

**TWENTY SECOND
ANNUAL REPORT
2005 - 2006**



**N I L E
L I M I T E D**



**N I L E
L I M I T E D**

BOARD OF DIRECTORS

| | |
|-------------------------------|-----------------------------|
| Sri T. Panduranga Rao | <i>Chairman</i> |
| Sri V. Ramesh | <i>Managing Director</i> |
| Dr. M.R. Naidu | |
| Sri V.S. Prasad | |
| Sri M. Ramaiah | |
| Sri S.V. Narasimha Rao | |
| Sri D. Seshagiri Rao | |
| Sri V. Sridharan | <i>Director (Technical)</i> |
| Sri K.V. Ramana | <i>Director (Finance)</i> |

COMPANY SECRETARY

Sri G. Venkateswar Reddy

Report  Junction.com

AUDITORS

M/s. Sarathy & Balu
Chartered Accountants,
#12, Master Sai Apartments,
Somajiguda, Hyderabad - 500 082

REGISTERED OFFICE

NILE Limited
Industrial Estate, Nacharam,
Hyderabad - 500 076.
Phones : (40) 27174341/42
Fax : (40) 27173203

BANKERS

Andhra Bank
Sultan Bazar Branch,
Hyderabad - 500 195.

REGISTRARS AND SHARE TRANSFER AGENTS

M/s. XL Softech Systems Ltd.
3, Sagar Society,
Road No.2, Banjara Hills
Hyderabad - 500 034
Phones : (40) 23545913/14/15
Fax : (40) 23553214



**N I L E
L I M I T E D**

NOTICE

Notice is hereby given that the Twenty Second Annual General Meeting of the Company will be held on Monday, the 19th day of June, 2006 at 10.00 A.M. at the Registered Office of the Company situated at Industrial Estate, Nacharam, Hyderabad - 500 076, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the financial year ended 31st March, 2006 and the Balance Sheet as on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend for the year 2005-06.
3. To appoint a Director in place of Dr. M. R.Naidu, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri V.Sridharan, who retires by rotation and, being eligible, offers himself for reappointment.
5. To appoint a Director in place of Sri K.V.Ramana, who retires by rotation and, being eligible, offers himself for reappointment.
6. To appoint M/s. Sarathy & Balu, Chartered Accountants, as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

7. Revision/Enhancement of Remuneration payable to Sri V.Sridharan, Director (Technical):

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, the remuneration payable to Sri V. Sridharan, Director (Technical) be revised with effect from 1st June 2006 for next three years, as under:

- i) Salary: Salary in the range of Rs.40,000/- to Rs.75,000/- per month during the next three years as may be decided by the Board of Directors from time to time and a salary of Rs.45,000/- per month initially with effect from 1st June 2006. The subsequent years' salary will be subject to the approval of the Board of Directors on the recommendations of the Remuneration Committee.
- ii) Perquisites: In addition to the salary, Sri V.Sridharan, Director (Technical), shall be entitled to the perquisites as set out in the Explanatory Statement annexed hereto and are computed on the revised salary from time to time.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the next three years, the remuneration and perquisites aforesaid be paid to Sri V. Sridharan as minimum remuneration stipulated in Schedule XIII of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof."

8. Revision/Enhancement of Remuneration payable to Sri K.V.Ramana, Director (Finance):

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, the remuneration payable to Sri K.V.Ramana, Director (Finance) be revised with effect from 1st June 2006 for next three years, as under:

- i) Salary: Salary in the range of Rs.40,000/- to Rs.75,000/- per month during the next three years as may be decided by the Board of Directors from time to time and a salary of Rs.45,000/- per month initially with effect from 1st June 2006. The subsequent years' salary will be subject to the approval of the Board of Directors on the recommendations of the Remuneration Committee.

