

TWENTIETH ANNUAL REPORT

2001-2022



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20th Annual Report 2001-2002

Board of Directors

Chairman :

Shri M. Sreenivasa Rao

Directors :

Shri B.B. Merchant
Shri Nagam Krishna Rao
Shri Gusti Noria
Shri H. Dayakiran

Managing Director :

Dr. G. Vivekanand

COMMITTEES OF THE BOARD

Audit Committee :

Shri M. Sreenivasa Rao
Shri B.B. Merchant
Shri Gusti Noria

Shareholders Committee:

Shri Nagam Krishna Rao
Dr. G. Vivekanand

Company Secretary :

Shri 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, Hyderabad.

State Bank of Hyderabad
Industrial Finance Branch, Hyderabad.

Registered Office :

Survey No. 315,
Yelumala Village,
R.C. Puram Mandal,
Medak Dist - 502 300.

Corporate Office :

"Visaka Towers",
1-8-303/69/3, S.P. Road,
Secunderabad - 500 003.

Factories :

1. A.C. Division -1,
Survey No. 315, Yelumala Village,
R.C. Puram Mandal,
Medak Dist. - 502 300.
2. A.C. Division-2
Behind Supa Gas,
Manickantham Village, Paramathi,
Velur Taluq, Namakkal District,
Tamil Nadu - 637 207.
3. Textile Division,
Survey No. 179 & 180,
Chiruva Village, Maudha Taluq,
Nagpur District, Maharashtra.

Book Closure 16-07-2002 to 23-07-2002
(both days inclusive)

Date, Time and Venue of AGM

29-07-2002, 11 A.M.
Survey No. 315, Yelumala Village,
R.C. Puram Mandal,
Medak District - 502 300.

**Communication regarding Share Transfers,
Dividend, Change of Address (for members
holding shares in physical form) etc., may
be addressed to :**

"Secretarial Department",
Visaka Industries Limited,
"Visaka Towers", 1-8-303/69/3,
S.P. Road, Secunderabad - 500 003.

Visit us at : "www.visaka.org"



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NOTICE

Notice is hereby given that the 20th Annual General Meeting of VISAKA INDUSTRIES LIMITED will be held at its Registered Office at Survey No.315, Yelumala Village, Ramachandrapuram Mandal, Medak District 502300, Andhra Pradesh, on Monday, the 29th of July, 2002 at 11A.M to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March, 2002.
3. To appoint a Director in place of Shri M.Sreenivasa Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. B.B.Merchant who retires by rotation and being eligible, offers himself for re-appointment.
5. 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 reappointed 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".

Date : 14.06.2002
Place : Secunderabad

By Order of the Board
K.V.Soorianarayanan
Sr.V.P& Company Secretary

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. 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 as on 15.07.2002. As per the Companies Amendment Act, 2000, dividend, if declared, will be paid to the shareholders within 30 days from the date of declaration.
3. The Register of Members and Share Transfer books of the Company will remain closed from 16.07.2002 to 23.07.2002(both days inclusive).
4. While members holding shares in physical form may write to the Company for any change in their addresses and bank mandates, members having shares in electronic form may inform the same to their depository participants with whom they have demat account immediately so as to enable the Company to despatch the dividend warrants at their correct addresses.
5. Members desiring any information as regards accounts are requested to write to the Company atleast seven days before the date of the meeting to enable the management to keep the information ready at the meeting.
6. As per the provisions of Section 205 C of the Companies Act, 1956, Unclaimed Dividend Amount in respect of 1994-95 will be transferred to Investor Education and Protection Fund in the month of December 2002 since 7 years period expires. Therefore, members who have not encashed their dividend warrants in respect



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of 1994-95 may claim or approach the Company for payment.

7. 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.
8. 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 before

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.

Date : 14.06.2002

Place : Secunderabad

By Order of the Board
K.V.Soorianarayanan
Sr.V.P& Company Secretary

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DIRECTORS REPORT

To
The Members
Visaka Industries Limited

Your Directors are pleased to present the 20th Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows :

	(Rs. in lakhs)	
	2001-2002	2000-2001
Gross Income	12452.23	12915.47
Profit for the year before taxation	876.89	996.68
Provision for taxation	164.94	76.35
Profit for the year after taxation	711.95	920.23
Balance brought forward from previous year	292.74	212.31
Profit available for appropriation	1004.69	1132.54
Transfer to Debenture Redemption Reserve	58.00	65.00
Dividend on Preference Share Capital	30.00	30.00
Dividend on Equity Share Capital	192.14	192.14
Corporate Dividend Tax	2.80	22.66
Transfer to General Reserve	319.16	500.00
Transfer to Capital Redemption Reserve	30.00	30.00
Balance carried to Balance Sheet	372.59	292.74

DIVIDEND

Your Directors recommended payment of dividend of Rs.1.80 per share (previous year Rs1.80 per share) on the equity capital for the year ended 31st March, 2002. Your Directors declared Interim Dividend @ 11% in the Board Meeting held on 08/03/2002 on the 12% Redeemable Cumulative Preference Share Capital of Rs.250 lakhs and the balance 1% is declared as Final Dividend in the Board meeting held on 14/06/2002. The Company is absorbing Corporate Dividend Tax of Rs 2.80 lakhs on the Interim Dividend paid on preference capital. The Dividend declared and paid this year is taxable in the hands of Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

a) ASBESTOS CEMENT BUSINESS :

