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VISAKA INDUSTRIES LIMITED

**21ST ANNUAL REPORT
2002 - 2003**

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21st ANNUAL REPORT**21st Annual Report
2002-2003****Board of Directors****Chairman :**

Shri M. Sreenivasa Rao

Directors :

Shri B.B. Merchant

Shri Nagam Krishna Rao

Shri Gusti Noria

Shri H. Dayakiran

Smt. G. Saroja Vivekanand

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,
Manicknatham Village, Paramathi,
Velur Taluq, Namakkal District,
Tamil Nadu - 637 207.
3. AC Division - 3
Changsole Mouza
Bankibundh GP No.4, Salboni Block
Midnapore West, West Bengal
4. Textile Division
Survey No. 179 & 180
Chiruva Village, Maudha Taluq,
Nagpur District, Maharashtra

Book Closure 18-06-2003**Date, Time and Venue of AGM**

18-06-2003 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, Secunderabd - 500 003.

OR

SINDHU CORPORATE SERVICES PVT. LTD.Plot No.18A, (New No.492), East Marredpally,
Secunderabad - 500 026.

Tele fax : 040 - 27733478

Visit us at : "www.visaka.org"



VISAKA INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 21th 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 18th June, 2003 at 11.00A.M to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2003 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, 2003.
3. To appoint a Director in place of Shri Nagam Krishna Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Gusti Noria 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".

SPECIAL BUSINESS

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

"RESOLVED THAT Smt.G.Saroja Vivekanand, be and is hereby appointed as Director of the Company, liable to retire by rotation".

7. To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 293 (1) (e) and other applicable provisions if any, of the Companies Act, 1956, the consent of the Members be and is hereby accorded to the Board of Directors of the Company to contribute to any charitable or other funds, not directly related to the business of the Company or the welfare of its employees, any amount the aggregate of which will in any financial year of the Company exceed an amount of Rs.50,000/- or 5% of the Company's average net profits determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding the year in which the contribution has been made, whichever is greater, provided however that the aggregate amount of such contributions shall not in any one financial year exceed an amount of Rs.20,00,000/-

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to mortgaging and or charging by the Board of Directors of the Company of all the movable and immovable properties of the Company, wheresoever situated, present and future, and the whole of the undertaking of the Company,

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together with power to take over the Management of the Business and Concern of the Company in certain events, to or in favour of UTI Bank Limited to secure its Rupee Term Loan amounting to Rs.2000 lakhs together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other moneys payable by the Company to UTI Bank Limited under its respective heads of agreement / loan agreement / letters of sanction / memorandum of terms and conditions entered into / to be entered into by the Company in respect of the said Term Loan".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with UTI Bank Limited the documents for creating aforesaid mortgage and / or charge and to do all such acts and things as may be necessary for giving effect to the above resolution".

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

RESOLVED THAT in supersession of the earlier resolution passed at the General Meeting held on 24.12.1990 and pursuant to section 293(1)(d) of the Companies Act, 1956, and all other enabling provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors to borrow any sum or sums of money, where the moneys to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's banker in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided however, the total amount so borrowed shall not exceed Rs.100 Crores.

- 10 To consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution.

RESOLVED THAT approval of the Company be and is hereby granted for delisting of Equity Shares of the Company voluntarily from Hyderabad Stock Exchange under SEBI (Delisting of securities) Guidelines –2003 subject to the compliance of the Listing Agreement and any other conditions prescribed by the Hyderabad Stock Exchange.

- 11 To consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution.

RESOLVED THAT approval of the Company be and is hereby granted for delisting of Equity Shares of the Company voluntarily from Madras Stock Exchange under SEBI (Delisting of securities) Guidelines –2003 subject to the compliance of the Listing Agreement and any other conditions prescribed by the Madras Stock Exchange.

By Order of the Board

K.V.Soorianarayanan
Sr.V.P& Company Secretary

Date : 17.05.2003

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. If the dividend on shares as recommended by the Directors is passed at the meeting,



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- 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 18-06-2003 (Book closure date)
3. The Register of Members and Share Transfer books of the Company will remain closed on 18-06-2003.
 4. While members holding shares in physical form may write to the Company / RTA 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 dispatch 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 have been transferred to Investor Education and Protection Fund on 21.12.2002 upon expiry of 7 years. Unclaimed Dividend for the year 1995-96 will be transferred to Investor Education and Protection Fund in the month of October 2003 upon expiry of 7 years.
 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.

ANNEXURE TO THE NOTICE

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

Item No.6

Smt. G.Saroja Vivekanand was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and would hold office till the date of the Annual General Meeting i.e. 18th June, 2003 Smt. G.Saroja Vivekanand, aged about 38 years holds a Bachelors Degree in Arts. The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Smt. G. Saroja Vivekanand as a candidate for the office of Director. The Company has also received deposit of Rs.500 as required under the said Act.

None of the Directors other than Dr.G.Vivekanand is in any way concerned or interested in the said resolution.

