NILE LIMITED

26th Annual Report 2009-10

BOARD OF DIRECTORS

Sri V. Ramesh	*Managing Director*
Dr. M. R. Naidu	
Sri S. V. Narasimha Rao	
Sri V. Ashok	
Sri. Satish Malladi	

Senior Management:

Sri V. Sridharan	*Chief Operating Officer (Glass Lining Division)*
Sri K.V. Ramana	*Chief Operating Officer (Non-Ferrous Division) & Chief Financial Officer*

COMPANY SECRETARY
Sri Bikram Keshari Prusty

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

INTERNAL AUDITORS
M/s. Manohar Chowdhry & Associates
Chartered Accountants
204A, Concourse Complex,
7-1,58, Greenlands Road,
Hyderabad- 500 016

REGISTERED OFFICE

NILE Limited,
Road No: 7
Industrial Estate, Nacharam,
Hyderabad - 500 076.
Phones: 2717 3136 / 2717 4341 / 2717 4342
E-mail: legal@nilelimited.com

BANKERS
Andhra Bank
Sultan Bazar Branch,
Hyderabad - 500 195.

SHARE TRANSFERS AND DEPOSITORY REGISTRARS
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

NOTICE

Notice is hereby given that the **Twenty Sixth Annual General Meeting** of the Company will be held on **Thursday, the 30th day of September, 2010 at 11:00 A.M** at the registered office of the company, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, and Profit and Loss Account for the year ended as on that date together with the Report of the Directors' and the Auditors' thereon.

2. To declare dividend for the year 2009-10.

3. To appoint a Director in place of Dr. M. R. Naidu, who retires by rotation and, being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Sri V. Ashok, who retires by rotation and, being eligible, offers himself for re-appointment.

5. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

6. To declare result of postal ballot process requiring consent of the shareholders through postal ballot for the following purposes:

(A) Consent of the shareholders under section 293(1)(d) of the Companies Act, 1956, to empower the Board of Directors to borrow beyond the aggregate of the paid up capital of the company and its free reserve, upto Rs.100 Crores (apart from temporary loans obtained from the Company's bankers in ordinary course of business).

(B) Consent of the shareholders under section 293(1)(a) of the Companies Act, 1956, to empower the Board of Directors to mortgage or charge movable and/or immovable properties of the whole or substantial part of the undertaking(s) of the Company for borrowing upto Rs.100 Crores (apart from temporary loans obtained from the Company's bankers in ordinary course of business).

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

Place: Hyderabad
Date : 14th August, 2010

Bikram Keshari Prusty
Company Secretary

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:

Item No.6 (A) & (B): As per the provisions of Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, consent of Shareholders under section 293(1)(a) of the Companies Act, 1956, to empower the Board of Directors to mortgage or charge movable and/ or immovable properties of the whole or substantial part of the undertaking(s) of the Company, should be accorded through postal ballot only. Consent of the shareholders under section 293(1)(d) of the Companies Act, 1956, should be accorded, to empower the Board of Directors to borrow beyond the aggregate of the paid up capital of the company and its free reserve (apart from temporary loans obtained from the Company's bankers in ordinary course of business). The resolution u/s 293(1)(a) and the resolution u/s 293(1)(d), are being connected therewith, the Board of Directors at their meeting held on 14th August, 2010, have decided to accord consent of the shareholders under section 293(1)(d) and (a) through postal ballot, finalized the calendar of events, and appointed Sri V. Mohan Rao, Practicing Company Secretary, as scrutinizer to conduct the postal ballot process. The result of the postal ballot process will be declared at the 26th Annual General Meeting of the Company.

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

Place: Hyderabad
Date : 14th August, 2010

Bikram Keshari Prusty
Company Secretary

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 23rd September, 2010 to 30th September, 2010 (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 22nd September, 2010. 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 - 500034. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).

6. Brief resumes of the Directors are given in the Corporate Governance Report annexed to the Directors' Report.

7. On 7th August, 2010, the Company has transferred unclaimed dividend of Rs.55,750, declared on 7th July, 2003 for the financial year 2002-03, to Investor Education and Protection Fund.

