

Life beyond 2005

Visaka Industries Limited

23rd Annual Report 2004-05

SHAREHOLDERS INFORMATION**Annual General Meeting**

Date	:	29.07.2005
Time	:	4.00 P.M.
Venue	:	Survey No.315, Yelumala Village R.C.Puram Mandal, Medak Dist. Pin:502 300.
Date of book closure	:	15.07.2005 to 16.07.2005(both days inclusive)
Rate of Final Dividend recommended	:	20%
Dividend Payment Date	:	20.08.2005
Stock Code	:	BSE - 59055 NSE - VISAKAIND
Demat ISIN No	:	INE392A01013
Listing on Stock Exchanges	:	National Stock Exchange of India Ltd. The Stock Exchange, Mumbai.

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

M/s Sathguru Management
Consultants Private Ltd
Plot No: 15, Hindi Nagar, Panjagutta,
HYDERABAD-500 034.

(or)

The Company Secretary .
M/s Visaka Industries Limited
Visaka Towers, 1-8-303/69/3,
S.P.Road, Secunderabad -500003
Andhra Pradesh.

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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

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

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

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-1
Survey No.315, Yelumala Village
R.C.Puram Mandal
Medak Dist-502 300.
2. A.C. Division-2
Behind Supa Gas
Manickanatham Village, Paramathi
Velur Taluq, Namakkal District
Tamil Nadu-637 207.
3. A.C.Division-3
Changsole Mouza
Bankibund,G.P.No.4,Salboni Block,
Midnapore West
West Bengal
4. A.C. Division-4,
Survey No: 27/1,
G.Nagenahalli Village, Kora Hobli,
Tumkur Taluk & District,
Karnataka State.
5. Textile Division
Survey No.179 & 180
Chiruva Village, Maudha Taluq
Nagpur District, Maharashtra.

Auditors :

M/s M. 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

Indusind Bank



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NOTICE

Notice is hereby given that the 23rd 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 29th July, 2005 at 4.00 P.M to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2005 and Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To ratify the declaration of Interim Dividend @ 10% on the Equity shares for the year 2004-2005.
3. To declare Final Dividend for the year ended 31st March, 2005.
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 a Director in place of Shri Gusti Noria 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, 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

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 the provisions of Sections 169, 269, 310, 311 Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords approval for the re-appointment of Dr. G. Vivekanand as Managing Director of the Company for a period of five years w.e.f. 01.04.2005 on the following terms and conditions:

REMUNERATION

Salary: Rs.2,00,000/- per Month with increments on 1st April every year at the discretion of the Remuneration Committee and the Board of Directors.

Commission: As may be approved by the Remuneration Committee and 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 Companies Act, 1956.

PERQUISITES:

In addition to the salary, Dr.G. Vivekanand shall be entitled to the following perquisites subject to the overall remuneration being within the limits provided by sections 198, 308 and Schedule XIII to the Companies Act, 1956.

CATEGORY – A

1. Housing-I

The expenditure incurred by the Company on hiring furnished accommodation will be subject to the following ceiling:

50% of Salary

Housing-II

In case the Company provides no accommodation, Dr.G.Vivekanand 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 actual.

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2. Medical Reimbursement

Expenses incurred for self and family subject to a ceiling of one months salary of Dr.G.Vivekanand in a year or 3 months 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.

For the purpose of Category A "family" means the Spouse, dependent children and dependent parents of Dr.G. Vivekanand.

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 14.07.2005.
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 dispatch 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 1996-97 has been transferred to Investor Education and Protection Fund on 11.11.2004 upon expiry of 7 years period. Unclaimed Dividend for the year 1997-98 will be transferred to Investor Education and Protection Fund on or before 28th August 2005. Shareholders who have not claimed Dividend for the year 1997-98 are requested to claim the dividend on or before 28th August 2005.

CATEGORY – B

1. Contribution to PF, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 and Gratuity payable which shall not exceed half a months salary for each completed year of service
2. Encashment of Leave at the time of tenure shall be allowed as per the Company rules.

CATEGORY – C

1. 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.

2. 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.

Date : 27.06.2005

Place : Secunderabad.

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



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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 11.00 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.

Item No.7

Dr.G.Vivekanand, who is the promoter of the Company, was re-appointed as the Managing Director of the Company for a period of 5 years w.e.f 01.04.2000 and his term of 5 years expired on 31.03.2005. Keeping in view, the valuable contribution made by Dr.G.Vivekanand towards the success of the Company, your Board of Directors in their meeting held on 24.01.2005 have re-appointed him for the further period of 5 years commencing from 1st April, 2005 at a remuneration, approved by the Remuneration Committee, set out in the resolution which is as per the provisions of Companies Act, 1956.

