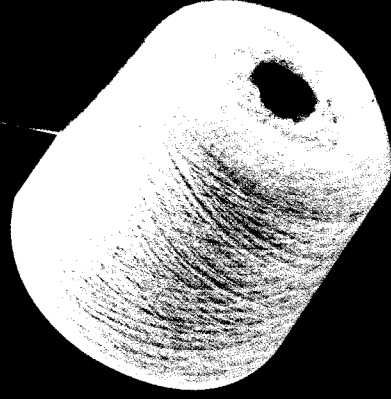


24th
Annual Report
2005 - 2006



VISAKA INDUSTRIES LIMITED



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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 :

Shri. 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 - Plant 1
Survey No.315, Yelumala Village
R.C.Puram Mandal
Medak Dist-502 300.
2. A.C. Division - Plant 2
Behind Supa Gas
Manickanatham Village, Paramathi
Velur Taluq, Namakkal District
Tamil Nadu-637 207.
3. A.C.Division - Plant 3
Changsole Mouza
Bankibund,G.P.No.4,Salboni Block,
Midnapore West
West Bengal
4. A.C. Division - Plant 4
Survey No: 27/1,
G.Nagenahalli Village, Kora Hobli,
Tumkur Taluk & District,
Karnataka State.
5. A.C. Division - Plant 5
Village Kannawan, P.S. Bacharawan,
Tehsil : Maharaj Ganj, Raibareli Dist.,
Uttar Pradesh
6. Textile Division
Survey No.179 & 180
Chiruva Village, Maudha Taluq
Nagpur District, Maharashtra.
7. Garment Division
No. 427/1A, Chettipunyam Village,
(Opp. Mahindra City),
Chengalpet Taluq,
Kancheepuram Dist.,
Tamilnadu.

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
SBI



VISAKA INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 24th Annual General Meeting of VISAKA INDUSTRIES LIMITED will be held at its Registered Office at Survey No.315, Yelumala Village, Ramachandrapuram Mandal, Medak District - 502 300, Andhra Pradesh, on Thursday, the 25th day of May, 2006 at 4.30 P.M to transact the following business :

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2006 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, 2006.
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 Smt. G. Saroja Vivekanand who retires by rotation and being eligible, offers herself 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:

Creation of mortgage on the property of the Company.

"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 State Bank India to secure its Rupee Term Loan amounting to Rs. 25.85 crores, 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 State Bank of India under its respective heads of agreement/ loan agreement/letters of sanction/ memorandum of terms and conditions entered into by the Company in respect of said Term Loan."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalize with State Bank of India 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."

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

Remuneration for Non-Executive Directors

"RESOLVED THAT pursuant to the provisions of section 309 of the Companies Act, 1956 and clause 49 (IB) of the Listing Agreement, a sum not exceeding one percent per annum of the net profits of the Company computed in the manner referred to in sub section (1) of section 198 of the Companies Act, 1956, be paid to and distributed amongst the directors of the Company (other than Managing and Whole time Directors of the Company, if any, for the time being) or to some or any of them in such amounts or proportions and in such manner as may be directed by the Board and such payments shall be made only in respect of the profits of the Company for each year for the period of five years commencing from 1st April 2006."



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

Preferential Issue of Equity Shares/Equity Share Warrants

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof) and in accordance with the Memorandum and Articles of Association of the Company, the Listing Agreements entered into with the Stock Exchanges where the equity shares of the Company are listed and the subsisting guidelines/regulations prescribed by the Government of India/Reserve Bank of India (RBI)/Securities and Exchange Board of India (SEBI) or any other relevant authority, to the extent applicable and subject to such approvals, consents, permissions and sanctions, as may be stipulated by any of them while granting such approvals, consents, permissions and sanctions, consent of the members, be and is hereby given to the Board of Directors of the Company (hereinafter referred to as the Board to exercise its powers including the powers conferred by this Resolution) to issue, offer and allot, in one or more tranches, on a preferential basis, not exceeding (i) 3,00,000 (Three Lakhs only) fully paid up Equity shares of the company of face value of Rs.10/- each, for cash at a price not less than Rs. 135/- per share (Rupees One Hundred and Thirty Five Only) (inclusive of premium of Rs. 125/-) and (ii) 9,00,000 (Nine Lakhs only) Equity Share Warrants (hereinafter referred to as "Warrants"), carrying an entitlement to subscribe to an equivalent number of Equity Shares of Rs. 10/- each, for cash at a price not less than Rs. 135/- per share (Rupees One Hundred and Thirty Five only) (inclusive of premium of Rs. 125/-) subject to the SEBI Guidelines (as may be applicable) in this behalf to the persons detailed in the explanatory statement to this resolution, in this notice, and on such terms and conditions,

