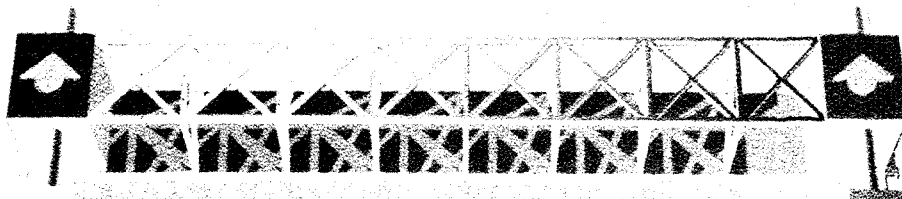
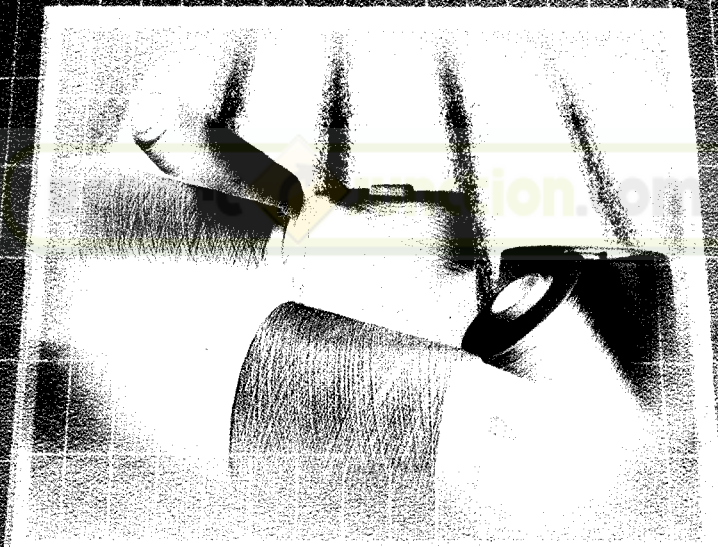




**VISAKA INDUSTRIES LIMITED**



**VISAKA TOWERS**



**22nd ANNUAL REPORT**

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## 22nd ANNUAL REPORT

### 22nd Annual Report 2003-2004

#### **Board of Directors**

##### **Chairman :**

Shri M Sreenivasa Rao

##### **Directors :**

Shri B.B. Merchant

Shri Nagam Krishna Rao

Shri.V.Pattabhi

Shri Gusti Noria

Shri H Dayakiran

Shri.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

##### **Remuneration Committee :**

Shri.M.Sreenivasa Rao

Shri.B.B.Merchant

Shri.Nagam Krishna Rao

##### **Shareholders Grievances Committee :**

Shri Nagam Krishna Rao

Dr.G.Vivekanand

##### **Sr. V. P & Company Secretary :**

K.V.Soorianarayanan

##### **Auditors :**

M/s Anandam & Co.

Chartered Accountants

7 'A' Surya Towers,

S.P.Road,Secunderabad-3

##### **Bankers :**

State Bank of India

Industrial Finance Branch, Hyderabad.

State Bank of Hyderabad

Industrial Finance Branch, Hyderabad.

##### **Term Lenders :**

IDBI

ICICI Bank

UTI Bank

##### **Registered Office :**

Survey No.315, Yelumala Village

R.C.Puram Mandal, Medak Dist

Andhra Pradesh, Pin-502300.

##### **Corporate Office :**

"Visaka Towers",

1-8-303/69/3, S.P. Road,

Secunderabad 500 003.

##### **Factories :**

##### **1. A.C. Division, Plant-1,**

Survey No.315, Yelumala Village

R.C.Puram Mandal, Medak Dist. 502 300.

##### **Plant - 2**

Behind Supa Gas

Manickanatham Village, Paramathi

Velur Taluq, Namakka! District

Tamil Nadu 637 207.

##### **Plant - 3**

Changsole Mouza

Bankibundh G.P.No.4,Salboni Block,

Midnapore West, West Bengal

##### **2. Textile Division**

Survey No.179 & 180

Chiruva Village, Maudha Taluq

Nagpur District, Maharashtra.

