

21st Annual Report 2004-05



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>
Sri P.R. Gopalakrishna Reddy	
Dr. M.R. Naidu	
Sri V.S. Prasad	
Sri M. Ramiah	
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 SK. Noorul Hassan

AUDITORS

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

SHARE TRANSFERS AND REGISTRATION

NILE Limited
Secretarial Department,
Industrial Estate, Nacharam,
Hyderabad - 500 076.
Phones : (40) 27173136
 : (40) 27170829

BANKERS

Andhra Bank
Sultan Bazar Branch,
Hyderabad - 500 195.

DEPOSITORY REGISTRAR

M/s. Venture Capital
& Corporate Investments Ltd.
12-10-134 (MIG - 134), 2nd Floor
Bharatnagar Colony,
Hyderabad - 500 018.
Phone : (40) 23712250
 : (40) 23712253

REGISTERED OFFICE

NILE Limited,
Industrial Estate, Nacharam,
Hyderabad - 500 076.



NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Company will be held on Saturday, the 4th day of June, 2005 at 10.00 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, 2005 and the Balance Sheet as on that date and the Report of the Directors and the Auditors thereon
2. To declare a dividend for the year 2004-05.
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 M. Ramaiah, who retires by rotation and, being eligible, offers himself for reappointment.
5. 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 Section 256 and other applicable provisions, if any, of the Companies Act, 1956, the vacancy caused by the retirement of Sri P.R. Gopalakrishna Reddy, Director who has expressed a desire not to seek re-appointment, be not filled up."

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. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special 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, Sri V. Ramesh, Managing

Director in Whole-time employment of the Company, be and is hereby reappointed for a period of 5 years with effect from 01.06.2005, on a remuneration and the terms and conditions as set out in the Explanatory Statement annexed to the notice calling this Annual General Meeting "

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the period of his office as Managing Director, the remuneration and perquisites set out above with the exception of commission be paid to Sri V. Ramesh as minimum remuneration stipulated in Schedule XIII of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof."

8. 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, sanction be and is hereby accorded for the enhancement of monthly remuneration payable to Sri V. Sridharan, Director (Technical), in Whole-time employment of the Company, whose period of office is liable to determination by retirement by rotation, as per the terms and conditions set out in the Explanatory Statement annexed to the notice calling this Annual General Meeting."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the period of his office as Whole-time Director, the remuneration and perquisites set out above 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."

9. 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, sanction be and is hereby accorded for the enhancement of monthly remuneration payable to Sri K. V. Ramana, Director (Finance), in Whole-time employment of the Company, whose period of office is liable to determination by retirement by rotation, as per the terms and conditions set out in the Explanatory Statement annexed to the notice calling this Annual General Meeting."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year of the Company during the period of his office as Whole-time Director, the remuneration and perquisites set out above 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 : 07.05 2005

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 28th May, 2005 to 4th June, 2005 (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 28th May, 2005. 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 Company, at its Registered office. 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 21st Annual General Meeting as required under Corporate Governance:

Sri V.S. Prasad, aged 72 years, has been associated with the Company as a Director for more than 10 years. He is MBA (U.S.A). He has over 4 decades of experience at different senior management levels in companies such as Saks Fifth Avenue, New York, Union Carbide India Ltd. Currently he is Managing Director of AlufLOURIDE Ltd.

Sri M. Ramaiah, aged 57 years, is a Postgraduate in Commerce and has more than 30 years of experience in Industry.

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

Place : Hyderabad
Date : 07.05.2005

K.V. Ramana
Director (Finance)

ANNEXURE TO NOTICE

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

Item No. 7:

Sri V. Ramesh, is the promoter Director of the Company. He is B.Tech (IIT, Madras), M.S. (University of Wisconsin, USA) and MBA (University of Toronto, Canada). He has an experience of over 30 years in related fields in different capacities.

As Managing Director, he is the CEO of the Company responsible for overall functions of the Company. He was appointed for a period of 5 years with effect from 03.08.2001. His remuneration was reviewed with effect from 01.01.2002.