- ii) **Perquisites:** In addition to the salary, Sri K.V.Ramana, Director (Finance), shall be entitled to the perquisites as set out in the Explanatory Statement annexed hereto and are computed on the revised salary from time to time.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the next three years, the remuneration and perquisites aforesaid be paid to Sri K.V.Ramana as minimum remuneration stipulated in Schedule XIII of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof."

By Order of the Board
For NILE LIMITED

Place : Hyderabad
Date : 15.05.2006

K.V. Ramana
Director (Finance)

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF ON POLL. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective, should be received by the Company at its Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 12th June 2006 to 19th June 2006 (both days inclusive).
4. The Dividend on equity shares as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be payable to those members whose names appear on the Company's Register of Members on 12th June 2006. In respect

of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by NSDL & CDSL for this purpose, as on that date.

5. Members holding shares in physical form are requested to notify immediately any change in their address to the Registrars & Share Transfer Agents, namely M/s.XL Softech Systems Ltd., 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad - 500 034. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).
6. Explanatory Statement Under Section 173 (2) of the Companies Act, 1956 is attached.
7. Information about the Directors seeking re-appointment at the 22nd Annual General Meeting as required under Corporate Governance:

Brief Profile of Dr.M.R.Naidu, Director, who retires by rotation and is eligible for re-appointment:

Dr.M.R.Naidu, aged 72 years, is a graduate in Mechanical Engineering from Andhra University. He has 30 years' rich experience in various fields. He worked as Executive Director of BHEL for a period of 8 years, CMD of BHPV for 5 years and as CMD of HMT for 5 years.

Brief Profile of Sri V.Sridharan and Sri K.V.Ramana, who retire by rotation and are eligible for re-appointment: Members may refer the explanation provided under Explanatory Statement annexed to this Notice pursuant to Section 173(2) of the Companies Act, 1956.

By Order of the Board
For NILE LIMITED

Place : Hyderabad
Date : 15.05.2006

K.V. Ramana
Director (Finance)

ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 7 & 8:

Sri V. Sridharan is M. Tech (IIT Madras) and has been the Director (Technical) of the Company since 1993. As a Whole-time Director, he is responsible for the entire technical and operational functions of the Glass Lining Division. He also looks after the marketing functions of the Division. His period of office as Director is liable to be determined by way of "retirement by rotation".

Sri K.V.Ramana is B.Tech (IIT Madras), MBA (IIM Ahmedabad) and has been the Director (Finance) of the Company since 2000. As Whole-time Director, he is responsible for the Finance, Commercial and Administrative functions of the Company. He also looks after the operations of the Lead Division of the Company at Choutuppal. His period of office as Director is liable to be determined by way of "retirement by rotation".

The salary and perquisites of Sri.V.Sridharan and Sri K.V.Ramana were revised by the members in the 21st Annual General Meeting held on 4th June 2005. However, the Board, as per the recommendations of the Remuneration Committee, took up the review of the remuneration payable to Sri V.Sridharan, Director (Technical) and Sri K.V.Ramana, Director (Finance) at its meeting held on 15th May 2006 and decided that the salary payable to each of them be revised as follows:

Salary in the range of Rs.40,000/- to Rs.75,000/- per month during the next three years as may be decided by the Board of Directors from time to time and a salary of Rs.45,000/- per month initially with effect from 1st June 2006. The subsequent years' salary will be subject to the approval of the Board of Directors on the recommendations of the Remuneration Committee.

The Board further decided that the following perquisites are payable to each of them which would be computed on enhanced salary from time to time.

- i) House Rent Allowance : 20% of the salary.
- ii) Conveyance Reimbursement : Not exceeding Rs.5,000/- per month.

- iii) Leave Travel Concession : For self and family once in a year subject to a maximum of one month salary.
- iv) Medical Reimbursement : Expenses incurred for self and family subject to a ceiling of one month salary in a year or three months' salary over a period of three years.
- v) Personal Accident Insurance : As per rules of the Company subject to the premium not exceeding Rs.5,000/- per annum.
- vi) Provident Fund : As per provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
- vii) Gratuity : Not exceeding 15 days salary for each completed year of service/ as per Gratuity Rules.
- viii) Telephone : Reimbursement of the charges of telephone provided by the company or personal telephone. The company will bill long distance personal calls.

