

16th
ANNUAL REPORT
1997-98



VISHAL INDUSTRIES LIMITED

MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	NA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

CONTENTS

	Page No
Notice	2
Directors' Report	5
Auditors' Report	8
Balance Sheet	10
Profit & Loss Account	11
Schedules to the Accounts	12
Notes on Accounts	19
Cash Flow Statement	24
Balance Sheet Abstract	26

VISAKA INDUSTRIES LIMITED

16th ANNUAL REPORT 1997-98

BOARD OF DIRECTORS*Chairman*

K.S.R. MURTHY, Ex. M.P. (IAS Retd.)

Vice-Chairman

G. VINOD

Directors

M. ANANDAM

M. SREENIVASA RAO

B.B. MERCHANT

NAGAM KRISHNA RAO

Dr. S. SUDESH REDDY

(Alternate Director Mr. S. Vasudeva Reddy)

Managing Directors

K.V. RAMASESHAN

Dr. G. VIVEKANAND

**SR. VICE PRESIDENT &
COMPANY SECRETARY**

K.V. SOORIANARAYANAN

AUDITORS

M/s. M. ANANDAM & CO.

Chartered Accountants,

6549, R.P. Road, Secunderabad - 500 003.

BANKERS

STATE BANK OF INDIA

Industrial Finance Branch, Hyd.

STATE BANK OF HYDERABAD

Industrial Finance Branch, Hyd.

REGISTERED OFFICESurvey No.315, IDA, Yelumala Village,
R.C. Puram Mandal, Medak District,
Andhra Pradesh 502 300.**CORPORATE OFFICE**

'VISAKA TOWERS',

69/3, S.P. Road, Secunderabad - 500 003.

WORKS

(1) A.C. DIVISION-I

Survey No.315, IDA, Yelumala Village,
R.C.Puram Mandal, Medak District,
Andhra Pradesh 502 300.

(2) A.C. DIVISION-II

Survey No.164, Behind Supa Gas,
Manickanatham Village,
Paramathi Velur Taluq,
Namakkal District,
Tamil Nadu 637 207.

(3) SPINNING DIVISION

Survey No.179/180,
Nagpur Bandara Road NH-6,
Chiruva Village, Moudha Taluq,
Nagpur District, Maharashtra 441 104.**16th ANNUAL GENERAL MEETING**

Date : 29th July, 1998

Day : Wednesday

Time : 10-00 A.M.

Place : Registered Office premises

DATE OF BOOK CLOSURE

29th July, 1998

DIVIDEND PAYMENT

Dividend warrants dated

9th September, 1998 will be posted

10 days in advance

MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF ANNUAL REPORT TO THE MEETING



VISAKA INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 16th Annual General Meeting of VISAKA INDUSTRIES LIMITED will be held at Survey No.315, Yelumala Village, Ramachandrapuram Mandal, Medak District 502 300 Andhra Pradesh, on Wednesday the 29th July, 1998 at 10:00 a.m. to transact the following business.

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 1998 and the Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare Dividend on the Preference and Equity shares for the year ended 31st March, 1998.
3. To appoint a Director in place of Shri K.S.R. Murthy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M. Anandam who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Nagam Krishna Rao who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors of the Company:
To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT M/s. M.Anandam & Co., Chartered Accountants, 6549, R.P. Road, Secunderabad-500 003, be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorised to fix their remuneration for the period".

SPECIAL BUSINESS

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

RESOLVED THAT pursuant to Section 198, 269, 310, 311, Schedule XII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of financial institutions, the Company hereby accords approval for the re-appointment of Sri K.V. Ramaseshan as the Managing Director of the Company with effect from 1st July, 1998 till 31st March, 1999 on the following terms and conditions :

- (a) Salary : Rs.55,000/- (Rupees Fifty five thousand only)

- (b) Commission: As may be approved by the Board of Directors for each year subject to the overall limit of the total remuneration of each year as provided under Section 309 of the Act.

PERQUISITES

In addition to salary, Shri K.V.Ramaseshan shall be entitled to the following perquisites restricted to an amount equal to the annual salary.