The Board has decided to reappoint Sri V. Ramesh for a period of 5 years with effect from 01.06.2005, as recommended by the Remuneration Committee. The following are the terms and conditions of his remuneration, which are in conformity with the Schedule XIII of the Companies Act, 1956 and are subject to approval of the members:



- | | | | |
|----------------|---|--------------------------------|---|
| 1. Salary | : Rs. 1,00,000/- per month (Rupees One Lakh only) | 5. Personal Accident Insurance | : Premium not exceeding Rs.4,000/- per annum. |
| 2. Commission | : 1% of the net profits of the Company. | 6. Medclaim Policy | : Premium not exceeding Rs. 10,000/- per annum for self and family. |
| 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 incurred by the Company on hiring unfurnished accommodation will be subject to the 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 salary in a year or five months' salary over a period of five years. |
| 3. Leave Travel Concession | : For self and family once in a year subject to a maximum of one month salary. |
| 4. Club fees | : Fees of clubs subject to a maximum of two clubs, admission and life membership fees not being allowed. |

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 15 days 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, though it exceeds the ceiling limit prescribed in Sections 198 and 309 of the Companies Act, 1956.

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

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

NOTE: The above may be treated as an abstract of the terms of appointment between the Company and Sri V. Ramesh, pursuant to Section 302 of the Companies Act, 1956.

Item No. 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.

The following are the terms and conditions of his remuneration, payable with effect from 01-06-2003, which are in conformity with the Schedule XIII of the Companies Act, 1956 and are subject to approval of the members

- | | |
|------------------------------|---|
| i) Salary | : Rs. 40,000/- per month (Rupees Forty thousand only) |
| ii) Conveyance Reimbursement | : Not exceeding Rs.3,000/- per month. |

- iii) House Rent Allowance : 20% of the salary.
- iv) Leave Travel Concession : For self and family once in a year subject to a maximum of one month salary.
- v) 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.
- vi) Personal Accident Insurance : Premium not exceeding Rs. 2,000/- per annum.
- vii) Provident Fund : As per provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
- viii) Gratuity : Not exceeding 15 days salary for each completed year of service, as per Gratuity Rules.
- ix) Telephone : Reimbursement of the charges of telephone provided by the Company or personal telephone. The Company will bill long distance personal calls.

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

None of the Directors of the Company, except Sri V. Sridharan is concerned or interested in the resolution.

NOTE: The above may be treated as an abstract of the terms of appointment between the Company and Sri V. Sridharan, pursuant to Section 302 of the Companies Act, 1956.

Item No. 9:

Sri K.V. Ramana is B.Tech (IIT Madras), MBA (IIM Ahmedabad) and has been the Director (Finance) of the Company since 2000. As a 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.

The following are the terms and conditions of his remuneration, payable with effect from 01-06-2005,

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

- i) Salary : Rs. 40,000/- per month (Rupees Forty thousand only)
- ii) Conveyance Reimbursement : Not exceeding Rs.3,000/- per month.
- iii) House Rent Allowance : 20% of the salary.
- iv) Leave Travel Concession : For self and family once in a year subject to a maximum of one month salary.
- v) 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
- vi) Personal Accident Insurance : Premium not exceeding Rs.2,000/- per annum.
- vii) Provident Fund : As per provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
- viii) Gratuity : Not exceeding 15 days salary for each completed year of service, as per Gratuity Rules.
- ix) Telephone : Reimbursement of the charges of telephone provided by the Company or personal telephone. The Company will bill long distance personal calls.

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

None of the Directors of the Company, except Sri K.V. Ramana is concerned or interested in the resolution.

NOTE: The above may be treated as an abstract of the terms of appointment between the Company and Sri K.V. Ramana, pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board
For NILE LIMITED

Place : Hyderabad
Date : 07.05.2005

K.V. Ramana
Director (Finance)


**N I L E
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DIRECTORS' REPORT

To
The Members

Your Directors take pleasure in presenting the 21st Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2005, together with the Auditors' Report thereon.

PERFORMANCE OF THE COMPANY:

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

(Rs. in lakhs)

Particulars	2004-05	2003-04
Net Sales	4,490.70	2,866.15
Other Income	5.07	6.28
Profit before interest and depreciation and prior period adjustments	462.13	243.08
Less : Interest	122.22	89.59
Depreciation	106.59	101.27
Profit	233.32	52.22
Less : (i) Bad Debts Written-off	—	217.10
(ii) Leased assets written-off	—	174.87
Profit/(Loss) before tax for the year	233.32	(339.75)
Less: Provision for tax — Regular Tax	30.80	—
— Deferred Tax asset/(liabilities)	(7.65)	82.61
Profit/(Loss) after tax for the year	194.87	(257.14)
Add/Less Surplus/(Deficit) in P & L Account brought forward	—	26.38
	194.87	(230.76)
Less : Balance in General Reserve Set off	—	128.85
Amount available for appropriation	194.87	(101.91)
Appropriations:		
Transfer to General Reserve	20.00	—
Interim Dividend paid on Equity Shares	30.02	—
Income Tax paid on Dividend	3.92	—
Proposed Dividend on equity shares	45.03	—
Income Tax on Dividend	6.32	—
Surplus/(Deficit) carried to Balance Sheet	89.58	(101.91)
	194.87	(101.91)