The resolutions set out at Item No.7 & 8 together with this Explanatory Statement constitute the Memorandum of Interest of the Director (Technical) and Director (Finance) under Section 302 of the Companies Act, 1956.

The Board recommends the resolutions for the approval of the Members.

None of the Directors of the Company, except Sri V. Sridharan and Sri K.V.Ramana respectively, is concerned or interested in the resolutions.

By Order of the Board
 For NILE LIMITED

Place : Hyderabad
 Date : 15.05.2006

K.V. Ramana
 Director (Finance)

DIRECTORS' REPORT

To
The Members,

Your Directors take pleasure in presenting the 22nd Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2006, together with the Auditors' Report thereon.

PERFORMANCE OF THE COMPANY:

Your Company's results for the year in comparison with the previous year are given below in a summarized format:

(Rs. in lakhs)

| Particulars | 2005-06 | 2004-05 |
|--|---------|---------|
| Net Sales | 5690.31 | 4490.70 |
| Other Income | 15.91 | 5.07 |
| Profit before interest, depreciation and Tax | 628.72 | 462.13 |
| Less: Interest | 172.20 | 122.22 |
| Depreciation | 101.59 | 106.59 |
| Profit Before Tax | 354.93 | 233.32 |
| Less: Provision for tax - Regular Tax | 117.85 | 30.80 |
| - Deferred Tax (asset)/liability | (26.94) | 7.65 |
| - Fringe Benefit Tax | 2.79 | — |
| Profit After Tax for the year | 261.23 | 194.87 |
| Add/Less: Surplus/(Deficit) in P&L Account brought forward | 89.58 | — |
| Amount available for appropriation | 350.81 | 194.87 |
| Appropriations: | | |
| Transfer to General Reserve | 27.00 | 20.00 |
| Interim Dividend paid on equity shares | — | 30.02 |
| Income Tax on Dividend paid | — | 3.92 |
| Proposed Dividend on equity shares | 90.05 | 45.03 |
| Income Tax on Dividend | 12.63 | 6.32 |
| Surplus/(Deficit) carried to Balance Sheet | 221.13 | 89.58 |
| | 350.81 | 194.87 |

DIVIDEND:

Your Directors have pleasure in recommending a dividend of 30% (Rs.3/- per share) for the year 2005-06.

OPERATIONS:

Operations of the Company for the three divisions were as follows for the year under review:

GLASS LINING:

Glass Lining division recorded sales of Rs. 3,236 lakhs as against Rs. 3,201 lakhs in the previous year, a marginal

increase in value terms while the volume recorded a growth of 16% from 11,67,551 litres in the year 2004-05 to 13,57,163 litres in the year 2005-06. The sale price realization thus, has recorded a decrease in the current year, mainly due to stiff competition. However, despite steep price increase of steel and other inputs, the division contributed significantly to the profits of the Company due to cost efficient management.

LEAD:

The Lead division recorded substantial growth in volume and sales turnover for the year 2005-06.


**N I L E
L I M I T E D**

The sales volume growth was 94% from 2,379 MT in 2004-05 to 4604 MT in 2005-06. The sales turnover recorded a growth of 98% from Rs. 1194 lakhs in 2004-05 to Rs. 2,368 lakhs in the year 2005-06. However, due to the high volatility in the international prices of the raw material i.e. Lead scrap, the division could post moderate profit only. The earlier negative contribution trend has been reversed.

WIND MILLS:

The wind farm at Ramagiri continues to generate power at a reasonable efficiency. The entire energy of 25.36 lakh units generated during the year was sold to Andhra Pradesh Power Coordination Committee under a Power Purchase Agreement. The sales realization due to energy sold during the year was Rs.86 lakhs.