8. Shareholder, who have not so far encashed the dividend warrant(s) are requested to seek revalidation of expired dividend warrant(s). Information in respect of unclaimed dividend and the last date for claiming the same are given bellow:

Dividend for the Year	Date of declaration	Last date for claiming
2004-05 : Interim	22-01-2005	21-01-2012
2004-05 : Final	04-06-2005	03-06-2012
2005-06	19-06-2006	18-06-2013
2006-07 : Interim	30-01-2007	29-01-2014
2006-07 : Final	12-07-2007	11-07-2014
2007-08 : 1st Interim	27-10-2007	16-10-2014
2007-08 : 2nd Interim	30-04-2008	29-04-2015
2007-08 : Final	30-09-2008	29-09-2015

DIRECTORS' REPORT

To
The Members,

Your Directors take pleasure in presenting the 26th Annual Report on the operations of your Company and the Audited Accounts for the financial year ended 31st March, 2010, together with the Auditors' Report thereon.

FINANCIAL RESULTS:

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

(Rs. in lakhs)

Particulars	2009-10		2008-09	
Net Sales		14,487.97		9,564.23
Other Income		16.63		244.65
Profit before interest and depreciation and prior period adjustments		1,122.25		256.34
Less: Interest	502.64		362.76	
Depreciation	170.82		115.01	
Profit Before Tax and prior period adjustments		448.79		(221.43)
- Prior Period Adjustments	36.76		(6.76)	
Profit Before Tax		485.55		(214.67)
Less: Provision for tax - Regular Tax	70.02		–	
- Deferred Tax (asset)/liability	91.66		(2.44)	
- Fringe Benefit Tax	–		3.66	
Profit/(Loss) after tax for the year		323.87		(215.89)
Add/Less: Surplus/(Deficit) in P&L Account brought forward		645.87		861.76
Amount available for appropriation		969.74		645.87
Appropriations:				
Transfer to General Reserve		10.00		–
Proposed Dividend on equity shares		30.02		–
Income Tax on Dividend		5.10		–
Surplus/(Deficit) carried to Balance Sheet		924.62		645.87
		969.74		645.87

DIVIDEND:

Your Directors have pleasure in recommending a dividend of Re.1.00 per share for the year 2009-10.

OPERATIONS:

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

GLASS LINING:

This year, the Glass Lining division recorded sales of Rs.3,015 lakhs as against Rs.3,650 lakhs in the previous year.

LEAD DIVISION:

This year, the Lead division recorded sales of Rs.11,383 lakhs as against Rs.5,834 lakhs in the previous year.

WIND MILLS:

The entire energy generated at Ramagiri was sold to Andhra Pradesh Power Coordination Committee, and the total revenue was Rs.90 lakhs as against Rs.81 lakhs in the previous year.

The combined turnover of the Company, thus, was Rs.14,488 lakhs for the year under review, as against Rs.9,565 lakhs for the previous year.

CORPORATE GOVERNANCE:

Your Company has complied with all provisions of Corporate Governance, as required 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.

Voluntary Guidelines -2009:

The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on 'Corporate Governance' and 'Corporate Social Responsibility' in December, 2009. These guidelines are expected to serve as a benchmark for the Corporate Sector and also help them in achieving the highest standard of corporate governance.

Some of the provisions of these guidelines are already in place as reported elsewhere in this Report. The other provisions of these guidelines are being evaluated.

QUALITY SYSTEM:

Your Company's certificates for Quality Systems under ISO 9001 for the Glass Lining Division and the Lead Division 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:

No new technology has been obtained during the year and the existing technology in use has been fully absorbed.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Amount in Rupees)

	2009-10	2008-09
a) Foreign Exchange earnings on exports	**31,53,43,946**	5,26,29,681
b) Foreign Exchange used on account of:		
i) Foreign Travel	**2,60,200**	2,69,411
ii) CIF value of imports of raw material & others	**46,30,19,689**	41,51,54,329
iii) Commission on Sales	**2,05,373**	9,05,556
iv) Dividend for 2007-08	**–**	1,74,522

PROPOSED EXPANSION:

Your Company is increasing the annual capacity of its Lead re-cycling unit near Tirupati from 20,000 MT to 50,000 MT.