DIVIDEND:

Your Directors declared an interim dividend of 10% (Rs. 1/- per share) in the Board Meeting held on 22nd January, 2005. Your Directors now have pleasure in recommending a final dividend of 15% (Rs. 1.50 per share) making a total of 25% (Rs. 2.50 per share) for the year.

OPERATIONS:

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

GLASS LINING:

The Glass Lined equipment sales have shown excellent growth during the year with a volume growth of 43.6% from 8,13,137 litres in the year 2003-04 to 11,67,551 litres in the year 2004-05 and a sales turnover growth of 54.3% from Rs. 2,075.26 lakhs in 2003-04 to Rs.3,201.23 lakhs in the year 2004-05.

Despite the steep increase in the prices of steel and other input materials/components during the year, the division has been able to record good contribution to the profits of the Company.

LEAD:

The Lead division also recorded substantial growth in volume and sales turnover for the year 2004-05.

The sales volume growth was 22.5% from 1,942 MT in 2003-04 to 2,379 MT in 2004-05. The sales turnover recorded a growth of 73.98% from Rs. 686.36 lakhs in 2003-04 to Rs.1,194.11 lakhs in the year 2004-05. However, the high volatility in the international prices of the raw material Lead scrap, and the recent reduction in the import tariff on Lead from 15% to 5% have resulted in the division recording a loss of Rs. 20.07 lakhs. This, however, is an improvement over the previous year when the division recorded a loss of Rs. 94 lakhs.

WIND MILLS:

The Wind farm at Ramagiri continues to generate power at a reasonable efficiency. The entire energy of 28.11 lakh units generated during the year was sold to APTRANSCO under a Power Purchase Agreement. The sales realization due to energy sold during the year was Rs. 95.36 lakhs.

The combined sales turnover for the Company thus was Rs.4,490.70 lakhs for the year under review as against Rs.2,866.15 lakhs for the year 2003-04, recording a 56.68% growth in the sales turnover of the Company. Thus, the improved operations from all the divisions resulted in a net profit before tax of Rs.233.32 lakhs as against a loss of Rs.339.75 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, forms part of this report.

QUALITY SYSTEM:

Your Company's certificate for Quality Systems under ISO 9001 for the Glass Lining Division continues to be valid.

During the year, the Lead division also received Certificate of Approval for Quality Systems under ISO 9001-2000 from IRQS.

CONSERVATION OF ENERGY:

- (i) During the year, additional facilities were installed to permit operation of the two main furnaces independently. This facilitated substantial

improvement in the throughput and volume of operations of your Company as also an optimum loading of equipment of different sizes. There was thus, a significant reduction in the cost of energy per unit output.

- (ii) Your Company proposes to take up additional investments which will result in energy saving and hence reduction in cost per unit of output.
- (iii) 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)

	2004-05	2003-04
a) Foreign Exchange earnings on exports	1,62,85,279	2,83,12,940
b) Foreign Exchange used on account of:		
i) Foreign Travel	65,031	3,175
ii) CIF value of imports of raw material & others	7,97,26,261	3,06,79,330
iii) Commission on Sales	5,83,368	4,06,988

DIRECTORS:

Pursuant to the provisions of Section 256 of the Companies Act, 1956, Sri V.S. Prasad, Sri M. Ramaiah and Sri P.R. Gopalakrishna Reddy will retire by rotation at the ensuing Annual General Meeting.

Sri V.S. Prasad and Sri M. Ramaiah, being eligible, offer themselves for reappointment.

Sri P.R. Gopalakrishna Reddy has expressed a desire not to seek reappointment. Your Directors place on record their sincere appreciation of the valuable services rendered by Sri P.R. Gopalakrishna Reddy during his tenure as a Director of the Company.