Perquisites are classified into three categories A, B and C are as follows :

CATEGORY A

1. HOUSING I :
The expenditure by the company on hiring furnished accommodation will be subject to the following ceiling :

50% of salary, over and above 10% payable by Shri K.V. Ramaseshan himself.

HOUSING II :

In case the accommodation is owned by the company, 10% of the salary of Shri K.V. Ramaseshan shall be deducted by the company.

HOUSING III :

In case no accommodation is provided by the company, Shri K.V. Ramaseshan 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 of Shri K.V. Ramaseshan.

2. MEDICAL REIMBURSEMENT :
Expenses incurred for self and family subject to a ceiling of one month's salary of Shri K.V. Ramaseshan in a year or three month's salary over a period of three years.
3. LEAVE TRAVEL CONCESSION :
For self and family once in a year in accordance with the Rules of the company.
4. CLUB FEES :
Fees of clubs subject to a maximum of two clubs shall be reimbursable. Admission fee and Life Membership fee of clubs shall not be payable or reimbursable by the company.
5. PERSONAL ACCIDENT INSURANCE:
Premium not to exceed Rs.4000 per annum.
For the purpose of Category 'A' "Family" means the spouse, dependent children and dependent parents of Shri K.V. Ramaseshan.

VISAKA INDUSTRIES LIMITED**CATEGORY B**

- i. Contributions to Provident Fund, Superannuation Fund or Annuity fund to the extent of these either singly or put together are not taxable under the Income Tax Act, 1961 and Gratuity payable which shall not exceed half a month's salary for each completed year of service will not be included in the computation of the ceiling on perquisites.
- ii. Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY C

Provision of the following facilities which are not to be included for the purpose of computation of the ceiling on perquisites :

- i. Free use of Company's car :
Provision of car for use on company's business. Use of car for private purpose shall be billed by the company to the Managing Director.
- ii. Free telephone at residence :
Provision of telephone at the residence of the Managing Director, personal long distance calls shall be billed by the company to the Managing Director.
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special resolution.
RESOLVED THAT Article No.11(a) of the Articles of Association of the Company be amended as follows :-
The Preference Shares shall confer the rights on the holders thereof to be paid out of any profits that may at any time be determined to be distributed among Members a fixed rate of Dividend at such rate as may be determined by the Board of Directors/Shareholders on the paid-up Preference Capital in priority to the Equity Shares. Such payment may be made after the annual accounts are approved by the Board of Directors.
9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special resolution.

RESOLVED THAT in accordance with the provisions of Section 309 of the Companies Act, 1956, a sum not exceeding one per cent per annum of the net profits of the company, computed in the manner referred to in sub-section (1) of Section 198 of the Companies Act, 1956, be paid to and distributed amongst the Directors of the company (other than Managing/Whole-time Directors, if any for the time being of the

company) or some or any of them, subject to a ceiling of Rs.1,00,000/- (Rupees One lakh only) in respect of any individual Director, in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors and such payments shall be made in respect of the profits of Company for each year for the period of five years commencing 1st April, 1998.

By order of the Board

K.V. SOORIANARAYANAN

Sr. Vice-President &

Company Secretary

Date : 16-06-1998

Place : Secunderabad

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than forty eight hours before the meeting.
2. The explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No.6 and 7 as set out above is annexed hereto.
3. If the dividend on shares as recommended by the Directors is passed at the meeting, payment of such dividend will be made to those shareholders or their mandatee(s) whose names appear in the Company's register of members on 29-7-1998.
4. The register of members and share transfer books of the Company will remain closed on Wednesday the 29th July, 1998.
5. Members who are holding shares in identical order of names in more than one folio are requested to intimate the Company the details of all their folio numbers for consolidation into a single folio.
6. Members desiring any information as regards accounts are requested to write to the company at least seven days before the date of the meeting to enable the management to keep the information ready at the meeting.
7. Those Members, who have so far not encashed their Dividend Warrants for the year ended 31st March, 1995, may claim or approach the Company for payment, as the same will be transferred to the General Revenue Account of the Central Government on or before 7th December, 1998.