Industry Structure and Developments:

Asbestos Cement Products Industry in India comprises of about 13 players with about 41 manufacturing Plants situated in different parts of the country. The products are marketed under their respective brand names mainly through dealers for the retail market and directly for projects and Government Departments. The total production and sales of the Industry for the year 2001-02 are estimated at 14.60 lakh Metric Tonnes and 14.05 lakh Metric Tonnes respectively which represent about 80% of the installed capacity of the Industry. The Industry demand as measured by the total sales of the Industry has been growing considerably over the years, the growth for the last year being 9% (12.85 lakh MT during the year ended 2001).

Opportunities and Threats:

The retail market is expected to grow significantly due to its specific advantages over the other substitutes in the form of cost, fire and heat resistance and durability. Many State Governments are encouraging AC Sheets to thatched Roofs which will help the Industry. However, there is slackness in the off-take by industrial sector due to industrial slow down.


Product-wise Performance:

Visaka's production and sales for the year 2001-2002 have been 100330 MT and 100161 MT respectively recording a growth of about 6% and 8% respectively over the previous year. The production and sales of Visaka, if measured per plant is one of the highest in the Industry. The capacity utilization in the Patancheru and Paramathi Plants have been 139% and 140% respectively compared to 133% and 130% respectively for the previous year.

Outlook:

Due to continuous innovation and debottlenecking efforts coupled with penetrative marketing efforts, production and sales are expected to continue to grow in the coming years. The capacity at the Patancheru plant has been increased by 25% during the year with appropriate investment in the equipment.

Risks and Concerns:

The industrial slow down is a concern for the A.C.Sheet industry

Financial Performance:

The financial performance of both the Asbestos Units has been satisfactory. The Company could save significant costs on raw material, overheads and staff costs due to the implementation of VRS in the Company. Though the market continued to be very competitive with prices of finished goods declining sharply, the Company could largely offset its effect by controlling costs and increasing volume. With continuing efforts to increase volumes further and improvised marketing strategies coupled with continued efforts to reign in costs, this division is expected to perform well in the coming year.

b) SYNTHETIC YARN BUSINESS:
Industry Structure and Developments:

This is one of the largest industries in India. Due to higher costs in developed countries, manufacturing facilities are gradually getting shifted to developing and under-developed

countries during last few years. India, being a major player in the global textile market was affected due to these developments, in addition to the currency depreciations in the south East Asian countries, which made their products more competitive. During the last 3 years, Indian Textile Industry had been under severe pressure and many unviable units had to be closed down. As against the demand for 22 million spindles the installed capacity is 35 million spindles. With the present working spindleage having come down to about 25 million together with a regular growth of about 4% in the demand, the supply and demand are coming into balance and hence the situation in the coming years is expected to be better. Due to the special features of Air-jet Yarn and the internationally accepted quality of Visaka, the company could overcome the general difficulties faced by the industry even during the year under review. Although, the capital cost of Airjet Spinning is higher than conventional spinning, your Company has taken effective steps to overcome the impact of the higher capital cost and made the unit more competitive.

Opportunities and Threats:

We have expanded our customer base in new promising markets like Germany, Spain, Australia, and Taiwan. This will help increase exports with better profit margins. With the gradual acceptance of Air-Jet Yarn as a premium product, the Company has positioned itself well in niche markets as compared to the conventional yarns. The company has been concentrating on broadbasing the product range with special emphasis on speciality yarns which are yielding better prices. The productivity could be increased significantly due to in-house innovations making the products competitive. With the union budget for 2002 encouraging modernization in the weaving sector, the domestic demand for quality yarns is expected to improve. Liberalisation of cheaper imports of textiles into India is likely to intensify the competition in the domestic market. Any downward trend in the Global economies may also effect the market sentiment all over the world.



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Product-wise performance:

Visaka's production and sales are 4027 MT (4343 MT in 2000-01) and 3794 MT (4298MT in 2000-01) respectively. Though productivity has actually gone up, the production in absolute terms has come down due to operating on finer counts in the current year compared to the previous year. Due to a dip in export demand, consequent to disturbances in world trade (post WTC attacks and the war on terrorism in Afghanistan) coupled with operating on finer counts the overall sales has marginally reduced. However, the margins were not affected significantly. Speciality Yarns performed better in the domestic market, thereby ensuring volumes and profitability.

Outlook:

With established and expanding customer base, consistent quality (ISO 9002), special products and new markets, the outlook for the next year is encouraging both in the domestic and export markets.

Risks and Concerns:

The major concerns are the highly volatile raw material prices, increasing prices of power, escalating transport costs due to hike in oil prices, liberalization of imports and implementation of quota free trade (pursuant to agreement under WTO) from 2005.

