of its employees by organizing training programs. We appreciate the contributions and initiatives taken by all employees to achieve higher productivity, which allows your company to gain flexibility in operations and improvement in overall business performance of the Company.

There was no employee, employed during the year 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.

**COMMENTS ON AUDITORS OBSERVATIONS**

The Company has noted the observations of the auditors for compliance and is taking due steps for the same.

**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.

**DIRECTORS' REPORT** ☐**CORPORATE GOVERNANCE**

A detailed report on Corporate Governance has been included separately in the Annual Report. Certificate dated June 26, 2004 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 as per Annexure "C".

**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.

Registered Office:

Khamaria

Bhadohi (U.P.) 221306

Date: June 26, 2004

By Order of the Board

Sd/-

Bholanath Baranwal

Chairman & Managing Director

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

The export of Indian handmade floor-coverings has declined by nearly 5% in the FY 2003-04, compared to preceding year. The total export in the FY 2003-04 is INR 2300 Crores (USD 508 million).

The carpet business is changing in nature globally. The big distributors and retailers are bypassing established wholesalers and pursuing direct purchases from the manufacturers. The Indian exporters need to change to their strategy to meet this challenging scenario of business.

**OUTLOOK ON OPPORTUNITIES**

The consumer taste around the world has changed dramatically. Few decades back, carpet was considered as an investment, acquisition and usage thereof was confined to rich and upper middle class families. Carpets were held to be passed down the generation. The current market condition has redefined carpet as an accessory, complimenting the furniture and other items in a living space. The changed mindset has placed hand knotted carpet to a back seats and tufted carpets and other cheaper alternate products are gaining popularity.

**OUTLOOK ON THREATS, RISKS AND CONCERNS**

Iran is the main competitor in the hand knotted segment. The weaker Iranian currency has confirmed a significant advantage to international buyers over the stronger Indian Rupee.

China is a major competitor in the hand tufted segment. Lower manufacturing costs and quicker delivery capability, due to superior infrastructure available in China, has placed the manufacturer in China in a superior position over the manufacturer based in India.

The Indian carpet industry needs to improve its productivity and reduce costs in order to gain an edge against competitors.

**INTERNAL CONTROL SYSTEMS AND ADEQUACY**

There are well-established procedures for conduct of business which incorporates requisite level of internal controls. The Finance and Internal Audit functions are well equipped with experienced and qualified personnel and have an important role in implementing and monitoring the statutory and internal control environment.

**FINANCIAL PERFORMANCE**

The Net Sales of Your Company during the year under report grew by 12.64% over the earlier year sales, and reached Rs. 2347 Lacs. Profit before interest and depreciation was Rs. 179.48 Lacs (2003: Rs. 2227.50 Lacs). Profit before tax at Rs. 49.09 Lacs (2003: Rs. 92.50 Lacs) was down by 46.93%, while Profit after tax (including deferred tax) was Rs. 3547 Lacs (2003: Rs. 71.41 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 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.



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

Scarce energy resources have been utilized according to needs of the Company. The management is aware of the need 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 31/03/2004	Year ended 31/03/2003
<b>EARNING</b>		
FOB value of export	2076.37	1789.11
Freight & Insurance	136.66	109.81
<b>EXPENDITURES</b>		
Travelling	12.66	8.20
Participation in International fair	18.32	13.17
Commission	24.83	32.84
Purchases	2.22	3.51
Membership fee	1.33	1.22
Others (Testing charges)	-	0.19

ANNEXURE "C" ☐**REPORT ON CORPORATE GOVERNANCE 2003-2004****Company's philosophy on Corporate Governance:**

Bholanath International Limited believes that good corporate governance is essential to achieve long term corporate goals and to enhance stakeholder value. There is no one universal model of a Corporate Governance Code. Different environments need specific solutions to meet the demands of legal compliances and regulations. However, there is a single thread which weaves through the tapestry of governance, that the affairs of a Company be controlled and regulated in a manner which is transparent, ethical and accountable. In this pursuit, your Company is committed to transparency in all its dealings, to providing high quality products and services to its customers and stakeholders and places uncompromising emphasis on integrity and regulatory compliances. The basic philosophy of Corporate Governance in your Company has been to achieve business excellence and to enhance shareholder value, keeping in view the needs and the interest of all its stakeholders.

Your Company continues to follow procedures and practices in conformity with the Code of Corporate Governance as enunciated in the Listing Agreement. In keeping with the spirit of the Code, your Board has constituted Committees such as Audit Committee and Share Transfer Committee.

**Size and Composition of the Board:**

The Board of Directors of the Company comprises nine Directors, out of which five directors are Non- executive and independent. The Non- executive Directors are proficient in their own fields and bring with them decades of experience in the areas of finance, legal, marketing and general management.

The Board comprises more than 50% of Non-Executive and Independent directors. The composition of the Board is in conformity with the amendments in the listing Agreement. Sri Bholanath Baranwal, Chairman & Managing Director, Sri Dinanath Baranwal, Joint Managing Director and Sri Hridaynath Baranwal, Executive Director of the Company are responsible for overall management of the Company.

**Notes on re- appointment of Non- executive Directors**

Mr. Sajeve Deora and Mr. D.C. Singhania are the retiring directors of the Company and are eligible for re- appointment.

Mr. Sajeve Deora is a senior Chartered Accountant, based at New Delhi. His other directorship in public limited Company are

Sl. No.	Name of the Company	Designation/ Membership of Board/Committee
1.	Pronto Steering Ltd.	Member of Board of Director.
2.	Vippy Industries Ltd.	Member of Board of Director. Member of Audit Committee. Member of Remuneration Committee.
3.	Jyoti Overseas Ltd.	Member of Board of Director.

Mr. D.C. Singhania is a senior Advocate of the Supreme Court. His other directorship in public limited Company are

Sl. No.	Name of the Company	Designation/ Membership of Board/Committee
1.	Lord Krishna Bank Ltd.	Member of Board of Director.
2.	Rico India Limited	Member of Board of Director.