**Book Closure : 01.06.2004 to 04.06.2004**  
(both days inclusive)

##### **Annual General Meeting**

Date : 04.06.2004,

Time : 11.30 A.M.

Venue : Survey No.315, Yelumala Village

R.C.Puram Mandal, Medak Dist.

Pin: 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.

Phone: 27813833.

OR

**SINDHU CORPORATE SERVICES PVT. LTD(RTA)**

Plot No.18A,(New No.492),

East Marredpally, Secunderabad-3, Phone: 27733478.

Visit us at : "[www.visaka.org](http://www.visaka.org)"



# VISAKA INDUSTRIES LIMITED

## NOTICE

Notice is hereby given that the 22nd 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 Friday, the 4th June, 2004 at 11.30 A.M to transact the following business :

## ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2004 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, 2004.
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 H.Dayakaran 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, 7 'A' Surya Towers, S.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 Shri.V.Pattabhi, 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 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, 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.3000 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".

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

RESOLVED THAT, pursuant to the provisions of Sec: 309(2) read with the first proviso to



## 22nd ANNUAL REPORT

Sec:310 of the Companies Act, 1956, and in terms of the authority of Article: 110 of the Articles of Association of the Company, the approval of the members be and is hereby accorded to increase the sitting fees payable to the Directors of the Company from the present limit of Rs. 500/- to Rs. 5000/- with respect to each meeting of the Board or Committee thereof attended by them.

**By Order of the Board**

*K.V.Soorianarayanan*

*Sr.V.P& Company*

*Secretary*

Date : 27.04.2004

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, 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 04.06.2004.
3. 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.
4. 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.

5. As per the provisions of Section 205 C of the Companies Act, 1956, Unclaimed Dividend Amount in respect of 1995-96 have been transferred to Investor Education and Protection Fund on 27.10.2003 upon expiry of 7 years period. Unclaimed Dividend for the year 1996-97 will be transferred to Investor Education and Protection Fund in the month of October 2004 upon expiry of 7 years period.
6. 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 10.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
7. 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**

The Company has received a notice from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Shri. V. Pattabhi as a candidate for the office of Director. The Company has also received deposit of Rs.500 as required under the said Act.





## VISAKA INDUSTRIES LIMITED

Shri V. Pattabhi, aged about 65 years holds Engineering Degree and he is an expert in Asbestos Cement Products. He has over 40 years of experience in the Asbestos Cement Industry and recently retired as Executive Vice President (Technical) of Hyderabad Industries Limited. He has not only exposure in the technical field but also has handled the environmental issues connected with the Asbestos Cement Industry and is considered as an expert in the field. He has also immense knowledge about non- asbestos cement products, which will be of immense use to us.

None of the directors except Shri V. Pattabhi is in any way concerned or interested in the said resolution.

### Item No.7

Your company approached UTI Bank Limited for a rupee term loan of Rs.3000 lacs for our expansion project at Spinning Unit, Nagpur.

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/charge.

Copy of the letter of sanction No.UTIB/HYD/CR/ 874 dated 20.03.2004. 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 10 A.M and 1 P.M.

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

### Item No.8

Article 110 of the Articles of Association of the Company, authorizes payment of Sitting fees to the Board of Directors of the Company not exceeding the limits prescribed under Rule: 10B of the Companies (Central Government's) General Rules and Forms 1956. Accordingly, till date the Directors are paid sitting fees of Rs. 500/- with respect to each meeting of the Board or a Committee thereof attended by them.

However, as per a recent Notification issued by the Department of Company affairs (Notification No. GSR 580 (E), dated 24-7-2003), Companies with a paid up Share Capital and free reserves of Rs. 10 crore and above or turnover of Rs. 50 Crore and above are entitled to pay a sitting fees not exceeding the Sum of Rs. 20,000/-.

The Company is having a Paid up Capital of Rs. 10,67,43,570/- and it is considered desirable to increase the fees payable to directors from Rs. 500/- to Rs. 5000/- per meeting attended by them. Since the proposed increase is within the limits prescribed by Rule: 10B, Central Government approval is not necessary.

All the directors are concerned or interested in the proposed resolution.

### By Order of the Board

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

Date : 27.04.2004

Place : Secunderabad.