Financial Performance:

The financial performance of the textile unit has been encouraging during the year under review considering the acute recession the industry has been passing through. Concentration on value adding products in the domestic market and speciality yarns have been the highlights of the marketing effort. Significant increase in productivity through inhouse innovations and decrease in the interest costs have helped improve the financial performance significantly. Effective power saving strategies have helped keep power costs in check.

FIXED DEPOSITS:

Your Company has been inviting and accepting deposits from the Public, Shareholders and Others. The amount of deposits outstanding as on March 31, 2002 was Rs.208.05 lakhs. Deposits amounting to Rs.3.61 lakhs remained unclaimed as on the date.

Company has transferred matured deposits worth Rs.4692/- to Investor Education and Protection Fund on 20/11/2001 since the deposits remained unclaimed and unpaid for a period of 7 years from the date they became due for payment.

BANKS AND FINANCIAL INSTITUTIONS:

The Company has been prompt in making the payment of interest and installments 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 for the same.

Internal Control Systems and their Adequacy:

The Company has adequate internal control systems in the form of Collective decision making system. All important decisions are taken, to the extent possible by a committee of executives and not individually. The Company has a comprehensive internal audit system spanning the various Depots, Factories and Head Office. The operations at the various locations are subjected to monthly internal audit by qualified firms of independent Chartered Accountants. The Company implements established procedures in various functions, which are in line with the recommendations of Accounting bodies like the ICAI to a large extent. These procedures have adequate built-in internal controls. The Company also has an Audit Committee comprising of Independent directors. The overall internal control systems comprising the above are considered adequate for the size of the company and the nature of its operations.


Material Developments in Human Resources/Industrial Relations front:

The Company believes that human resource is its most valuable resource which has to be nurtured well and equipped to meet the challenges posed by the dynamics of business developments. The Company has a policy of continuous training of its employees both in-house as well as through reputed Institutes like the IIM's ASCI, XLRI etc. The staffs are highly motivated due to good work culture, training, remuneration packages and the values, which the company maintains. The Industrial relations have been cordial at all the three factories. The total number of people employed in the company as on 31.03.2002 is 653. The Directors would like to record, their appreciation of the efficient and loyal service rendered by the Company's employees at all levels

VISAKA CHARITABLE TRUST :

Your Company, in its endeavor to contribute to its social milieu, established in the previous year a Charitable Trust in the name and style of Visaka Charitable Trust as a non-profit entity, to support initiatives that benefit the society at large. The Trust supports programs devoted to the cause of destitutes, rural poor and providing the basic necessities of life to the rural poor.

DIRECTORS:

During the year, Mr. K.S.R.Murthy, Chairman and a member of the Board retired at the AGM held on 31/08/2001 and Mr.G.Vinod, Member of the Board ceased to be a Director under section 283(1)(g) of the Companies Act 1956. Your Directors record their appreciation for the valuable services rendered by them.

As per Article 120 of the Articles of Association of the Company, Shri M.Sreenivasa Rao and B.B.Merchant retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required by the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is appended hereto and forms part of this Report as Annexure III

CORPORATE GOVERNANCE

As a listed Company, necessary measures are taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, forms part of this Report as Annexure IV

AUDITORS

M/s M.Anandam & Co., Chartered Accountants, retire as Auditors in this Annual General Meeting and are eligible for reappointment.

GENERAL

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 as Annexure I.

Information as per Section 217(2A) of the Companies Act, 1956 read with The Companies (particulars of employees) Rules, 1975, as amended, forms part of this Report as Annexure II.

On behalf of Board of Directors

M. Sreenivasa Rao
Chairman

Date : 14.06.2002

Place : Secunderabad



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ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - I

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, 2002.

1. FORM A

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

	Current Year	Previous Year
(I) ELECTRICITY		
Purchased in (KWH)	21860331	21656127
Amount (Rs.)	76150819	77039932
Average Rate (Rs./Unit)	3.48	3.56
(II) OWN GENERATION		
Units Generated (KWH)	34040	1528
Units per litre of Diesel Oil (KWH)	3.98	1.54
Average Cost (Rs./Unit)	5.06	12.00
B. CONSUMPTION PER UNIT OF PRODUCTION		
Yarn production in (kgs.)	4027046	4343611
Electricity Units/kg. of yarn	5.44	4.99

2. FORM B

RESEARCH & DEVELOPMENT

1. Specific areas in which R&D carried out by the Company :

Asbestos Division :

In respect of the Asbestos Division, the Company has been experimenting various substitutes both for cement and fibre and has also been varying the ratio of raw materials for improving quality and reducing cost.

Spinning Division :

In respect of the Spinning Division, we have tried various new counts and combination of blends and have been successful in making certain new blends and new products. We have increased the speeds of the machines while maintaining the quality.

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

Asbestos Division :

In respect of the Asbestos Division, we have achieved substantial reduction in cost and increase in productivity because of this experiment.

Spinning Division :

In respect of the Spinning Division, the new blends have helped us to improve our presence in the domestic and export markets. The Productivity and Quality could be increased leading to better profitability.

3. Future course of action :

Asbestos Division :

In respect of the Asbestos Division, use of substitute fibres is being continuously experimented.