None of the Directors of the Company except Dr.G.Vivekanand and Smt.G.Saroja Vivekanand who is a relative of Dr.G.Vivekanand are interested in the said resolution.

ANNEXURE TO THE NOTICE

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

Date : 27.06.2005

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 23rd Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows :

(Rs. in lakhs)

	2004-2005	2003-2004
Gross Income	22434.44	16581.38
Profit for the year before taxation	2232.64	1617.23
Provision for taxation	797.58	603.64
Profit for the year after taxation	1435.06	1013.59
Transfer from Debenture Redemption Reserve	0.00	333.00
Balance brought forward from previous year	476.91	445.21
Profit available for appropriation	1911.97	1791.80
Dividend on Preference Share Capital	30.00	30.00
Dividend on Equity Share Capital		
Interim	106.74	0.00
Final	213.48	266.86
Corporate Dividend Tax	48.09	38.03
Transfer to Capital Redemption Reserve	40.00	30.00
Transfer to General Reserve	950.000	950.00
Balance carried to Balance Sheet	523.66	476.91

DIVIDEND

Your Directors recommend payment of final dividend of Rs.2.00 per share on the equity capital for the

year ended 31st March 2005. This together with the interim dividend of Rs.1 per share declared by the Board in their meeting held on 08/07/2004 works out to a total of Rs. 3.00 per share (Previous year Rs.2.50 per share) for the financial year 2004-2005. Your Directors 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 48.09 lakhs on preference and equity dividend 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:

During the year the company successfully implemented the Tumkur Plant, which commenced production on 1st March 2005 one month ahead of schedule. As against a production of 1,70,786 tonnes produced during the previous year the production during the financial year ended 31st March 2005 was 2,30,943 tonnes recording an increase of 35%. The sales during the financial year 2004-2005 was 2,31,802 tonnes as against 1,65,986 tonnes sold during the preceding year recording a growth of about 40%.

Absestos Cement Products continues to be in demand because of the industries effort in making inroads into rural markets, its affordability, and other qualities such as corrosion resistance, weather and fire proof nature.

Opportunities and Threats:

Both the existing and new manufacturers are venturing into setting up of new asbestos cement sheet producing plants. This could increase the competition and will have an effect on the margins.

The increase in fiber cost and cement cost are also matters of concern.

However the fact that industry as a whole grew by about 20% during the last year indicates a growing demand for our products and this growth



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in demand should offset the increase on the supply side. The continuous efforts being made to capture rural markets should also increase the demand. Thus increase in production should not have any serious impact on the margins and the industry should be able to pass on the increase in cost by increasing the selling price.

Product-wise Performance:

The total production and sales for the asbestos division for the year 2003-2004 were 1,70,786 tonnes and 1,65,986 tonnes respectively

Outlook:

During the year 2005-2006 we will have the benefit of full production from the Tumkur Plant. We are also planning a unit in Rai Bareilly in Lucknow and we hope to commence production in this unit by 1st January 2006. Thus there is scope for increasing production and sales in this Division and therefore the production and sales as a whole is expected to grow in the year 2005-2006.

Risks and Concerns:

The activities of the Ban Asbestos Lobby instigated by the manufacturers of substitute products continue to be a matter of concern. We have elaborated the facts about asbestos elsewhere in the Annual report. It could be observed there from that the stand of some of the NGOs in this regard is without any basis. The Manufacturers Association continues 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 products on this front.

Financial Performance:

The turnover of Asbestos Cement Division during the year was Rs.138.44 crores as compared to Rs.97.53 crores during the previous year. The Profit before tax for the year was Rs.15.52 crores as compared to Rs.9.45 crores in the previous year.

b) SYNTHETIC YARN BUSINESS:

Industry Structure and Developments:

Based on the good performance of this Division during the previous year we had embarked upon our expansion project for increasing the capacity by 50% at a cost of Rs.32 crores and the project went on stream on 1st September 2004 and the production in the expansion unit is increasing progressively. Our Nagpur Plant continues to be world's single largest installation for the manufacture of Twin Air Jet Spun Yarn.