The turnover of the Company, thus, was Rs. 5690 lakhs for the year under review as against Rs. 4491 lakhs for the previous year, recording a 26.70% growth, resulting in a profit before tax of Rs. 355 lakhs as against Rs. 233 lakhs in the previous year.

CORPORATE GOVERNANCE:

Your Company has complied with all mandatory provisions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement. A report on Corporate Governance, along with the certificate on its compliance from the Auditors, form part of this report.

QUALITY SYSTEM:

Your Company's certificates for Quality Systems under ISO 9001 for the Glass Lining and Lead Divisions continue to be valid.

CONSERVATION OF ENERGY:

- (i) Your Company continues to explore all possible avenues to reduce energy consumption.
- (ii) As your Company is not covered in the Schedule to the Companies (Disclosures of particulars in the report of the Board of Directors) Rules, 1988 read with Section 217(1)(e) of the Companies Act, 1956, the details under Form 'A' are not required to be furnished.

TECHNOLOGY ABSORPTION:

Your Company has fully absorbed the Technology of its technical collaborations with Hakko Sangyo Company Limited, Japan and Comber of Italy.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Amount in Rupees)

| | 2005-06 | 2004-05 |
|---|--------------|-------------|
| a) Foreign Exchange earnings on exports | 1,53,54,191 | 1,62,85,279 |
| b) Foreign Exchange used on account of: | | |
| i) Foreign Travel | 1,67,160 | 65,031 |
| ii) CIF value of imports of raw material & others | 16,57,23,040 | 7,97,26,261 |
| iii) Commission on Sales | -- | 5,83,368 |
| iv) Dividend relates to 2004-05 | 1,44,392 | 99,261 |

DIRECTORS:

Pursuant to the provisions of Section 256 of the Companies Act, 1956, Dr.M.R.Naidu, Sri V.Sridharan and Sri K.V.Ramana will retire by rotation at the ensuing Annual General Meeting, and offer themselves for reappointment.

DEPOSITS:

Your Company has accepted Fixed Deposits during the year, and complied with all the required statutory provisions. The outstanding deposits as on 31.03.2006 amount to Rs. 51.49 lakhs, which include Rs.37.15 lakhs from related parties.

AUDITORS:

Your Company's Auditors M/s. Sarathy & Balu, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and have signified their willingness to accept re-appointment and confirmed their eligibility under Section 224(1B) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES:

The information to be disclosed pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the rules framed thereunder is "Nil" for the year.

TAKEOVER BID BY GUJARAT MACHINERY MANUFACTURERS LIMITED AND ITS SUBSIDIARIES:

There has been no development in this matter since the last AGM.

DISCLOSURE AS PER LISTING AGREEMENT:**Clause 32:**

The cash flow statement in accordance with the Accounting Standard on cash flow statement (AS-3) issued by ICAI is appended to this Annual Report.

Clause 43A:

Your Company's shares are listed on The Bombay Stock Exchange Ltd., Mumbai, P.J.Towers, Dalal Street, Fort, Mumbai. The Annual listing fee for the year 2006-07 has been paid.

RESPONSIBILITY STATEMENT:

In pursuance of the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state that:

- i. the applicable accounting standards had been followed in the preparation of the annual accounts.
- ii. they had 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 for the financial year ending 31st March, 2006, and of the profit of the Company for that period.
- iii. they had taken proper and sufficient care for the maintenance of adequate accounting records in

accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- iv. they have prepared the accounts on a going concern basis.

INDUSTRIAL RELATIONS:

Your Company has had harmonious industrial relations throughout the year under review at all levels of the organization, and would endeavour to maintain this cordial relationship in the future. Your Directors wish to place on record their deep sense of appreciation for the valuable work done and cooperation extended by the employees at all levels.