Your Company's Joint Venture unit in the Republic of Georgia has started commercial production, and the first shipment from this unit has been despatched to us. The project will facilitate availability of raw materials at a concessional price, on a continuous basis.

DIRECTORS:

Sri T. Panduranga Rao, Chairman of the Company, who was associated with the Company since 1994, passed away on 22nd January, 2010. Your Directors place on record their sincere appreciation of the contribution made by Sri T. Panduranga Rao.

Sri Ramanan Ramamurti, Director of the Company, passed away on 13th June, 2010. Your Directors place on record their sincere appreciation of the contribution made by Sri Ramanan Ramamurti.

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

DEPOSITS:

Your Company has accepted fixed deposits during the year, and complied with all the statutory provisions. The outstanding deposits as on 31st March, 2010 amount to Rs. 346.50 lakhs, which includes Rs.228.00 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 annexed and forms part of this report.

SETTLEMENT OF CASES WITH GMM PFAUDLER LTD. AND ITS SUBSIDIARIES:

As stated in the Directors' Report of last year, the Company has transferred all 6,30,095 shares in the company to GMM Pfaudler Ltd, and its associates, Karamsad Holdings Limited, Karamsad Investments Limited, and Karamsad Securities Private Limited. Accordingly, the dividends held in abeyance on these share have been paid to the respective companies.

FRAUD BY A FOREIGN SUPPLIER:

During 2009-10, one of the foreign suppliers (N. S. Bulgaria Ltd.) has committed a fraud on the company to the tune of Rs.49.20 lacs and the same has been charged off to the Profit & Loss Account. The company has initiated legal proceedings against the supplier.

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 2010-11 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 have 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, 2010, 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:

The industrial relations in the Company continue to be very cordial and stable. Your Directors would like to place on record the dedication and commitment of all the employees of your Company.

ACKNOWLEDGEMENT:

Your Directors thank the customers, vendors, investors and Andhra Bank for their continued support during the year.

For and on behalf of the Board

V. Ramesh
Managing Director

Place : Hyderabad
Date : 14th August, 2010

S. V. Narasimha Rao
Director

ANNEXURE TO THE DIRECTORS' REPORT:

Information as required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 forming part of Directors' Report for the year ended 31st March, 2010.

1.	Name	Mr. V. Ramesh
2.	Age (years)	61
3.	Designation & nature of duties	Managing Director & Overall control of the affairs of the Company
4.	Gross remuneration	Rs.42.38 lakhs
5.	Qualifications	B. Tech from IIT Madras M.S. from the University of Wisconsin & MBA from the University of Toronto
6.	Total experience	35 years
7.	Date of commencement of employment	3rd August, 1996
8.	Last employment	Deccan Sugars, Chennai

Notes:

1. Remuneration, as shown above includes salary, commission and other perquisites, but does not include Company's contribution to provident fund and other funds.
2. Conditions of employment are contractual and other terms are governed by the Company rules.
3. Not related to any Director of the Company.

For and on behalf of the Board

Place : Hyderabad	**V. Ramesh**	**S. V. Narasimha Rao**
Date : 14th August, 2010	Managing Director	Director

ANNEXURE TO DIRECTORS' REPORT

A. MANAGEMENT DISCUSSION AND ANALYSIS

The Management discussion and analysis report sets out developments in the business environment and the Company's performance since the last report. The analysis supplements the Directors' report, which forms part of this annual report.

INDUSTRY STRUCTURE AND DEVELOPMENT

Glass Lining, Non Ferrous and Wind Energy are the three 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/(Loss) before Interest & Tax
Glass Lining	3,015.05	70.55
Lead	11,383.33	814.63
Wind Energy	89.59	49.63

OUTLOOK:

During most of the year under review, the user industries of glass lined equipment were feeling the effects of the global recession, and this is reflected in the reduced turnover of this division. However, towards the end of the financial year, there has been a marked improvement in the demand for glass lined equipment, and the current year promises to be better in terms of volumes and profitability.