VISAKA INDUSTRIES LIMITED

Members who have not encashed their Dividend in respect of 1995-96 and 1996-97 may please do so as early as possible.

8. All documents referred to in the Notice and explanatory statement are open for inspection at the Registered office of the Company during office hours on all working days except public holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
9. The Register of Directors shareholdings shall be open for inspection to any Member or Holder of Debentures of the Company during the period beginning 14 days from the date of Company's Annual General Meeting and ending 3 days after the date of its conclusion.

The said register shall also remain open and accessible during the Annual General Meeting to any person having right to attend the meeting.

ANNEXURE TO NOTICE

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

Item No.6

Since Mr. M.R. Vikram, Mr. M.V. Ranganath and Mr. M. Simachalam, Partners of M/s. Anandam & Co., are related to Mr. M. Anandam, Director. Mr. M. Anandam is deemed to be interested in the resolution set out at Item No.6.

Item No.7

Shri K.V. Ramaseshan has been working with the Company as Managing Director from 1984. His previous term of reappointment made on 2-8-1996 expires on 30th June, 1998. Your Directors in their meeting held on 16-6-1998 have re-appointed him for a further period of nine months commencing from 1st July, 1998 till 31st March, 1999 on the remuneration as set out in the resolution and is, as per the provisions of Schedule XIII of the Companies Act, 1956.

The Board of Directors recommends his re-appointment as Managing Director.

None of the Directors other than Shri K.V. Ramaseshan is in any way, concerned or interested in the said resolution.

The terms of appointment set out in the resolution may be treated as abstract of terms under Section 302 of the Companies Act, 1956.

Item No.8

The present article 11(a) reads as follows :

"The Preference Shares shall confer the rights on the holders thereof to be paid out of any profits that may at any time be determined to be distributed among Members, a fixed rate of Cumulative Dividend at the rate of 13.5% per annum, free of Company's tax (but subject to deduction of taxes at source at the prescribed rate) on the Capital for the time being paid-up thereon in priority to the Equity Shares."

As per the earlier Government guidelines, the Article had fixed Dividend at 13.5%. In the current scenario, the rate of Dividend on Preference Share is fixed, taking into account the market conditions, for e.g. in recent issue of Preference Shares to Promoters, the rate of 12% was fixed as per the stipulation of Financial Institution. The amendment to Article is carried out to give flexibility to the Board of Directors/Shareholders to fix the rate of Dividend in any future issue of Preference Shares keeping in view the prevailing market conditions and benefits to the company:

The Board of Directors recommend the above for your approval.

None of the Directors are in any way, concerned or interested in the said resolution.

Item No.9

The Board of Directors of the Company consist of several Directors, who have been with the Company for almost 14 years. They have been contributing immensely during the deliberations of the Board and otherwise for the success of the Company. The Company has not been paying anything other than the sitting fees during these 14 years. Therefore, it is felt that the non executive directors should be paid 1% of the annual net profit as Commission. The commission will be calculated as provided in sub-section 1 of Section 198 of the Companies Act, 1956.

The Board of Directors recommend the above for your approval.

All the Directors other than Mr. K.V. Ramaseshan may deem to be interested in this resolution.

By order of the Board

K.V. SOORIANARAYANAN
Sr. Vice-President &
Company Secretary

Date : 16-06-1998
Place : Secunderabad

VISAKA INDUSTRIES LIMITED**DIRECTORS' REPORT**

To
The Members,
Visaka Industries Limited

Your Directors are pleased to present the 16th Annual Report of the Company with Audited Balance Sheet and Statement of accounts. The financial highlights are as follows :

