

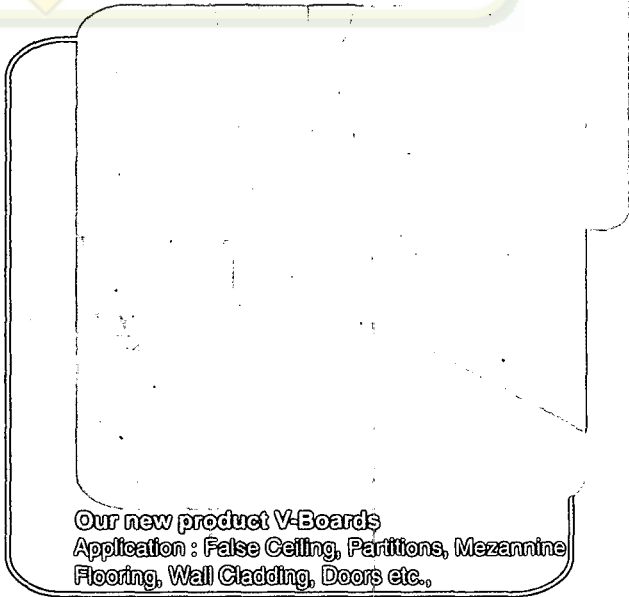
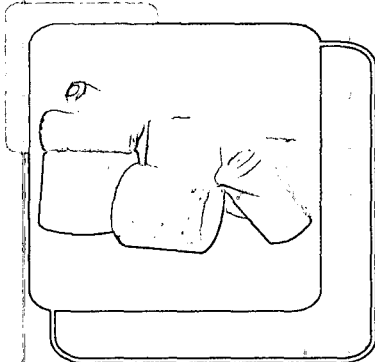
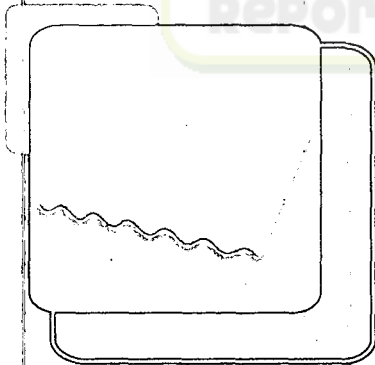


VISAKA INDUSTRIES LIMITED

26th

Annual Report 2007-2008

reportjunction.com



Our new product V-Boards
Application : False Ceiling, Partitions, Mezzanine
Flooring, Wall Cladding, Doors etc.,

Contents	Pg.No.
Notice.....	1-2
Directors' Report.....	3-10
Report on Corporate Governance	11-17
Declaration by CEO on Code of Conduct	18
Facts on Asbestos.....	19-25
Auditors Report.....	26-31
Balance Sheet.....	32
Profit & Loss Account.....	33
Cash Flow Statement.....	34
Schedules to the Accounts.....	35-51
Balance Sheet Abstract.....	52
Attendance Slip/Proxy Form.....	53



26th ANNUAL REPORT

26th Annual Report 2007 – 2008

Board of Directors

Chairman

Shri. M. Sreenivasa Rao

Directors

Shri. B.B.Merchant

Shri. Nagam Krishna Rao

Shri. V.Pattabhi

Shri. Gusti Noria

Smt. G.Saroja Vivekanand

Managing Director

Dr. G. Vivekanand

President (Corporate) & 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.

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

AXIS Bank

Indusind Bank

SBI

COMMITTEES OF THE BOARD

Audit Committee

Shri. M. Sreenivasa Rao

Shri. B.B. Merchant

Shri. Gusti Noria

Smt. G. Saroja Vivekanand

Remuneration Committee

Shri. M.Sreenivasa Rao

Shri. B.B.Merchant

Shri. Nagam Krishna Rao

Shareholders Grievances Committee

Shri. Nagam Krishna Rao

Dr. G. Vivekanand

Report Junction.com



VISAKA INDUSTRIES LIMITED

Factories :

1. A.C. Division – 1
Survey No.315, Yelumala Village
R.C.Puram Mandal
Medak District
Andhra Pradesh - 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 – 721 147.
4. A.C. Division – 4
Survey No: 27/1
G.Nagenahalli Village, Kora Hobli
Tumkur Taluk & District
Karnataka.
5. A.C. Division – 5
Village Kannawan, P.S.Bacharawan
Tehsil: Maharaj Ganj, Raibareli District
Uttar Pradesh – 229 301.
6. A.C. Division – 6
Survey No. 385, 386
Near Kanchikacharla, Jujuru (Village)
Mandal: Veerula Padu, Krishna District
Andhra Pradesh – 521 181.
7. A.C. Division – 7
70/3A, 70/3, Sahajpur Industrial Area
Nandur Village, Taluk - Daund
Pune District
Maharashtra - 412 020.
8. Textile Division
Survey No.179 & 180
Chiruva Village, Maudha Taluq
Nagpur District, Maharashtra.
9. V-Boards Division
Survey No. 95 & 96, Gajalapuram Village,
Near Miryalguda P.O.
Pedadevullapally Mandal, Tripuraram
Adjacent to Kukkadam Railway Station
Nalgonda District
Andhra Pradesh - 508 207.