ACKNOWLEDGEMENT:

Your Directors wish to express their grateful appreciation for the assistance and co-operation received from Andhra Bank, customers, and suppliers.

Your Directors also wish to express their gratitude to investors for the continued faith reposed by them in the Company.

For and on behalf of the Board

Place : Hyderabad
Date : 15.05.2006

T. Panduranga Rao
Chairman


**N I L E
L I M I T E D**

ANNEXURE TO DIRECTORS' REPORT

A. MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

Glass Lining, Lead and Wind Energy are the three main divisions of the Company. Glass Lined Equipment is primarily used in pharmaceutical, specialty chemicals, agro chemicals and other similar industries. Lead and Lead Alloys are mainly supplied to manufacturers of Lead Acid Batteries, Plastic stabilizers, and metal oxides. Wind energy generated is sold to Andhra Pradesh Power Coordination Committee.

SEGMENT-WISE PERFORMANCE

The operational and financial performances of the three divisions are as follows:

(Rupees in Lakhs)

| Segment | Turnover | Profit before Interest & Tax |
|--------------|----------|------------------------------|
| Glass Lining | 3236 | 396 |
| Lead | 2368 | 55 |
| Wind Energy | 86 | 60 |

OUTLOOK:

The outlook for the Company for the coming year is positive.

The glass lining division has a comfortable order book position. Market demand for Glass lined equipment continues to grow with investment in pharmaceutical industries expected to show substantial improvement. During the year under review, your Company had invested in augmenting infrastructure, and increasing the installed capacity of the division from 12 lakh litres to 16 lakh litres. This investment in additional capacity and infrastructure has significantly resulted in increased throughput and reduced delivery periods.

The division, thus, will record a substantial increase in volume of Glass lining equipment sales.

The market demand for Lead and Lead alloys continues to be promising. Your Company has been able to establish itself as a quality supplier of Lead and Lead Alloys, and has entered into a long term supply arrangement with Amara Raja Batteries Limited, apart from other customers in the plastic stabilizer industries. The year 2006-07 should also result in a substantial growth in volume of sales for Lead and Lead Alloys.

OPPORTUNITIES AND THREATS:

The expected new investments in the bulk drug manufacturing industry indicate a good potential and an opportunity for project sales of the Glass lining division. Your Company has been able to identify new export opportunities for Glass lined equipment, and is confident that over the next 2-3 years, this opportunity

would be exploited to add to the company's sales volume and profit contribution.

The Lead division has also been able to identify export markets to augment the volume of business.

Government policies affecting the pharmaceutical, bulk drug and agro chemical industries will have an impact on the company's prospects, as these are the major customers for Glass lined equipment. The export of Glass lined equipment comes under "SCOMET" licencing requirements. Government delays in issuing export licences continue to hamper the growth of exports. The continued rise in prices of steel and other inputs remains a serious concern for this division.

The high volatility in the international and domestic prices of Lead and Lead alloys, and also availability of Lead scrap in the international market are prime concerns of this division.

Your Company's windfarm continues to perform well, and is expected to generate a reasonable amount of power in the coming year. The proposed reduction in the price payable for wind power is a matter for concern. Your Company is making suitable representations to the Andhra Pradesh Electricity Regulatory Commission in this regard.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has an established system of internal controls for ensuring optimal utilization of various resources. Investment decisions involving capital expenditure are taken up only after due appraisal and review, and adequate policies have been laid down for approval and control of expenditure. Internal audit is carried out by a firm of Chartered Accountants to ensure adequacy of the internal control systems. The internal audit report is reviewed periodically by the Audit Committee to ensure that all policies and procedures are adhered to, and all statutory obligations are complied with.