	(Rs. in Lakhs)	
	1997-98	1996-97
Gross Income	10434.24	9748.96
Profit before taxation	501.77	365.46
Provision for taxation	50.81	38.37
Profit after taxation	450.96	327.09
Balance brought forward from previous year	178.55	104.35
Profit available for appropriation	629.51	431.44
Transfer to Debenture Redemption Reserve	42.00	42.00
Dividend on Preference Share Capital	23.86	-
Dividend on Equity Share Capital	131.72	131.72
Corporate Dividend Tax	15.56	13.17
Transfer to General Reserve	45.00	66.00
Transfer to Capital Redemption Reserve	30.00	-
Balance Carried to Balance Sheet	341.37	178.55

OPERATIONS**PROFIT & LOSS ACCOUNT APPROPRIATION:**

Your Directors recommend payment of Dividend of Rs.1.20 per share on the Preference Share Capital on pro-rata basis for the year ended 31st March, 1998. Your Directors also recommend payment of a Dividend of Rs.1.25 per share (previous year Rs.1.25 per share) on the equity capital. The Company is absorbing Corporate Dividend Tax totalling Rs.15.56 lacs on the Preference/Equity Dividend and the Dividend will be tax free in the hands of the shareholders.

ASBESTOS DIVISION-I (PATANCHERU) :

During the year under review, the production at the Asbestos Cement Division at Patancheru

was 107% of the licensed capacity. The sales in the Division almost matched the production. However, due to recession in the Industrial growth, the off-take of Asbestos slowed down during the second half of the financial year under review and as a result, heavy discounts had to be given, in order to push the sales. Even during the first three months of the current year, the sluggishness in the off-take of the Asbestos Cement Products continues. However, your marketing team has been making every effort to keep the inventory at the minimum level by expanding the areas of operation.

ASBESTOS DIVISION-II (PARAMATHI) :

Commercial Production in the new Asbestos Unit commenced on 12th September, 1997. The quality of the sheets produced in this Unit has been satisfactory. The unit produced a total of 11351.846 MT from the date of commencement till 31.3.1998. Because of the lower level of capacity utilisation during the period of teething troubles, this unit incurred a loss in the financial year under review. The Unit achieved capacity utilisation of 92% in April, 1998 and we hope to achieve 100% capacity utilisation in July, 1998. This should help to improve the performance of this Unit during the current financial year. The Unit has since obtained ISI mark from the Bureau of Indian Standards.

SPINNING DIVISION :

Spinning Division performed to its full capacity during the year. When the Asbestos Divisions were reeling under the pressure of competition in the second half of the last financial year, the Spinning Division had come to Company's rescue by improving export market with better margins. As a result, the performance of the Company as a whole is satisfactory. However, due to East Asian crises and the consequent drop in the value of those currencies, exports are under pressure. Your management is making every effort to improve the performance of this division during the current year.

FIXED DEPOSITS :

Your Company has been inviting and accepting deposits from the Public, shareholders and others.



VISAKA INDUSTRIES LIMITED

The amount of deposits outstanding as on March 31, 1998 was Rs.347.75 lacs. Deposits amounting to Rs.58,724/- remained unclaimed as on that date. As of 2.5.1998 deposits of the value of Rs.35,000/- have been renewed.

BANKS AND FINANCIAL INSTITUTIONS:

The Company has been prompt in making the payment of interest and instalments to the financial institutions and also interest on working capital to the banks. Banks and Financial Institutions continue to give their unstinted support. The Board has recorded its appreciation of the same.

EMPLOYEE RELATIONS :

The Agreement with the Union of the Asbestos Division-I at Patancheru is due for renewal during the middle of the current financial year.

Relations between the employees and the management at all the 3 Units continue to remain cordial. The Directors would like to record, their appreciation of the efficient and loyal service rendered by the Company's employees at all levels.

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975, forms part of this report.

ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is appended hereto and forms part of this Report.

DIRECTORS :

Under Article 120 of the Articles of Association, Mr.K.S.R.Murthy, Mr.M.Anandam and Mr.Nagam Krishna Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS :

Messrs M.Anandam & Co., Chartered Accountants, retire and are eligible for reappointment as Auditors.

On Behalf of the Board of Directors

Date : 16.06.1998

K.S.R.MURTHY

Place : Secunderabad

Chairman

ANNEXURE TO THE DIRECTORS' REPORT

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE REPORT OF BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 1998.