Item No.7

The members in the extra-ordinary general meeting held on 24th October 2000 had given consent for contribution of up to Rs.10,00,000 to any charitable or other funds not directly related to the business of the Company or the

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welfare of the employees of the Company. With the Contribution so received and with contribution from employees and others the Visaka Charitable Trust constituted by the Company has been carrying on various social welfare programmes as part of its Corporate Social Responsibility. These programs have apart from helping the Company to discharge its Corporate Social Responsibility have also helped create awareness about the Company in the market.

Therefore, your directors are of the opinion that the limit of contribution be increased from Rs.10,00,000 to Rs. 20,00,000 and commend the resolution for member's approval.

None of the Directors of the Company other than Dr. G. Vivekanand and Smt. G. Saroja who are Trustees of the Visaka Charitable Trust are interested in this resolution.

Item No.8

Your Company had approached UTI Bank Limited for a Rupee Term Loan of Rs.2000 lakhs for our expansion project at Midnapore in West Bengal.

The financial assistance from the above Institution has to be secured by a first mortgage of all the immovable and movable properties of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provides inter alia, that the Board of Directors of a Public Limited Company shall not, without the consent of such Public Limited Company in a general meeting sell, lease or otherwise dispose off, the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of UTI Bank Limited may be regarded as disposal of the Company(s) properties / undertaking, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the mortgage / charges.

Copy of the letter of sanction No. UTIB/CR/RS/2994 dated 10.01.2003 received from UTI Bank Limited and copies of the relevant

documents / correspondence between the said Institution and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company are interested in the resolution.

Item No.9

In the General Meeting held on 24.12.1990 the shareholders had authorized the Board of Directors to borrow money up to Rs.50 Crores. The actual borrowing of the Company is Rs.44.29 crores. In order to provide for additional funds needed for expansion programme etc. it is proposed to increase the limit from Rs.50 crores to Rs.100 crores. Accordingly, the sanction of the shareholders, under section 293(1)(d) of the Act is being requested to enable the directors to borrow monies to the extent of Rs.100 crores in supersession of the earlier resolution passed on 24.12.1990.

Item No.10 & 11

Our Company shares are listed in 4 Stock Exchanges i.e Hyderabad Stock Exchange, National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange.

It has been observed that the shares of the Company are not being traded in a material way regularly other than in The Stock Exchange, Mumbai and the National Stock Exchange of India Limited. The Companies equity shares are specified by SEBI for settlement only in dematerialized form by all the investors. With the extensive networking of BSE and NSE terminals to other cities, the investors have access to trade and deal in the Company's securities across the Country. It is therefore felt that continued listing with Hyderabad Stock Exchange and Madras Stock Exchange does not provide any significant tangible advantage to the members of the Company.

By Order of the Board

K.V.Soorianarayanan

Sr.V.P& Company Secretary

Date : 17.05.2003

Place : Secunderabad



VISAKA INDUSTRIES LIMITED

DIRECTORS REPORT

To
The Members
Visaka Industries Limited

Your Directors are pleased to present the 21st Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows :

	(Rs. in lakhs)	
	2002-2003	2001-2002
Gross Income	13288.56	11767.57
Profit for the year		
Before taxation	1390.47	876.89
Provision for taxation	489.08	164.94
Profit for the year		
after taxation	901.39	711.95
Balance brought forward		
from previous year	<u>372.59</u>	<u>292.74</u>
Profit available for		
appropriation	1273.98	1004.69
Transfer to Debenture		
Redemption Reserve	0.00	58.00
Dividend on Preference		
Share Capital	30.00	30.00
Dividend on Equity		
Share Capital	234.84	192.14
Corporate Dividend Tax	33.94	2.80
Transfer to		
General Reserve	500.00	319.16
Transfer to Capital		
Redemption Reserve	30.00	30.00
Balance carried to		
Balance Sheet	<u>445.21</u>	<u>372.59</u>

DIVIDEND

Your Directors recommend payment of dividend of Rs.2.20 per share (previous year Rs1.80 per share) on the equity capital for the year ended 31st March,

2003. Your Directors have approved payment of dividend of Rs.12.00 per share on the 12% Redeemable Cumulative Preference Share Capital of Rs.100/- each as per Article 11(a) of the Articles of Association. The Company is absorbing Corporate Dividend Tax of Rs 33.93 lakhs on equity and preference dividend. The Dividend declared and paid this year is not 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 for the year 2002-03 are estimated at 15.56 lakh metric tonnes which represent about 91% of the industry's installed capacity of 17.04 lac metric tons. 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 11% i.e the sales increased from 14.05 lac metric tons in 2001-2002 to 15.60 tons in 2002-2003.

Opportunities and Threats:

The retail market is expected to grow significantly due to encouragement given in the union budget to the building industry. Many State Governments are also encouraging usage of AC Sheets to replace thatched Roofs which will help the Industry. However, there is slackness in the off-take by industrial sector due to industrial slow down.



