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ANNUAL REPORT 2002

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NILE
LIMITED

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BOARD OF DIRECTORS

Sri T. Panduranga Rao	Chairman
Sri V. Ramesh	Managing Director
Sri P.R. Gopalakrishna Reddy	
Sri Venkateswarlu Jasti	
Dr. M.R. Naidu	
Sri V.S. Prasad	
Sri M. Ramaiah	
Sri K.V. Ramana	Director (Finance)
Sri V. Sridharan	Director (Technical)

COMPANY SECRETARY

D. Giridhar Reddy

AUDITORS

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

BANKER

Andhra Bank
Sultan Bazar Branch
HYDERABAD - 500 195.

REGISTERED OFFICE

Industrial Estate
Nacharam
HYDERABAD - 500 076

SHARE TRANSFERS AND REGISTRATION

NILE Limited
Secretarial Department
Industrial Estate
Nacharam
HYDERABAD - 500 076
Phone : (040) 7173136
(040) 7170829

Fax : (040) 7173203

DEPOSITORY REGISTRAR

M/s. Venture Capital & Corporate Investments Ltd.
12-10-134 (MIG -134), 2nd Floor
Bharatnagar Colony,
Hyderabad - 500 018.
Phone : (040) 3712250
(040) 3712253

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NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Company will be held on Monday, the 30th day of September, 2002 at 10 A.M at the Registered Office of the Company located 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, 2002 and the Balance Sheet as on that date and the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Sri P.R.Gopalakrishna Reddy, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri V.S.Prasad, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Sri Venkateswarlu Jasti, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION

   "**RESOLVED THAT** the remuneration payable to Sri V.Ramesh, Managing Director of the Company be and is hereby approved as per the terms set out in the Explanatory Statement annexed to the notice covering this Annual General Meeting, which shall also be the minimum remuneration payable to him in the absence or inadequacy of profits, and with authority to the Board of Directors of the Company to alter and vary such remuneration, perquisites and benefits, so as not to exceed the limits specified in part II of Schedule XIII to the Companies Act,1956, or any statutory modification or re-enactment thereof."

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member of the Company.
2. In order for proxies to be effective, the Proxy Form must be received at the Company's Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books will be closed from September 23rd to September 30th (both days inclusive)
4. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto and forms part of this notice.

By Order of the Board
For **NILE LIMITED**

Place :Hyderabad
Date :29-7-2002

D. Giridhar Reddy
Company Secretary

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ANNEXURE TO NOTICE

Explanatory Statement (Pursuant to Section 173(2))

Item No.6

Sri V.Ramesh was appointed as a Managing Director of the Company at the Annual General Meeting of the Company held on 12-07-2001,for a period of 5 years with effect from 3rd August 2001, without remuneration, as he was drawing remuneration from Shin-Ho Petrochemicals (I) Limited, Madras as Managing Director. As Sri V.Ramesh had informed the Board of Directors that he would relinquish the position of Managing Director on completion of his term in Shin-Ho Petrochemicals on 31.12.2001,the Board of Directors of the Company at their meeting held on 15-10-2001, have, subject to the approval of Members in General Meeting, changed the Terms of Appointment by fixing the remuneration.

The following are the terms of remuneration, which are in conformity with Schedule XIII of the Companies Act, 1956, and are subject to approval of members:

1.	Salary	:	Rs. 50,000/- per month (Rupees fifty thousand only)
2.	Commission	:	1% of the net profit of the Company.
3.	Perquisites	:	Perquisites will be added to salary and will be subject to the condition that the monetary value of those under Part A shall be restricted to an amount equal to the annual salary.

PART A

1.	Housing I	-	The expenditure by the Company on hiring unfurnished accommodation will be subject to a ceiling of 50% of salary, over and above 10% payable by the Managing Director.
	Housing II	-	In case accommodation is owned by the Company, 10% of the salary of the Managing Director shall be deducted by the Company.
	Housing III	-	In case no accommodation is provided by the Company, the Managing Director shall be entitled to house rent allowance subject to the ceiling laid down in Housing I.
			The expenditure incurred by the Company on gas, electricity, water, and furnishings will be valued as per the Income Tax Rules, 1962. This will however be subject to a ceiling of 10% of the Salary.
2.	Medical reimbursement	:	Expenses incurred for self and family subject to a ceiling of one month's salary in a year or 5 months' salary over a period of 5 years.
3.	Leave Travel Concession	:	For self and family once in a year in accordance with any rules specified by the Company.
4.	Club fees	:	Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.
5.	Personal Accident Insurance	:	Premium not to exceed Rs.4000/-per annum.
6.	Mediclaim Policy	:	Premium to be paid as per the Rules of the Company.