1. FORM A

- A. (a) Power and fuel consumption
Not applicable to Asbestos Units.
(b) Power and fuel consumption in respect of Textile Division :-

(I) ELECTRICITY	Current Year	Previous Year
Purchased in (KWH)	20682683	21524805
Amount (Rs.)	69880100	69775726
Average Rate (Rs./Unit)	3.38	3.24
(II) OWN GENERATION		
Units generated (KWH)	3272	5208
Unit per litre of Diesel Oil(KWH)	1.97	2.03
Average Cost (Rs./Unit)	5.98	4.92
B. CONSUMPTION PER UNIT OF PRODUCTION		
Yarn production in (Kgs)	4107667	4125058
Electricity Units/Kg. of Yarn	5.04	5.22

2. FORM B

RESEARCH & DEVELOPMENT

1. Specific areas in which R&D carried out by the Company: In respect of the Spinning Division, we have tried various combination

VISAKA INDUSTRIES LIMITED



blends and have been successful in making certain new blends and new products.

2. Benefits derived as a result of the above R&D.

The new Blends have helped us to improve our export potential.

3. Future course of action.

In the Spinning Division, we are continuously experimenting with new blends and shades.

4. Expenditure on R&D.

No specific expenditure exclusively on R&D has been incurred.

No technology has been imported

The indigenous technology available is continuously being upgraded to improve the overall performance the Company.

FOREIGN EXCHANGE EARNINGS/OUTGO :

Activities relating to exports, initiatives taken to increase exports :-

In the yarn export market, the taste of customers keep changing and each time they ask for a new variety of yarn. We have been continuously developing new varieties of yarn to meet the requirement of the export market so that, we can increase the export.

Our foreign exchange earnings/outgo during the year 1997-98 are as follows :

	(Rs.lacs)	
	31.3.98	31.3.97
1. Earnings in Foreign Currency:		
Export of Goods (FOB value)	1018.70	1014.43
2. CIF value of Imports		
Raw materials	1034.43	938.24
Component and spare parts	43.86	-
Capital goods	158.99	-

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED THE 31ST MARCH, 1998

Sl. No.	Name and qualifications	Age in years	Designation	Remuneration received (Rs.)	Experience (No. of years)	Date of commencement of employment	Last employment (position held)
Employed throughout the period							
1.	K.V.Ramaseshan Ch.Engr., B.E., FIEE(L), FIE, FIEE(I)	68	Managing Director	10,11,948	45	14-12-1983	Chief Executive Karnataka Aluminium Ltd. Mysore
2.	Dr.G. Vivekanand M.B.B.S	40	Managing Director	9,69,135	15	01-07-1984	Director, Venus Tobacco Pvt. Ltd., Hyderabad
3.	K.R.Sharma B.E. (Textiles)	50	Sr. Vice-President (Textiles)	3,45,254	28	29-12-1990	Technical Manager Bhiwani Textile Mills Haryana
4.	S.S. Sriram B.Sc.	44	President (Intl. Div.)	4,73,145	17	01-02-1992	Asst. Vice-President Sree Satyam Spinning & Weaving Mills, Ltd., Hyd.
5.	A.S. Arya Bachelor of Textiles	43	General Manager (Works)	3,02,544	17	24-09-1991	Sr. Spinning Master Pasupathi Spinning Mills
Employed part of the period							
6.	P. Nagarajan B.Com., BGL, ACA	47	Sr. Vice-President (Finance)	80,148	24	12-08-1993	Controller-Finance & Accounts, Coromandal Fertilisers Ltd., Sec'bad.

NOTE :

- Remuneration includes salary, allowances, company's contribution to P.F. and superannuation fund, reimbursement of medical expenses at actuals and monetary value of perquisites calculated in accordance with the income tax rules.
- The nature of employment is non-contractual, except in the case of Managing Directors.
- There is no employees in the service of the company within the category covered by Section 217 (2A)(iii) of the Companies Act, 1956.