as the Board may deem appropriate in its absolute discretion."

"RESOLVED FURTHER THAT the Warrants shall be issued by the Company on the following terms and conditions:

- a) An amount equivalent to 10% of the exercise price of the Equity Shares arising out of the Warrants shall be payable at the time of making the application for the Warrants, which will be kept by the Company as a deposit to be adjusted and appropriated against the price of the Equity Shares payable by the Warrant holders at the time of exercising the option.
- b) The option to acquire the Equity Shares can be exercised by the Warrant holders in one or more tranches on or before the expiry of 18 months from the date of allotment of the Warrants.
- c) In the event the Warrant holder does not exercise the option under the Warrants within the time limit prescribed under point (b) above, the Warrants shall lapse and the deposit of 10% as indicated in point (a) above, shall stand forfeited.
- d) The Warrants proposed to be allotted shall be subject to a lock-in to be determined in accordance with the provisions of the SEBI Guidelines. The lock-in on the Equity Shares resulting from the exercise of the option under the Warrants shall be reduced to the extent the Warrants have already been locked-in.
- e) The issue of the Warrants as well as the Equity Shares arising from the exercise of the option under the Warrants, in the manner aforesaid, shall be governed by the respective provisions of the Companies Act, the Memorandum & Articles of Association of the Company and also the Guidelines issued by SEBI or any other authority as the case may be, or any modifications thereof."

"RESOLVED FURTHER THAT (a) the Equity Shares to be issued and allotted & (b) the Equity Shares to be issued and allotted as



a consequence of exercise of the option under the Warrants, shall rank pari passu with the existing Equity Shares of the Company, in all respects."

"RESOLVED FURTHER THAT the Relevant Date for the purpose of pricing of the Equity Shares and the Equity Shares resulting from the exercise of the option under the Warrants, in terms of the provisions of the SEBI Guidelines, is April 25th, 2006."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to take such steps and to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental to this resolution and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the Equity Shares and of the Warrants and the Equity Shares arising on conversion of Warrants, to prescribe the forms of application and to take such actions or give such directions as they may consider as being necessary or desirable and to obtain any approvals, permissions, sanctions which may be necessary or desirable, as they may deem fit."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to make on its own accord or to accept such amendments, modifications, variations and alterations as the GOI/SEBI/RBI or any other regulatory authority may stipulate in that behalf."

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

Increase in limits for FII Investment

"RESOLVED THAT pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modification or re-enactment thereof

for the time being in force) and subject to all applicable approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company and/or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as the 'Board'), the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as 'the FIIs') in the shares of the Company, by the purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the condition that the total holding of all FIIs put together shall not exceed 49 per cent of the paid up equity share capital of the Company as may be applicable or such other maximum limit as may be prescribed from time to time."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

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 mandate(s) whose names appear in the Company's register of members as on 16th May, 2006.



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3. While member 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 1997-98 has been transferred to Investor Education and Protection Fund on 29-08-2005 upon expiry of 7 years period. Unclaimed Dividend for the year 1998-99 will be transferred to Investor Education and Protection Fund on or before 26.08.2006. Shareholders who have not claimed Dividend for the year 1998-99 are requested to claim the dividend on or before 20.08.2006.
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 a right to attend the

meeting.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 6

Your Company had approached State Bank of India for Rupee Term Loans of Rs. 25.85 crores to part finance company's expansion projects of the company.