The demand for Lead and Lead Alloys continues to be very strong, and there has been a huge jump in your Company's volumes and profitability. Unfortunately, the price front is not so rosy. International prices of Lead started on a downward trend in the last quarter of the financial year, and the prices now appear to be stabilizing at significantly lower levels. The prices of raw materials have not dropped proportionately, and this has been having an impact on the profitability of this division over the past few months. The hedging operations commenced by your Company have helped in partially offsetting the lower realizations from the sale of finished products.

The capacity of the Lead unit near Tirupati is being increased to 50,000 tons per year from the existing 20,000 tons per year, so that your Company will be able to cater to the increased demand in the domestic and international markets.

The joint venture project in The Republic of Georgia commenced commercial production, and the first shipments of material have been dispatched to your Company from this unit. It will probably take some more time for production at this unit to stabilize.

OPPORTUNITIES AND THREATS

The marked upturn in the demand for glass lined equipment is expected to continue over the short and medium term, and this will help the performance of this division.

International prices of Lead seem be stabilizing, albeit at a lower level than was seen towards the end of 2009. This stability will help your Company to plan its procurement activities with more certainty.

Your Company's wind farm is expected to continue its reasonable performance.

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 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, 2009 and April 01, 2010 for the three divisions are given below:

Year	Strength of Employees		
	Glass Lining	Lead	Wind Farm
April 01, 2009	246	90	6
April 01, 2010	245	120	6

For and on behalf of the Board

V. Ramesh
Managing Director

Place : Hyderabad
Date : 14th August, 2010

S. V. Narasimha Rao
Director

B. CORPORATE GOVERNANCE REPORT

Yours Directors have pleasure in presenting the Corporate Governance Report for the year ended 31st March, 2010

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

Your company 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 organization.

2) BOARD OF DIRECTORS AND MEETINGS:

(i) Composition:

The company's policy is to maintain optimum combination of Executive and Non-Executive Directors. Presently, the Board consists of 5 Directors, out of whom 4 are independent.

Composition of the Board and category of Directors are as follows:

Promoter / Promoter Director:

Sri V. Ramesh Managing Director

Non-Executive and Independent Directors:

Dr. M.R. Naidu

Sri S.V. Narasimha Rao

Sri V. Ashok

Sri Satish Malladi

None of the Directors are related to each other.

Your Directors regret to inform that Sri T. Panduranga Rao, Chairman of the Company expired on 22nd January, 2010, and Sri Ramanan Ramamurti, Director, expired on 13th June, 2010.

Directors' Profiles:

Brief resume of all the Directors, nature of their expertise in specific functional areas and names of companies in which they hold Directorships, Memberships/ Chairmanships of Board Committees and their shareholding in the company are provided below:

Dr. M. R. Naidu and Sri V. Ashok, Directors, retire by rotation at the forthcoming Annual General Meeting, and being eligible, seek re-appointment.

Dr. M.R. Naidu:

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

Presently, he is on the Board of Suven Life Sciences Limited, Mangal Precision Products Limited, and is also a member of the Audit Committee, and Compensation Committee in Suven Life Sciences Limited.

Sri V. Ashok:

Sri V. Ashok has an MBA from the USA, and is the promoter and Managing Director of TriGeo Technologies Private Limited, which provides GIS & CAD/CAM services. He is an experienced professional, and has expertise of commercial and managerial functions. He is a member in none of the committees in other companies.

Other Directors:

Sri V. Ramesh:

Sri V. Ramesh, is the promoter & Managing Director of the Company. He has a B. Tech from IIT Madras, M.S. from the University of Wisconsin, and MBA from the University of Toronto. He has a great deal of experience in related fields in different capacities.

As Managing Director, he is the CEO of the Company, responsible for overall functioning of the organization. Over the years, he has been instrumental in transforming the organization to one that is professionally managed and also made substantial contribution for the growth of the Company. He is a member in none of the committees in other companies.

Sri S.V. Narsimha Rao:

Sri S.V. Narasimha Rao has a B. Tech from IIT, Madras, and MS & MBA from the University of Nebraska. He has more than thirty years of technical and senior management experience in reputed companies such as Sumac International Limited, Shin Ho Petro-Chemicals (India) Limited, Jeypore Sugars Limited, and KCP Sugars and Chemicals Limited. He is presently a whole time Director of Beardsell Limited. He is a member in none of the committees in other companies.