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Product Performance:

MIDNAPORE PLANT

The Company performed the Bhoomipuja for the 80,000 tons per annum Asbestos Cement unit in Midnapore in West Bengal on 15.08.2002 and the schedule for commencement of commercial production in this unit was May 2003. Your Directors are pleased to report that your Company implemented the project at a cost of around Rs.26 crores and commenced commercial production ahead of schedule on 15.03.2003.

Visaka's production and sales for the year 2002-03 have been 114901 MT and 112515 MT respectively recording a growth of about 14.52% and 12.33% respectively over the previous year. The production and sales of Visaka, if measured per plant is one of the highest in the Industry.

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.

Risks and Concerns:

The concerted misleading propaganda against the asbestos industry is a concern for us.

FACTS ON ASBESTOS CEMENT PRODUCTS ARE :

1. WHAT IS ASBESTOS?

- a. Asbestos is a naturally occurring mineral found in underground rock formations. For commercial purposes, it is recovered by mining and rock crushing. Fine particles, invisible to the eye, are present in the air and water everywhere. All of us may be inhaling them and ingesting them through drinking

water every day for our life times without any adverse effect on health.

- b. White asbestos (chrysotile variety) constitutes 98% of world production for its commercial use. Indian asbestos cement sheet and pipe manufacturers import all their requirements of chrysotile fibres from Canada, Brazil, Russia, Zimbabwe and Kazakhstan for production of AC sheets and pipes. Asbestos is also mined in India, but quantity and quality-wise it is of no relevance to our asbestos cement production.
- c. Asbestos fibre, (composed mainly of magnesium and silica), is a great reinforcing agent. While its tensile strength is greater than steel, it has other rare and highly valued fire retardant, chemical resistant and heat insulating qualities. **In fact it is a magic mineral and no other substitute can match its properties.**

2. WHAT ARE ASBESTOS CEMENT (AC) PRODUCTS ?

- a. AC products are made with a mix of chrysotile fibres (about 8-9%), cement and other raw materials. Over 90% of asbestos fibre imports of India go into AC sheet and pipe production.
- b. AC Sheets have been used In India for 70 years. Being weather-proof and corrosion resistant, these sheets are practically ageless and maintenance free, whereas metal sheets corrode and deteriorate with age and exposure. (See chart for comparison).
- c. AC Sheets have also proven to be the most cost effective, easy-to-install, strong and durable roofing material for warehouses, factories, low-cost housing, and practically, any structure needing a roof. Apart from India, Russia, China, Thailand, Brazil and Japan are some of the largest users of AC Sheets.



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- d. AC sheets and pipes, being corrosion and erosion-free, once properly laid and jointed, need no maintenance or replacement. They are also very cost effective.
- e. AC products, which consume low energy in manufacture and do not in any way deplete the natural resources, meet the needs of the country in its developing economy in the context of rapidly rising population, and limited resources.
- f. AC products are manufactured under (ISI) license strictly conforming to the standards of Bureau of Indian Standards. IS 459/1992 for Corrugated Roofing Sheets, IS 2098/1997 for Flat Sheets and IS 1626 (Part 111)/1994 for Roofing Accessories.

EXPLAIN THE NEGATIVE REPORTS ON ASBESTOS :

- a) The bias against the use of asbestos in a few countries is due to the adverse Western media coverage relating to altogether different usages of asbestos in the past in those countries i.e. sprayed-on asbestos and friable low-density asbestos insulation used under uncontrolled conditions at that time due to lack of adequate scientific knowledge. Though these particular usages have since been discontinued, the claims relating to the past keep appearing in the media resulting in general confusion. (there is no such usage in India)
 - b) But, once the scientific research into the risks of asbestos was set in motion, development and installation of pollution control systems took place, enabling the asbestos mining and asbestos cement Industries to maintain safe and acceptable levels of dust pollution at the work places.
 - c) Once the safety fears were defined, the Governments have stepped in and laid down pollution control regulations and the mechanisms to enforce their compliance. Compliance with these regulations and standards assure the workers in asbestos cement Industries a risk-free environment.
- For the consumer, the Asbestos Cement products were always safe.
- #### **4. WHAT IS THE SITUATION IN INDIA?**
- a) In India, only the chrysotile variety of asbestos, which is considered safe, is used in asbestos-cement products, namely, sheets and pipes. The fibres are mixed and bonded with cement and other raw material, with no chance of escaping into the atmosphere.
 - b) Asbestos cement products are being manufactured in India since 1934. Workers in asbestos-cement product industry in India have not had any adverse health effects in spite of decades of service, there being no risk of exposure to asbestos dust because of pollution control measures installed in the factories. Health of the workers is closely monitored as per directives and regulations of the government agencies.
 - c) There is no risk whatsoever in living or working under the AC roof, as asbestos fibres are bonded (locked in) with cement and cannot get released in to the atmosphere.
 - d) Transportation of drinking water in AC pipes is absolutely safe as confirmed by the World Health Organization. Ingested asbestos if any does not pose any health risk.
 - e) Indian climatic conditions never required the type of asbestos spraying and insulation, at one time common in the West. Thus, the health hazards and risks associated with the past asbestos fibre usage in the western countries, have nothing to do with the asbestos products or applications in India.