VISAKA INDUSTRIES LIMITED

NOTICE

Notice is hereby given that the 26th 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 Monday, the 28th day of July, 2008 at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2008 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, 2008.
3. Shri. M. Sreenivasa Rao, retires by rotation and has expressed his desire to step down from his directorship.
4. To appoint a Director in place of Shri. B.B. Merchant, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company.

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

"RESOLVED THAT M/s M. Anandam & Co., Chartered Accountants, 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 authorized 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 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 immovable properties of the Company, wheresoever situated, present and future, and the whole of the undertaking of the Company, together with the power to take over the management of the business and concern of the Company in certain events, on Second Charge basis, to or in favor of the State

Bank of India & the State Bank of Hyderabad to secure its Working capital limits aggregating to Rs. 8315 Lakhs & Rs. 6454 Lakhs respectively, 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 the State Bank of India & the State Bank of Hyderabad, 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 Working Capital Limits.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalize with the State Bank of India & the State Bank of Hyderabad, the documents for creating the 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 an Ordinary Resolution.

RESOLVED THAT in supersession of the earlier resolution passed at the general meeting held on 18.06.2003 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 bankers 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.500 Crores (Rupees Five Hundred Crores Only).

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



26th ANNUAL REPORT

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 25.07.2008.

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 **at least 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 1999-2000 has been transferred to Investor Education and Protection Fund on 31.07.2007 upon expiry of 7 years period. Unclaimed Dividend for the year 2000-2001 will be transferred to Investor Education and Protection Fund after 30th September, 2008. Shareholders who have not claimed Dividend for the year 2000 - 2001 are requested to claim the dividend on or before 24th September, 2008.
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. up to 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

To meet a part of the Working Capital requirements of the Company, the consortium of Bankers, namely the State Bank of India (A Bank), the State Bank of Hyderabad (B Bank), with State Bank of India, as

the Lead Bank have sanctioned to the Company, various credit facilities, to the tune of Rs. 14769 Lakhs, vide their Letter Nos. IFB/RM-1/2007-08 & IFB/CR/3570 dated 10-03-2008 & 08-03-2008, respectively.

The financial assistance from the aforesaid institutions has to be secured by a Second mortgage of all the immovable properties of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956, provide 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 properties as aforesaid in favor of the State Bank of India & the State Bank of Hyderabad 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 / correspondence between the said Institutions and the Company are open for inspection at the Corporate 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. 7

In the General Meeting held on 18.06.2003 the shareholders had authorized the Board of Directors to borrow money up to Rs.100 Crores. The actual borrowing of the Company as on 31.03.2008 is Rs.96.92 Crores. In order to provide flexibility to the Board for borrowing funds of future expansion, it is proposed to increase the limit from Rs.100 Crores to Rs.500 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.500 Crores, in supersession of the earlier resolution passed on 18.06.2003.

By Order of the Board

K.V. Soorianarayanan

President (Corporate) & Company Secretary

PLACE : Secunderabad

DATE : 20.06.2008



VISAKA INDUSTRIES LIMITED

DIRECTORS REPORT

To
The Members
Visaka Industries Limited

Your Directors are pleased to present the 26th Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows:

	(Rs. in lakhs)	
	2007-2008	2006-2007
Gross Income	45956.52	44519.06
Profit for the year before taxation	1318.97	3403.47
Provision for taxation	551.64	1075.43
Profit for the year after taxation	767.33	2328.04
Balance brought forward from previous year	725.61	691.67
Profit available for appropriation	1492.94	3019.71
Dividend on Preference Share Capital	-	6.14
Dividend on Equity Share Capital	476.23	416.19
Corporate Dividend Tax	80.93	71.77
Transfer to General Reserve	290.97	1800.00
Balance carried to Balance Sheet	644.81	725.61

DIVIDEND

Your Directors recommend payment of dividend of Rs.3.00 per share on the Equity Capital for the Year ended 31st March, 2008. The Company is absorbing Corporate Dividend Tax of Rs 80.93 lakhs on the Equity Dividend and the Dividend declared and paid this year is not taxable in the hands of Shareholders.