# 22nd ANNUAL REPORT



## DIRECTORS REPORT

To

The Members  
Visaka Industries Limited

Your Directors are pleased to present the 22nd Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows :

(Rs. in lakhs)

	2003-2004	2002-2003
Gross Income	16581.39	13288.56
Profit for the year before taxation	1617.23	1390.47
Provision for taxation	603.64	489.08
Profit for the year after taxation	1013.59	901.39
Transfer from Debenture Redemption Reserve	333.00	00.00
Balance brought forward from previous year	445.21	372.59
Profit available for appropriation	1791.80	1273.98
Dividend on Preference Share Capital	30.00	30.00
Dividend on Equity Share Capital	266.86	234.84
Corporate Dividend Tax	38.03	33.94
Transfer to Capital Redemption Reserve	30.00	30.00
Transfer to General Reserve	950.00	500.00
Balance carried to Balance Sheet	476.91	372.59

## DIVIDEND

Your Directors recommend payment of dividend of Rs.2.50 per share (previous year Rs 2.20 per share) on the equity capital for the year ended 31st March, 2004. Your Directors have also declared a dividend of Rs.12.00 per share on the

12% Redeemable Cumulative Preference Share Capital of Rs.100/- each. The Company is absorbing Corporate Dividend Tax of Rs 38.03 lakhs on preference and equity dividends and 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:

The positive qualities of asbestos cement sheets are they are weather proof, corrosion resistant, fire proof and therefore these sheets are practically ageless and maintenance free and cost effective compared to substitute products. Therefore they are the ideal roofing material for graduating from thatched and tiled roofs.

Currently there are 10 players in the industry with about 34 manufacturing plants through out 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 2003-2004 is estimated at 16.72 lac metric tonnes, which represent about 95% of the industry's installed capacity of 17.5 lac metric tonnes. 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 8.5% i.e. the sales increased from 15.60 lac metric tonnes in 2002-2003 to 16.95 lac metric tonnes during the year 2003-2004.

#### Opportunities and Threats:

Continued encouragement to housing sector from the Government and the increased buying power in the hands of the people because of the good monsoon we had during the last year are the opportunities the industry can take benefit of. The lack of acceleration in industrial growth is a matter of concern.

#### Product-wise Performance:

The total production and sales for the asbestos



## VISAKA INDUSTRIES LIMITED

division for the year 2003-2004 were 1,70,786 tonnes and 1,65,986 tonnes respectively.

### Outlook:

As against the capacity of 80,000 tones we had produced only around 40,000 tonnes in the Midnapore Unit during the year 2003-2004. Thus there is scope for increasing production and sales in this unit and therefore the production and sales of the Company as a whole is expected to grow in the year 2004-2005.

### Risks and Concerns:

The Chrysotile Asbestos Cement Manufacturers Association was the host to the Asbestos International Conference in Delhi on 10th November 2003 on the topic Scientific Review on Health and Environment Aspects and Economic Relevance. The conference has helped to disseminate lot of information clarifying the myths about the health and environment aspects of Asbestos Cement Products. However we have to keep a close watch on the activities of manufacturers of substitute product on this front.

### Financial Performance:

The turnover of Asbestos Cement Division during the year was Rs.97.53 crores as compared to Rs.73.80 crores during the previous year. The Profit before tax for the year was Rs.9.45 crores as compared to Rs.10.16 crores in the previous year.

### b) SYNTHETIC YARN BUSINESS:

#### Industry Structure and Developments:

We are one of the 2 spinning mills in the country manufacturing yarn with Air Jet Spinning Technology. Because of our technological advantage we manufacture niche products. Though we have to put in lot of effort to penetrate into new markets, once established, customers prefer to use our yarn again and again. During the year taking the benefit of our niche products, we could sell our products at a premium.

### Opportunities and Threats:

The good demand for our product has encouraged us to go for increase in our capacity by 50% at a cost of Rs.32 crores. This expansion project is expected to go on stream from 1st October 2004.

As discussed during the previous year, the opening up of the textile industry during 2005 will bring in global competition. We particularly expect competition from China. However because of our niche technology and concentration on finer counts as compared to coarse counts manufactured by China we are confident of warding off this competition.