The financial assistance from the aforesaid institutions 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 State Bank of India 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.

Copies of Letters of Sanction received from the aforesaid banks and copies of the relevant documents / correspondents between the said Bank 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.



VISAKA INDUSTRIES LIMITED

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

Your Directors recommend the above resolution for your approval.

Item No. 7

Your Directors have all along been contributing immensely during the deliberations of the Board and otherwise for the success of the Company. Therefore, as a token of appreciation for the immense contribution made by these non whole-time directors, in the Annual General Meeting held on 31st day of August 2001 you had approved payment of commission of 1% of the net profits of the Company to non whole time directors for a period of 5 years from 1st April 2001. The resolution passed on 31-08-2001 has expired on 31-03-2006. In view of the greater responsibilities the non whole time directors are expected to shoulder in the light of revised guidelines for corporate governance, it is proposed to pass a fresh resolution for payment of commission to non whole time directors for further period of 5 years from 01-04-2006. The commission will be calculated as provided in sub section (1) of section 198 of the Companies Act, 1956. The above payment to the non whole time directors will be in addition to the sitting fee payable to them for attending Board/Committee meetings.

All the directors are deemed to be interested in this resolution.

Your Directors recommend the above resolution for your approval.

Item No. 8

Your company is proposing to offer and issue a) 3,00,000 Equity Shares of Rs. 10/- each and b) 9,00,000 Equity Share Warrants convertible into equivalent number of Equity Shares of Rs. 10/- each, to M/s. Sandadi Homes Private Limited.

As per regulation 13.1A of the SEBI (Disclosure

and Investor Protection) Guidelines, 2000 the required details are furnished as under:

1. Object of the Issue :

The object of the issue is to strengthen the equity base of the Company. The funds raised through the proposed preferential issue of Equity Shares / Equity Share Warrants shall be utilized for part-financing of the proposed Asbestos Sheet Manufacturing Unit of the Company, at Vijayawada, Andhra Pradesh.

2. Pricing :

The issue of Equity shares & Equity share warrants on preferential basis shall be at a price not less than Rs. 135/- (Rupees One Hundred and Thirty Five only) (inclusive of premium of Rs. 125/-) to Non-promoters, subject to the SEBI Guidelines (as may be applicable) in this behalf.

3. Intention of Promoters / Directors / Key Management persons to subscribe to the Offer:

The Promoters, Directors & Key Management persons of the Company do not intend to subscribe to the offer.

4. Relevant Date

"Relevant Date" for this purpose is the date 30 days prior to the date of this meeting of the members of the Company i.e. 25th April, 2006, for both Equity Shares & Equity Share Warrants.

5. Proposed time within which allotment will be completed:

The Company proposes to complete the allotment of the Equity Shares / Equity Share Warrants within 15 days from the date of passing of the resolution by the members provided that where allotment is pending on account of pendency of any approval by any Regulatory Authority or the Central Government, the allotment is expected to be completed within 15 days from the date of such approval.

6. Shareholding Pattern of the Company before



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The pattern of shareholding before and the one likely to emerge after the proposed allotment would be as under:

Category	Pre-allotment Equity Shares / Equity Share Warrants		Post-allotment Equity Shares / Equity Share Warrants #	
	Shares Held (*)	% of Share Holding	Shares Held (*)	% of Share Holding
A. Promoter's Holding				
1. a) Indian Promoters	5637994	52.82	5637994	47.48
b) Foreign Promoters	0	0	0	0
2. Persons Acting in Concert	0	0	0	0
Sub Total	5637994	52.82	5637994	47.48
B. Non-Promoter Holding				
3. Institutional Investors				
a) Mutual Funds & UTI	14662	0.14	14662	0.12
b) Banks, Financial Institutions Insurance Companies	4925	0.04	4925	0.04
c) FIIs	409490	3.84	409490	3.45
Sub Total	429077	4.02	429077	3.61
4. Others				
a) Private Corporate Bodies	1300997	12.19	2500997	21.06
b) India Public	3258386	30.52	3258386	27.45
c) NRIs	47903	0.45	47903	0.40
d) Any other	0	0	0	0
Sub Total	4607286	43.16	5807286	48.91
Grand Total	10674357	100.00	11874357	100.00

After allotment under preferential issue, the promoters associates holding will be **47.48%**.

