

The cover features a blue and orange color scheme with curved white lines. The top right shows a line graph on a grid. The middle section is a photograph of business professionals walking, with a close-up of a handshake on the left. The bottom left contains the company logo and name.

ANNUAL REPORT

2006-2007



VISAKA INDUSTRIES LIMITED



NOTICE

Notice is hereby given that the **25th** 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 04th day of June, 2007 at 11.00 A.M to transact the following business.

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2007 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, 2007.
3. To appoint a Director in place of Shri. H. Dayakiran who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri. V. Pattabhi 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 are 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. 5147 Lakhs & Rs. 4206 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 are 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.

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 29.05.2007.
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

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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 1998-99 has been transferred to Investor Education and Protection Fund on 25.08.2006 upon expiry of 7 years period. Unclaimed Dividend for the year 1999-2000 will be transferred to Investor Education and Protection Fund on or before 25.06.2007. Shareholders who have not claimed Dividend for the year 1999-2000 are requested to claim the dividend on or before 19.06.2007.
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. 9353 Lakhs.

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, provided inter alia, that the Board of Directors of a Public Company shall not, without the consent of such Public 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 favour 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.

By Order of the Board

K.V. Soorianarayanan

Sr. V.P & Company Secretary

Date : 30.04.2007

Place : Secunderbad



VISAKA INDUSTRIES LIMITED

DIRECTORS REPORT

To

The Members
Visaka Industries Limited

Your Directors are pleased to present the 25th Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows:

	<i>(Rs. in lakhs)</i>	
	2006-2007	2005-2006
Gross Income	38863.18	31120.20
Profit for the year before taxation	3466.05	2908.76
Provision for taxation	1092.32	983.02
Profit for the year after taxation	2373.73	1925.74
Balance brought forward from previous year	450.05	523.66
Profit available for appropriation	2823.78	2449.40
Dividend on Preference Share Capital	6.14	30.00
Dividend on Equity Share Capital	416.19	320.23
Corporate Dividend Tax	71.77	49.12
Transfer to General Reserve	1800.00	1600.000
Balance carried to Balance Sheet	529.68	450.05

DIVIDEND

Your Directors recommend payment of dividend of Rs.3.00 per share on the Equity Capital for the year ended 31st March 2007. Your Directors also declared a dividend of Rs.12.00 per share on the 12% Redeemable Cumulative Preference Share Capital

of Rs.100/- each, which were redeemed during the year, on a pro-rata basis. The Company is absorbing Corporate Dividend Tax of Rs 71.77 lakhs on the Preference & Equity Dividend and the dividend declared and paid this year is not taxable in the hands of Shareholders.

REDEMPTION OF PREFERENCE SHARES

2,50,000 Redeemable Preference Shares of Rs.100/- each which were issued in the year 1997-98, were redeemed during the Financial Year 2006-2007.

PREFERENTIAL ISSUE OF SHARES

The Company in the Annual General Meeting held on 25.05.2006, has taken the approval of the shareholders of the company, for placement on preferential basis, 3,00,000 Equity Shares and 9,00,000 Equity Share Warrants to M/s. Sandadi Homes Private Limited, for funding the Asbestos Cement Division at Vijayawada.

Accordingly, the Company has made allotment of the Equity Shares and Equity Share warrants @ Rs.138.10 per share / share warrant to M/s. Sandadi Homes Private Limited, on the 25th day of May' 2006.

The Equity Share Warrants are convertible at the option of the allottee into equity shares of the Company within a period of 18 months from the date of allotment i.e. 24th November' 2007. Against the 9,00,000 Convertible Equity Share Warrants allotted by the Company, the allottee has paid 10% of the issue price, as per the SEBI Guidelines, which shall be forfeited in case the allottee does not exercise the option within the specified time limit.

QUALIFIED INSTITUTIONAL PLACEMENT

The Company in the Extra-Ordinary General Meeting held on 30.10.2006 has taken the approval of shareholders, for the placement of 40,00,000 equity shares of the company of face value of Rs. 10 each at a SEBI determined price of Rs.136/- per share, to Qualified Institutional Buyers, in accordance with the Guidelines for Qualified Institutions Placement contained in Chapter XIII A of the SEBI (Disclosure and Investor Protection)

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Guidelines 2000, for funding the proposed 'Reinforced Building Board' Unit at Vijayawada.

The Issue was opened for subscription on the 15th day of January, 2007 and was closed on the 22nd day of January, 2007, respectively. The Target of the Company was the placement of 25,00,000 Equity Shares with the Qualified Institutional Buyers,

whereas the Company, in this connection, has received a subscription of 28,98,600 Equity Shares.