MERGER OF M/S. SHAKTI ROOFINGS PRIVATE LIMITED WITH THE COMPANY.

The Board of Directors in their meeting held on 25.04.2006 has approved the merger of Shakti Roofings Private Limited with the company effective from 01.04.2006. The shareholders of the Company have approved the proposal in a general meeting convened by the High Court of Andhra Pradesh and thereafter application was made to the High Court for the approval of the Merger.

The Honorable High Court of Andhra Pradesh has, vide its Order dated 06th June, 2007, sanctioned the 'Scheme of Amalgamation', between the Company and M/s. Shakti Roofings Private Limited.

Accordingly, the Company has allotted 20,07,995 shares to the shareholders of M/s. Shakti Roofings Private Limited, as per the agreed SWAP Ratio of 2.29:1, on the 19th day of June, 2007.

a) ASBESTOS CEMENT BUSINESS:

Industry Structure and Developments:

This industry is more than 71 years old industry in India.

Asbestos Cement Products continue to be in demand because of the industry's effort in making in roads into rural markets, its affordability, and other qualities such as corrosion resistance, weather and fire proof nature.

Currently there are 17 entities in the Industry with about 61 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 2007-2008 was estimated at 37 lac metric tones, which represents about 107% of the industry's installed capacity of 34.50 lac metric tones. 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 16.5% i.e the sales increased from 31.76 lac metric tones in 2006-2007 to 37 lac metric tones during the year 2007-2008.



26th ANNUAL REPORT

Opportunities and Threats:

Asbestos Cement Sheets are mainly used as roofing materials in rural and semi-urban housing and by industries and poultry sector.

Asbestos Cement Sheets are gaining popularity as they are inexpensive, need no maintenance and last long when compared to competing products such as thatched roofs, tiled roofs and galvanized iron sheets.

According to the information gathered by us almost 80-85% of rural people use thatched roof/tiles for the shelter. Thatched roof need regular replacement and tiled roof needs continued maintenance. Therefore whenever the economic conditions improve the first choice of the rural poor to replace the roof over their head is the affordable and relatively durable product Asbestos Cement Sheets. Therefore, we see increased potential for usage of Asbestos Cement Sheets in rural areas.

The Central and State Governments have been giving lot of thrust for housing for rural poor and Asbestos Cement Sheets are widely used for this purpose.

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 imposition of Excise Duty are also matters of concern. Earlier, Fly Ash was available free of cost and we had to incur only transport cost. Now Fly Ash is being sold at a cost. The abnormal increase in cement cost not only pushes up the raw material cost but also is slowing down construction activity in rural areas.

This together with supply outstripping demand had brought down margins during 2007-2008. We expect the position will improve in 2008-2009.

Product-wise Performance:

As against a production of 5,06,054 tonnes during the previous year the production during the financial year ended 31st March 2008 was 5,97,006 tonnes recording an increase of 17.97%. The sales during

the financial year 2007-2008 was 5,50,875 tonnes as against 5,08,200 tonnes sold during the preceding year recording a growth of about 8.40 %.

Outlook:

The Company has commenced Commercial Production in the Reinforced Building Boards Division, situated in Miryalguda, Andhra Pradesh, with effect from the 01st day of May' 2008. The Company has by way of a 'Qualified Institutional Placement' in the month of January' 2007, raised funds, for setting up of this Division.

The Company is in the process of setting up a 'Reinforced Building Board Sandwiched Panel Unit' in Miryalguda, Andhra Pradesh, and this Unit is expected to commence production by September' 2008.

These measures should help your Company to increase production and sales in this Division and therefore the production and sales as a whole is expected to grow in the year 2008-2009.

Risks and Concerns:

Lack of entry barriers:

Lack of entry barriers is attracting lot of new entrants into this line of business.

Increase in input costs

The continuous increase in cost of inputs is a matter of concern.

Activities of Ban Asbestos Lobby

The activities of the Ban Asbestos Lobby instigated by the manufacturers of substitute products continue to be a matter of concern.

Financial Performance:

The gross turnover of Asbestos Cement Division during the year was Rs. 357.23 crores as compared to Rs. 339.77 crores during the previous year. The Profit before tax for the year was Rs. 13.75 crores as compared to Rs. 30.09 crores in the previous year, after absorbing loss of garment division.



VISAKA INDUSTRIES LIMITED

FUTURE PLANS:

ASBESTOS CEMENT SHEETS PROJECT AT AHMEDABAD

We have acquired the land required for this project in the district of Ahmedabad. The Project has been kept in abeyance due to supply outstripping demand for this product.