### Product-wise performance:

The production in the spinning unit during the year 2003-2004 was 4197.88 metric tonnes as compared to 4633.19 metric tonnes during the previous year. These figures are strictly not comparable as the tonnage varies depending upon the count.

### Outlook:

We consider the introduction of quota free trade under WTO will increase the opportunities for export of fabrics and garments from India. This in turn should trigger the demand for yarn. It is in view of this we are expanding our capacity by 50%. We hope the performance of this division during 2004-2005 will be better both in domestic and export markets.

### Risks and Concerns:

The highly volatile raw material prices, increasing prices of power, escalating transport costs due to fluctuating oil prices, liberalization of imports and implementation of quota free trade (pursuant to agreement under WTO) from 2005 continue to be causes of concern.

### Financial Performance:

The turnover of this division during the current year was Rs.62.78 crores compared to Rs.61.57 crores during the previous year. The profit before tax during the year was Rs.6.72 crores as compared to Rs.3.74 crores during the previous year.



## 22nd ANNUAL REPORT



### 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, 2004 was Rs. 156.16 lakhs. Deposits amounting to Rs. 75000/- remained unclaimed as on the date.

Unclaimed Fixed Deposit of Rs.2000/- along with interest of Rs.1128/- have been transferred to Investor Education and Protection Fund on 27.10.2003 upon expiry of 7 years period as per the provisions of Section 205C of the Companies Act, 1956.

### UNCLAIMED DIVIDEND

Unclaimed dividend amount of Rs.2,39,471.35 in respect of 1995-96 have been transferred to Investor Education and Protection Fund on 27.10.2003 upon expiry of 7 years period as per the provisions of Section 205C of the Companies Act, 1956.

### VOLUNTARY DELISTING

The shareholders of the Company in the AGM held on 18.06.2003 had approved delisting of the Company shares from Madras and Hyderabad stock exchanges voluntarily under SEBI (Delisting of Securities) Guidelines' 2003. Accordingly we have applied for delisting of our Company's equity shares from Madras and Hyderabad stock Exchanges and received permission from both the stock exchanges. The Company's equity shares on Madras and Hyderabad stock exchanges were delisted effective from 10.09.2003 and 02.12.2003 respectively. However our Company's shares continue to be traded on National Stock Exchange and The Stock Exchange, Mumbai.

### 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. 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.

Your Company is growing with more manufacturing locations and sales points. Organizing flow of Management Information in such a scenario is of utmost importance. To ensure that our information system gets integrated with our growth plan for the future, your Company have implemented ORACLE 11i ERP(Enterprise Resource Planning). All our factories and major depots are connected through leased line with 24 hours connectivity to the Head Office Servers and other depots are connected through normal telephones.

Your Company has implemented ORACLE Financials, Order Management, Production and Purchase modules which are integrated with each other to enable instantaneous qualitative decisions by the executives of the Organization.

### 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



# VISAKA INDUSTRIES LIMITED

reputed Institutes like the IIM's, ASCI, XLRI etc. The staff are highly motivated due to good work culture, training, remuneration packages and the values, which the company maintains.

A section of workers in the Paramathi Velur Unit in Tamil Nadu has been on strike from 10th February 2004. However this has not affected the production and sales. The Industrial relations have been cordial at other units.

The total number of people employed in the company as on 31.03.2004 is 771. Your 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 the social milieu, established in the year 2000 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 destitute, rural poor and providing the basic necessities of life to the rural poor. This has helped to enhance the image of the Company

## DIRECTORS:

During the year, Shri V.Pattabhi, was appointed as an Additional Director of the Company. The Company has received a notice from a member under section 257 of the Companies Act, 1956 signifying his intention to propose Mr.V.Pattabhi as a candidate for the office of Director in this Annual General Meeting.

As per Article 120 of the Articles of Association of the Company, Shri M.Sreenivasa Rao and Shri H.Dayakaran 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.

## CORPORATE GOVERNANCE

As a listed Company, necessary measures have been 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.

## 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.

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.

On behalf of the Board of Directors  
M Sreenivasa Rao  
Chairman

Date : 27.04.2004

Place : Secunderabad.

## 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, 2004.