The Company in its Board Meeting held on 24.01.2007 approved the allotment of 28,98,600 Equity Shares of the Company to '8' Qualified Institutional Buyers, the details of whom are furnished below:

Sl. No.	Name of the Allottees	No. of Shares Allotted
1.	Industrial Development Bank of India Limited	2,00,000
2.	BNP Paribas Arbitrage	6,50,000
3.	Minivet Limited	6,50,000
4.	Reliance Capital Trustee Limited A/c. – Reliance Savings Fund Equity Option	2,00,000
5.	Punjab National Bank	1,00,000
6.	Detsche Securities Mauritius Limited	5,00,000
7.	Morgan Stanley & Company International Limited A/c. – Morgan Stanley Dean Witter Mauritius Company Limited	4,98,600
8.	Bank of India	1,00,000
	TOTAL	28,98,600

MANAGEMENT DISCUSSION AND ANALYSIS

a) ASBESTOS CEMENT BUSINESS:

Industry Structure and Developments:

This industry is more than 70 years old industry in India.

Asbestos 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.

Currently there are 17 players in the Industry with about 54 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 2006-2007 was estimated at 31.20 lac metric tones, which represents about 90% 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 24.50 lac metric tones in 2005-2006 to 28.55 lac metric tones during the year 2006-2007.

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 replacing 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.



Thus we see lot of untapped 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. The abnormal increase in cement cost not only pushes up the raw material cost but also in slowing down construction activity in rural areas.

However the fact that industry as a whole grew by about 16.5% during the last year indicates a growing demand for our products and this growth in demand should balance increase on the supply side over the medium term. The continuous efforts being made to capture rural markets should also increase the demand.

Product-wise Performance:

During the year your Company successfully implemented the Vijayawada Plant, which commenced production from 1st December 2006. As against a production of 3,59,288 tonnes during the previous year the production during the financial year ended 31st March 2007 was 4,36,922 tonnes recording an increase of 21.61%. The sales during the financial year 2006-2007 was 4,33,793 tonnes as against 3,34,090 tonnes sold during the preceding year recording a growth of about 29.84%.

Outlook:

During the year 2007-2008 your Company will have the benefit of full production from the Vijayawada Plant.

The Company is planning to set up a 'Reinforced Building Board' Unit in Vijayawada, Andhra Pradesh and this unit is expected to commence production by November' 2007.

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 2007-2008.

Risks and Concerns:

Lack of entry barriers:

Lack of entry barriers is attracting lot of new entrants into this line of business. Since the industry is continuing to grow at the rate of about 15-16% per annum this should not be a major threat. Moreover we have the following advantages:

- (1) Our manufacturing units are nearer to the consuming centers and thus we have the freight advantage.
- (2) We have an established brand name.
- (3) Being the second largest player in the industry we have economies of scale.
- (4) We have a widespread dealer net work.

Increase in input costs

In the recent past the cost of cement and fiber has been going up.

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. 296.31 crores as compared to Rs. 213.23 crores during the previous year. The Profit before tax for the year was Rs. 30.72 crores as compared to Rs. 26.26 crores in the previous year.

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FUTURE PLANS:

MERGER OF SHAKTI ROOFINGS PRIVATE LIMITED

The Board of Directors in their meeting held on 25.04.2006 has approved the merger of Shakti Roofings Private Limited with our 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 has been made to the High Court for the approval of the Merger.

Orders from the High Court are awaited. Hence, our balance sheet for the year 2006-2007, will not reflect the figures of M/s. Shakti Roofings Private Limited.

AHMEDABAD PROJECT

We have acquired the land required for this project in the district of Ahmedabad. The process of obtaining environmental clearance for this project is in progress.

REINFORCED BUILDING BOARD (RBB) UNIT AT VIJAYAWADA

Indian economy is growing at 8 to 9% per annum. This growth is lead by the services sector such as Banks, IT, Hotel, BPO and Airports which require high rise buildings. High rise buildings have given rise to increase in demand for false ceiling, doors, partitions, prefabricated structures, wall paneling and back liners.

According to a study made by us, the total demand for various products catering to this sector is around Rs. 4000/- crores per annum of which 40% is Plywood. This market is growing by about 15% annually. Due to environmental factors, deforestation is discouraged and thereby the availability of wood and wood based products is becoming scarce and costlier.

Reinforced Building Boards can fill this gap in demand supply position as it has the following advantages:

- (1) Reinforced Building Board is a new age multi-purpose cement board with a wide range of applications.
- (2) It is extensively used for false ceiling, doors, partitions, prefabricated structures, wall paneling, back liners and a variety of other applications in residential, commercial as well as industrial segments.
- (3) There are already other manufacturers manufacturing this product and it has gained wide market acceptance.
- (4) The unique composition of manufacturing process makes this wood free eco-friendly board the preferred choice amongst Architects and Interior Designers.
- (5) It consumes less paint or polish and is suitable for sound insulation.
- (6) These are user friendly and are available in various sizes and thickness as it can be cut into different sizes.
- (7) They are economical compared to similar boards.
- (8) RBB does not corrode.
- (9) They are more durable, stronger and need very little maintenance.

b) SYNTHETIC YARN BUSINESS:

Industry Structure and Developments:

Due to the anticipated closure of TUF scheme by March 2007, many spinning mills were on expansion spree during 2006-2007 (TUF scheme has later been extended). However, increased domestic consumption & active export of fabrics & garments from the country induced spark for the growth during the year which helped us perform better during the year.