SANDWICHED PANEL UNIT

Sandwiched Panels are in demand in the market, for using as Partition Material. The 'Reinforced Building Board Sandwiched Panels' are made of two fibre-reinforced cement sheets enclosing a lightweight core. These panels are fully cured at factory and are ready for installation. These panels are cheaper compared to masonry partitions / wood partitions and are also easy to fix and takes comparatively less time for installation.

As approved by the Board of Directors in their meeting held on the 31st day of October, 2007, the Company has entered into agreement with an Australian Company with respect to the Technology Transfer for our new product viz., 'Reinforced Building Board Sandwiched Panels' on the 16th day of November, 2007.

The plant for manufacturing the said project is coming up in 'Miryalguda', Andhra Pradesh, within the same premises where the 'Reinforced Building Board' Project of the Company is located, at a cost of around Rs.9.39 Crores.

Machinery has also been ordered, as per the designs given by Australian Company and sample panels have been made. We expect to commence 'Commercial Production' in the said unit in six months time.

b) SYNTHETIC YARN BUSINESS:

Industry Structure and Developments:

National and regional problems are dampening the growth plans of the spinning mills. Crude oil prices, exchange fluctuations, high interest rates, increasing raw material prices and uncertain power supply have crippled the competitiveness of the spinning mills.

The efforts put in by the industry and the government, during the past couple of years, to make the industry globally competitive, to spur investments and to create new employment for over 15 million people, have not borne the desired results.

The industry is stressed due to increasing cost of inputs and competition from countries like China, Pakistan, Bangladesh, Sri Lanka and Taiwan.

Opportunities and Threats:

The continued GDP growth of our country is an opportunity for us. However, the fluctuating crude oil price is a concern. The rising inflation & increase in the interest rate may induce savings, thus reducing the tendency to spend.

Product-wise performance:

The price of viscose fibre has been stable. The polyester fibre price has been steadily increasing. The Company had to absorb part of increase in input costs.

The production in the spinning unit during the year 2007-2008 was 7916.56 metric tones as compared to 6976.02 metric tones during the previous year. The sales were 7564 metric tones of yarn during the year 2007-2008 as compared to 7122 metric tones in the previous year.

Risks and Concerns:

Fluctuating Rupee and Crude Oil prices are likely to affect the Division's performance.

Outlook:

We have introduced several measures to improve performance. Barring unforeseen circumstances, we hope to do better in this Division in the coming year. We expect this division to continue to face stiff competition.

Financial Performance:

The turnover of this division during the current year was Rs.98.75 crores compared to Rs.98.87 crores during the previous year. The profit before tax during the year was Rs.6.71 crores as compared to Rs. 8.89 crores during the previous year.

c) GARMENT BUSINESS

The Company had decided in 2005 to enter the Garment Business, as it found that, there was a vast



26th ANNUAL REPORT

opportunity in this line of business, especially after the removal of the Quota System in the Year 2005.

However, the management mindshare that we had to devote for the Garment Business is disproportionate to the returns that we derive from the business. Hence, the Company during the year decided to be more focused on the Building Products & Spining Divisions and sell off the Garment Division.

The Company, by means of a Postal Ballot, conducted in the Month of September' 2007, obtained the approval of the Shareholders to Sell / Dispose off the Garment Division of the Company, and accordingly the said division stands closed w.e.f. 30th September, 2007.

The Sale of Garment Unit resulted in a loss of Rs. 7.27 crores as follows, which is absorbed in this year's accounting.

On Sale of Assets	: Rs. 3.82 crores
Operating Loss (2007-08)	: Rs. 3.45 crores

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances. The Company uses ERP (Enterprise Resource Planning) system to record data for accounting and connects to different locations for efficient exchange of information. This process ensures that all transaction controls are continually reviewed and risks of inaccurate financial reporting, if any, are dealt with immediately.

Despite the Internal Control Systems prevailing in the Company, during the year, it has come to our

notice that, a financial misappropriation of Rs. 66.84 Lacs has taken place in our Nasik Depot. The people responsible for running the depot have indulged in this misappropriation by forging bank statements / deposit slips and letters of confirmation of balances from the customers. An FIR has been registered against the accused by the Nasik Police and the matter is being followed up.

The Company is also taking necessary steps to plug the loop holes to avoid repetition of such misappropriations in future.

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 is 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 31.03.2008 is 2650. Your Directors would like to record their appreciation of the efficient and loyal service rendered by the Company's employees.

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, 2008 was Rs. 478.19 Lacs. Deposits amounting to Rs.10.03 Lacs remained unclaimed as on 31.03.2008. 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

As per the provisions of Section 205C of the Companies Act, 1956, Unclaimed dividend amount