HUMAN RESOURCES:

The employee strength as on April 01, 2005 and April 01, 2006 for the three divisions are given below:

| Year | Strength of Employees | | |
|----------------|-----------------------|------|-----------|
| | Glass Lining | Lead | Wind Farm |
| April 01, 2005 | 248 | 57 | 6 |
| April 01, 2006 | 248 | 75 | 6 |

For and on behalf of the Board

Place : Hyderabad
Date : 15.05.2006

T. Panduranga Rao
Chairman

B. CORPORATE GOVERNANCE**1) COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:**

NILE Limited believes that good Corporate Governance enhances the confidence of investors and helps in meeting the needs and aspirations of its shareholders. Your Company is committed to continuing the high values and traditions in transparent functioning of the Organisation.

2) BOARD OF DIRECTORS AND MEETINGS:**(i) Board of Directors:**

The present strength of the Board of Directors is 9. The Board consists of 3 Executive Directors and 6 Non-Executive Directors.

Promoter / Executive Directors

Sri V. Ramesh Managing Director
Sri K.V. Ramana Director (Finance)
Sri V. Sridharan Director (Technical)

Non-Executive and Independent Directors

Sri T. Panduranga Rao
Dr. M.R. Naidu
Sri V.S. Prasad
Sri M. Ramaiah
Sri S.V. Narasimha Rao
Sri D. Seshagiri Rao

(ii) Board Meetings:

During 2005-06, the Board of Directors met 6 (Six) times on the following dates:

| Sl.No. | Date of Board Meeting |
|--------|-----------------------|
| 1 | 19-04-2005 |
| 2 | 07-05-2005 |
| 3 | 02-07-2005 |
| 4 | 30-07-2005 |
| 5 | 29-10-2005 |
| 6 | 31-01-2006 |

(iii) The details of attendance of each Director at the Board Meetings, last Annual General Meeting and number of other Directorships and Chairman/ memberships of Committees are as follows:

| Name of the Director | Attendance particulars | | No. of other Directorships and Chairmanships/ memberships of other Committees | | |
|------------------------|------------------------|----------|---|------------------------|--------------------------|
| | Board Meetings | Last AGM | Other Directorships | Committees Memberships | Committees Chairmanships |
| Sri T. Panduranga Rao | 6 | Yes | None | None | None |
| Sri V. Ramesh | 6 | Yes | None | None | None |
| Dr. M.R. Naidu | 3 | No | 2 | 1 | None |
| Sri V.S. Prasad | 2 | No | 2 | 1 | None |
| Sri M. Ramaiah | 6 | Yes | 1 | None | None |
| Sri K.V. Ramana | 6 | Yes | None | None | None |
| Sri V. Sridharan | 6 | Yes | None | None | None |
| Sri S.V. Narasimha Rao | 5 | No | None | None | None |
| Sri D. Seshagiri Rao | 6 | Yes | None | None | None |

iv) Details of non executive Directors shareholding:

Sri T.Panduranga Rao 1500 equity shares of Rs.10 each
Sri V.S.Prasad 3000 equity shares of Rs.10 each

3) AUDIT COMMITTEE:

The Audit Committee consists of 4 Non-Executive Independent Directors with Sri T. Panduranga Rao as Chairman and Sri V.S.Prasad, Sri M.Ramaiah and Sri S.V. Narasimha Rao as members. Company Secretary of the Company is acting as Secretary of the Committee. The Audit Committee met five times during the year 2005-06. The details of the attendance of the Audit Committee members are as follows:

| Name of the Director | Dates of Audit Committee Meeting | | | | |
|------------------------|----------------------------------|------------|------------|------------|------------|
| | 19-04-2005 | 07-05-2005 | 30-07-2005 | 29-10-2005 | 31-01-2006 |
| Sri T. Panduranga Rao | Yes | Yes | Yes | Yes | Yes |
| Sri V.S. Prasad | No | Yes | No | No | Yes |
| Sri M. Ramaiah | Yes | Yes | Yes | Yes | Yes |
| Sri S.V. Narasimha Rao | Yes | Yes | Yes | Yes | Yes |