**DEPOSITS:**

Your Company has accepted Fixed Deposits during the year and complied with all the required statutory provisions. Deposits as on 31.03.2005 amount to Rs.18,43,842/- (including interest of Rs.43,842/-).

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 reappointment 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.

REDUCTION OF SHARE PREMIUM:

Further to the Special Resolution passed in the previous Annual General Meeting, the Company has obtained confirmation from the Hon'ble High Court of Andhra Pradesh, for reduction of share premium of the Company from Rs. 11,94,79,077/- to Rs. 10,92,88,128/- i.e., writing down the debit balance of Rs. 1,01,90,949/- (Rupees One crore one lakh ninety thousand nine hundred and forty nine only) in Profit and Loss Account.

Accordingly, the said losses were written off in the books of account, after complying with all the statutory requirements.

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 Stock Exchange, Mumbai, P.J.Towers, Dalal Street, Fort, Mumbai. The Annual listing fee for the year 2005-06 has 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 had been followed
- 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 for the financial year 1st April 2004 to 31st March, 2005, and of the profit of the Company for that period.
- iii. The Directors 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. 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 endeavour to maintain this cordial relationship with all the employees in the future. Your Directors' wish to place on record their deep sense of appreciation for the valuable work done and co-operation 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 : 07.05.2005

T. Panduranga Rao
Chairman

AN 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 battery industry, plastic stabilizers and metal oxide manufacturers. Wind energy generated is sold to APTRANSCO.

SEGMENT-WISE PERFORMANCE

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

Segment	(Rupees in Lakhs)	
	Turnover	Profit before Interest & Tax
Glass Lining	3,201.23	285.43
Lead	1,194.11	3.97
Wind Energy	95.36	61.07

OUTLOOK:

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

The Glass Lining division has an order book position of Rs. 1,732 lakhs at the beginning of the year 2005-06 as against Rs. 795 lakhs at the beginning of the previous year, indicating a healthy jump in the order book position of the division. The market demand for the Glass Lined equipment continues to grow. Your Company expects to maintain its growth in the sales performance in the coming years also. The steady increase in the sales volume for the last few years is an adequate recognition of the faith that the customers of the glass lined industry have in your Company. During the current year, your Company has invested in augmenting its infrastructure, apart from better utilization of the existing facilities. With the expansion expected to be completed by June 2005, the installed capacity of the Glass Lining division will be increased from 12 lakh litres to 16 lakh litres, and this will adequately provide for the growth as also a significant reduction in throughput time.

While the market demand for the Lead and Lead Alloys continues to be promising, the volatility in the international and domestic prices of Lead and Lead Alloys, as also availability of Lead scrap is of prime concern. Your Company has been able to establish itself as a quality supplier and has entered into a long-term supply arrangement with M/s. Amara Raja Batteries Limited, apart from other customers in the battery and plastic stabilizer industries. While your company is confident of achieving substantial growth in volume and turnover in the Lead division, it is making all out efforts to source appropriate raw materials to bring down the cost of operations so

that Lead division can make significant contribution to the profits of the Company.

OPPORTUNITIES AND THREATS:

The expected new investments in bulk drug manufacturing industry indicate an opportunity which can be exploited through project sales. Your Company is also exploring export market for Glass Lined equipment and the trend over the last 2-3 years indicates a significant opportunity. The Lead division also seeks to explore opportunities for export of the Lead and Lead alloys to augment the volume of business.

Since the major customers for Glass Lined equipment are in the pharmaceutical and bulk drug industries, Government policy affecting pharmaceutical, bulk drug and even agro chemical industries will affect the Company's prospects. The export of Glass Lined equipment requires obtaining export licence from the DGFT as Glass Lined equipment is identified under "SCOMET" licencing requirements, Government policies and delays in issue of licence by the Government hamper growth of exports in the Glass Lined Equipment. The rising prices of steel continues to be of serious concern.

In the case of Lead industry, the inability of the Government to effectively implement the Hazardous Waste Management (collection of batteries) Rule because of the unorganized sector is of a great concern.

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 complied with.

HUMAN RESOURCES:

The employee strength as on April 01, 2004 and April 01, 2005 for the three divisions are given below:

Year	Strength of Employees		
	Glass Lining	Lead	Wind Farm
April 01, 2004	248	52	7
April 01, 2005	248	57	6

For and on behalf of the Board

Place : Hyderabad
Date : 07.05.2005

T. Panduranga Rao
Chairman