(#) Assuming that the Warrant holders exercise the option under the Warrants in full.

(*) Shares of Face Value of Rs. 10/- each.

7. Identity of the Proposed Allottees and the percentage of post preferential issue capital that may be held by them:

Sl. No.	Name of the Proposed Allottees & Identity	Post issue Shareholding in the Company (#)	% of Post Issue Shareholding
1.	M/s Sandadi Homes Private Limited	12,00,000	10.11
	TOTAL	12,00,000	

(#) Assuming that the Warrant Holders exercise the option under the Warrants in full.

The proposed allottees will not be deemed to be and / or considered as "persons acting in concert" as defined by Regulation 2(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997. There are no other persons who would be deemed to be or considered as "persons acting in concert" with the acquirers in connection with the acquisition of the Company's shares pursuant to the above resolution.



VISAKA INDUSTRIES LIMITED

above resolution.

8. Lock-in

The Equity shares / Warrants to be allotted to the above investors under the proposed offering shall be subject to a lock-in of one year from the date of allotment.

9. Auditor's Certificate

The Auditor's Certificate certifying that the preferential issue and the pricing of the (a) Equity Shares and (b) Equity Shares resulting from the exercise of option under the Warrants, is in accordance with the SEBI Guidelines relating to Preferential Issue - will be placed before the shareholders at the ensuing Annual General Meeting of the Company.

10. Change in Management

Subsequent to the proposed issue of Equity Shares on a preferential basis, there will neither be a change in control nor a change in management of the Company.

Section 81 of the Companies Act, 1956 provides inter alia, that when it is proposed to increase the issued capital of a Company by allotment of further shares, etc., such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in the general meeting decide otherwise by passing a special resolution. Hence, consent of the shareholders by way of Special Resolution is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Act and in terms of the provisions of the SEBI Guidelines and the listing agreement executed by the Company with the Stock Exchanges where the Company's shares are listed.

The above resolution is required to be passed, as it is proposed to issue the shares to persons other than the existing shareholders of the company.

None of the Directors of the Company are in any way concerned or interested in the proposed resolution.

Your Directors recommend the resolution for your

approval.

Item No. 9

The Reserve Bank of India, Exchange Control Department vide Notification No. FEMA 20/2000-RB dated May 3, 2000 has permitted registered Foreign Institutional Investors (FIIs) to purchase shares or convertible debentures of an Indian Company under the Portfolio Investment Scheme, subject to the terms and conditions specified in Schedule 2 to the above notification. The terms and conditions inter-alia stipulate that the holding by each FII / SEBI approved sub-account of the FII shall not exceed 10% (ten percent) of the total paid-up equity capital or 10% (ten percent) of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs/sub-accounts of FIIs put together shall not exceed 24% per cent of paid-up equity capital or paid-up value of each series of convertible debentures.

In terms of Press Release dated September 20, 2001 and FEMA Notification No. 45 dated September 20, 2001 the limit of 24% referred to above may be increased upto sectoral cap (100%) by passing a resolution by its Board of Directors followed by passing of a special resolution to that effect by its General Body.

The shareholding of FIIs in your Company as on March 31, 2006 was 3.84%. To further improve the free float of the Company's scrip for purchase/trading by FIIs it is proposed to increase the limit from 24% to 49% of the Company's equity share capital.

In their meeting held on April 25, 2006 the Board of Directors of the Company have passed a resolution for according their consent for increasing the limit for investment by FIIs in the Equity Share Capital of the Company to 49%.

Pursuant to the RBI/FEMA guidelines as stated above, a special resolution for increasing the limit for investments by FIIs in the Equity share capital of the Company upto 49% is being placed before the members for their consideration.

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

Your Directors recommend the resolution for your approval.

Date: 25.04.2006

Place: Secunderabad

By Order of the Board

K.V. Soorianarayanan

Sr. V.P & Company Secretary