This Unit performed well during the first 9 months of the financial year. However because of removal of quota system, budget expectations, reduction in cotton price and increase in the price of PSF as a result of increase in crude prices this division faced uncertainties and sluggish in demand not only during the last quarter of the financial year 2004-2005 but also during the first 2 months of the first quarter of 2005-2006. With the removal of the quota system foreign buyers are preferring to import fabrics and garments rather than yarn. However with the increasing cotton prices and reduction in PSF prices the demand for our yarn has increased in domestic markets during June 2005 and we are receiving advance booking for July and August. We are also venturing into untapped domestic markets.

Opportunities and Threats:

The spiraling crude prices continue to be a cause of worry.

With the removal of quota system it is expected that the American and European markets will outsource fabrics and garments from India instead of yarn. As per the Economist over a period of next 5 years export of textiles from India is expected to grow by 400% over the current level.

Product-wise performance:

The production in the spinning unit during the year 2004-2005 was 5681.13 metric tones as compared to 4197.88 metric tones during the previous year.



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We sold 4927.11 metric tones of yarn during 2004-2005 as compared to 4302.19 in the previous year.

Risks and Concerns:

The highly volatile raw material prices due to increase in crude 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.

Outlook:

We hope the demand for yarn in the domestic market will grow substantially. Because of the bumper production cotton prices had gone down. Because of low prices of cotton many cotton growers have switched over to other crops and as a result the cotton prices are expected to go up. This should to a large extent offset the likely increase in PSF prices. The expected growth in the export of fabrics and garments from India should improve domestic demand for our yarn.

Financial Performance:

The turnover of this division during the current year was Rs.74.88 crores compared to Rs.62.78 crores during the previous year. The profit before tax during the year was Rs.6.80 crores as compared to Rs.6.72 crores during the previous year.

FUTURE PLANS:

The removal of quota system for textiles under WTO has opened floodgates of opportunities. The venturing into totally unknown business of manufacture of yarn that too with an untested technology 14 years ago and succeeding in the same has given us the confidence to be in the total chain of textiles business. To begin with we are planning to set up a Garment Unit at a cost of around Rs.65 crores for the manufacture of about 6 million pieces of tops and bottoms on two-shift basis. The land required has been acquired in the Mahindra Special Economic Zones, which enjoys special Income Tax benefits. We will be starting the construction work in this regard shortly.

In the meanwhile, in order to save time and expedite matters, we are hiring a shed near the proposed site for training of people and start trial production. This process should start from 1st August 2005.

We hope to start commercial production in our own shed by 1st February 2006.

After the successful completion of the Garment Project we plan to take up the Weaving Project, which will involve a capital outlay of Rs.52 crores. We hope to implement this project in 2006.

We have also plans to set up a Cotton Spinning unit with a 50,000 spindles capacity at an investment of Rs.93 crores, the work on which we hope to commence by 1st January 2007.

We plan to finance these projects through issue of FCCBs/GDR/ADR/Rights issue for which we have obtained the necessary resolution from the members in the EGM held on 27th June 2005.

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, 2005 was Rs. 224.13 lakhs. Deposits amounting to Rs.38,454 remained unclaimed as on 31.03.2005. There are no unclaimed deposits which are transferable to the Investor Education and Protection Fund u/s 205C of the Companies Act,1956.

UNCLAIMED DIVIDEND

Unclaimed dividend amount of Rs.1,83,246.31 in respect of 1996-97 have been transferred to Investor Education and Protection Fund on 11.11.2004 upon expiry of 7 years period as per the provisions of Section 205C of the Companies Act,1956.

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



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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.

We have been continuously upgrading our production technologies for improving efficiency. Similarly we felt need for upgrading technology for improving flow of Management information. 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.

It is a matter of satisfaction that the accounts presented to the members for the year 2004-2005 is the first balance sheet generated based on the ERP System.

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 ISB, IIMs, ASCI, XLRI etc. The staff are highly motivated due to good work culture, training, remuneration packages and the values, which the company maintains.

The total number of people employed in the company as on 31.03.2005 is 1200. 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, as a responsible Corporate Citizen 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.

The activities carried out by the Trust so far:

- ◆ Dug 200 bore wells in remote drought affected villages.
- ◆ Construction of irrigation tanks in remote drought affected villages which has benefited about 400 poorest of poor families.
- ◆ Built 40 classrooms for schools/colleges.
- ◆ Reimbursement of salaries of 25 teachers during last 5 years.
- ◆ Provided Classroom furniture for schools at various places.
- ◆ Provided Night Shelter For Street Children at Secunderabad.