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PART B

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity will be limited to half –a – month's salary for each completed year of service.

PART C

Provision of (i) car with driver and (ii) telephone at residence. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

The remuneration aforesaid including the benefits and amenities but with the exception of the commission payable on Net Profits, be paid and allowed as minimum remuneration for any year even in the event of loss or inadequacy of profits, even if it exceeds the ceiling limit prescribed in sections 198 and 309 of the Companies Act, 1956.

Your Directors recommend the resolution for approval.

None of the Directors of the Company except Sri V.Ramesh is concerned with or interested in the resolution.

Place : Hyderabad
Date : 29.7.2002

D. Giridhar Reddy
Company Secretary

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DIRECTORS' REPORT

To

The Members,

Your Directors take pleasure in presenting the 18th Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2002, together with Auditors' Report thereon.

PERFORMANCE OF THE COMPANY

Your Company's performance during the year in comparison with previous year is given below in a summarized format :

(Rupees in lakhs)

		2001-02		2000-2001
Sales		**2652.99**		1551.09
Other Income		**9.10**		9.83
Profit before interest and depreciation and prior period adjustments		**267.38**		130.99
Less : Interest	**121.87**		119.94	
Depreciation	**115.53**		96.03	
Profit before tax and prior period adjustments		**29.98**		(84.99)
Less: Prior period adjustments		**9.02**		(0.48)
Less : Provision for taxation		**2.29**		—
Profit after tax		**18.67**		(84.51)
Add: Surplus/(Deficit) Brought forward from previous year		**(29.41)**		55.10
Investment allowance reserve no longer required transferred to General Reserve		**—**		2.22
		(10.74)		(29.41)
Deficit carried to balance sheet		**(10.74)**		(29.41)

Note: Previous year's figures are regrouped wherever necessary.

DIVIDEND:

Despite better performance over last year, your Directors regret that due to inadequate cash accruals and profits, it has not been possible to pay any dividend for the year.

OPERATIONS

The market demand for glass lined equipment continues to be good. There has been improvement in the sales volume as well as the price realization compared to the previous year. The Glass lining unit made a significant cash profit during the year.

The capacity utilization of the Lead unit has been improving over the past few months.

The windfarm at Ramagiri is operating well. Your Company entered into an agreement with APTRANSCO for the sale of wind energy.

OUTLOOK FOR THE FUTURE

The Glass lining unit is expected to maintain its profitability during the current year.

There has been a quantum jump in the capacity utilization of the Lead unit. Your Company is now one of the main suppliers for Lead and Lead Alloys to several private sector end users, as well as to the defence establishments. Your Company is no longer dependant on conversion business, and 86% of the production is for direct sales, resulting in a much larger turnover. The present capacity utilization is 84% and during the current year it is poised to cross 100%.

The performance of the windmills continues to be good, and will be a source of significant income during the current and future years.

Loans from Andhra Bank and Industrial Development Bank of India are being paid back as per schedule.

Taking all the above factors into consideration, your Directors are confident that the current financial year will see continued and significant improvement in the performance of your Company.

QUALITY SYSTEM:

Your Company's certificate for quality systems under ISO 9001 continues to be valid.

CONSERVATION OF ENERGY:

Your Company continues its efforts to conserve energy wherever practicable by economizing on the use of power through better utilization of equipment and proper production planning.

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TECHNOLOGY ABSORPTION:

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

FOREIGN EXCHANGE EARNING AND OUTGO.

(Rupees)

		2001-02	2000-2001
a)	Foreign Exchange earnings on exports	**1,84,42,084**	81,710
b)	Foreign Exchange used on account of :		
	i) Foreign Travel	**84,490**	46,775
	ii) Testing Charges	—	1,07,328
	iii) CIF value of imports of raw material & others	**3,65,50,134**	44,48,148

DIRECTORS:

Pursuant to provisions of Section 256 of the Companies Act, 1956, Sri. P.R.Gopalakrishna Reddy, Sri V.S.Prasad and Sri Venkateswarlu Jasti will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

DEPOSITS:

The Company has not accepted any deposits from the public during the year under review.

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

No employee of the Company is in receipt of remuneration of Rs.24 lakhs per annum and no employee is in receipt of remuneration of Rs.2,00,000/- per month for any part of the financial year, the particulars of which are required to be disclosed pursuant to Section 217(2A) of the Companies Act, 1956, as amended.

TAKEOVER BID BY GUJARAT MACHINERY MANUFACTURERS LIMITED AND ITS SUBSIDARIES:

The Honourable Company Law Board upheld the decision of your Directors not to transfer the shares acquired by Gujarat Machinery Manufacturers Limited and its subsidiaries. Gujarat Machinery Manufacturers Limited and its subsidiaries filed appeals in Honourable Andhra Pradesh High Court against the judgment of the Company Law Board. The Learned Judge had in his Common Judgement remanded the appeals to the Company Law Board for review. Your Company filed an appeal (LPA) against the Common Judgement passed by the single Judge, which is pending before a Division Bench of the Andhra Pradesh High Court.

DISCLOSURE AS PER LISTING AGREEMENT:

Clause 32:

The cash flow statement in accordance with accounting standard and cash flow statement (AS-3) issued by ICAI is appended to this Annual Report.

Clause 43A:

The Company's shares are listed on The Hyderabad Stock Exchange Limited, 3-6-275, Himayatnagar, Hyderabad; and The Stock Exchange, Mumbai, P.J.Towers, Dalal Street, Fort, Mumbai. The Annual listing fees to both the Stock Exchanges for the year 2002-03 have been paid.

RESPONSIBILITY STATEMENT:

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

i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.

ii. The Directors 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 at the end of the financial year ended 31st March, 2002 and of the profit and loss of the Company for that period.

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iii. The Directors have 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. The Directors 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 endeavor to maintain this cordial relationship.

ACKNOWLEDGEMENT:

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

Cordial relations prevailed during the year with all the employees. Your Directors wish to place on record their deep sense of appreciation for the valuable work done and co-operation extended by them at all levels.

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 : 29.7.2002

(T. Panduranga Rao)
Chairman

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AUDITORS' REPORT

To

The Members of NILE LIMITED

We have audited the attached Balance Sheet of NILE LIMITED as at March 31, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(i). We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

(ii). In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books. The Company has no branches.

(iii). The Balance Sheet and Profit and Loss Account dealt with by this report are prepared in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

(iv). The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account of the Company referred to above.

(v). On the basis of written representations received from the directors of the Company, as at March 31, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2002; and

(b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For **Sarathy & Balu**
Chartered Accountants

Place : Hyderabad,
Date : 25-05-2002

(J. Venkateswarlu),
Partner

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ANNEXURE REFERRED TO IN AUDIT REPORT DATED 25-05-2002

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets. The fixed assets of the Company have been physically verified at reasonable intervals during the year by the management and no material discrepancies were noticed on such verification between the book records and the physical inventory.

2. The fixed assets of the Company have not been revalued during the year.

3. The stocks of finished goods, stores, spare parts and raw materials of the Company at all its locations have been physically verified by the management at reasonable intervals.

4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies noticed on physical verification of stocks as compared to book records, which have been properly dealt with in the books of account, were not material.

6. In our opinion, the valuation of stocks has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in preceding year.

7. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/ or from the Companies under the same management as defined under sub-section (1-B) Section 370 of the Companies Act, 1956.

8. The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to the companies under the same management as defined under sub-section (1B) of the Section 370 of the Companies Act, 1956.

9. Parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal and interest as stipulated.

10. In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of stores, raw materials, including components, plant and machinery, equipment and other assets and for the sale of goods.

11. In our opinion and according to the information and explanations given to us, the transaction of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, as aggregating during the year to Rs. 50,000/- or more, in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.

12. The Company has a system of determining *unserviceable or damaged stores, raw materials* and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off of such stocks in the accounts towards provision for loss.

13. The Company has not accepted any deposits from public. Hence, compliance with the directives of Reserve Bank of India and the provisions of Section - 58A of the Companies Act, 1956, are not applicable.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scraps where applicable and significant.

15. The Company has an internal audit system commensurate with its size and nature of its business.

16. The Central Government has prescribed maintenance of cost records in respect of Lead Unit of this Company U/s 209(1) (d) of the Companies Act, 1956, and the Company has maintained such accounts and records as prescribed by the Government.

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