The per capita income of our country has gone up like never before in the history. This is creating waves of demands for textiles & life style products. The average consumption of textiles & clothing in our



country is going up by leaps & bounds, which is being aided by a flourishing retail industry.

Opportunities and Threats:

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

China's freedom from quota from January 2008 may result in reduced export of fabrics & garments from our country.

Product-wise performance:

The price of viscose fibre has gone up due to a stronger EURO and increased global demand. The polyester fibre price has been under pressure due to cheaper cotton fibre price. High level of oil price hovering around 60 US Dollars per barrel did not have any impact on polyester fibre price due to this phenomenon.

The production in the spinning unit during the year 2006-2007 was 6976.02 metric tones as compared to 6619.27 metric tones during the previous year. The sales were 7122 metric tones of yarn during the year 2006-2007 as compared to 6744 metric tones in the previous year.

Risks and Concerns:

A stronger rupee is a concern for exports & cheap cotton fibre will be a substitute for blended yarns in the domestic market.

Outlook:

The industry will perform better than the previous year due to the opportunities cited above.

Financial Performance:

The turnover of this division during the current year was Rs.98.87 crores compared to Rs.89.98 crores during the previous year. The gross profit before tax during the year was Rs.8.89 crores as compared to Rs. 4.11 crores during the previous year.

c) GARMENT BUSINESS

Industry Structure and Developments:

During the year of quota removal 2006, many companies went for IPO & issued shares to the public. There had been about 25% increase in exports from our country during 2006-2007. The steep reduction in DEPB rates from 14% to 6% has reduced the overall margin of the industry during the year.

The industry in India is still fraught with many small satellite units controlled by a central unit which finances the mini-operations. This reduces the competitiveness of well organized corporate houses.

Opportunities and Threats:

As the business model is centered around exports, the appreciating rupee is playing deterrent to the earnings.

The unit may face pressure on garment prices due to competition from low cost & well subsidized countries like Bangladesh & China's freedom from quota from January 2008.

Though the domestic market is seeing an increased consumption, the rate of change is not reflecting in the prices offered to the manufacturers.

With the free trade arrangement being signed with ASEAN countries, there may be cheap imports into the country sooner or later.

Product-wise performance:

We are specialized in manufacturing formal dress pants & casual trousers for the western countries. The efficiency of our well trained operators has reached above the industry-average level & the quality of workman ship is appreciated by all our customers. We are one of the main suppliers for the American brand MATIX & BALLIN & French brand KAPORAL 5. Since December 2006, our company is continuously busy with orders.

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The production and sales of this Division during the year 2006-2007 were 186491 pieces and 176060 pieces respectively.

Risks and Concerns:

Our rented unit, being smaller in size compared to the big players is finding it difficult to absorb the overall costs. Going in for a bigger size will improve the economies of scale.

With the gradual building up of a wider customer base, we will fill up our order books before further expansion.

Outlook:

Our factory is now WRAP certified for the second year also which is a main point attracting customers like Guess & TOM Tailor. The Italian company ARENA is a regular customer for us.

Financial Performance:

During the financial year 2006-2007, this division has made a turnover of Rs.655.41 lacs.

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, 2007 was Rs.706.21 Lacs. Deposits amounting to Rs.12.44 Lacs remained unclaimed as on 31.03.2007. 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.1,48,413.00 in respect of the year 1998-99 has been transferred to Investor Education and Protection Fund on 25.08.2006 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 repayment of loans 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 & Non-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. For this purpose we have effectively implemented ERP namely Oracle application.

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



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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 31.03.2007 is 1751. 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

DIRECTORS:

As per Article 120 of the Articles of Association of the Company, Shri. H. Daya Kiran and Shri. V. Pattabhi 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 : 30.04.2007

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, 2007.

1. FORM A

A. (a) Power and Fuel consumption in respect of Asbestos Division

Disclosure of information under this heading not applicable to Asbestos Cement Industry.

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(b) Power and Fuel consumption in respect of Textile Division

	Current year 2006-2007	Previous year 2005-2006
(I) ELECTRICITY		
Purchased in(KWH)	32651580	32386440
Amount (Rs.)	125896770	99142936
Average Rate (Rs./Unit)	3.86	3.06
(II) OWN GENERATION		
Units generated (KWH)	19264	7342
Units per litre of Diesel		
Oil (KWH)	3.51	2.68
Average Cost (Rs./Unit)	10.97	12.98

B. CONSUMPTION PER UNIT OF PRODUCTION

Yarn production in (kgs.)	6976020	6619270
Electricity Units/kg. of yarn	4.68	4.89

2. FORM B

RESEARCH & DEVELOPMENT

- Specific areas in which R&D carried out by the Company:

Asbestos Division:

In respect of the Asbestos Division, the Company has been experimenting various substitutes both for cement and fibre and has also been varying the ratio of raw materials for improving quality and reducing cost.

Spinning Division:

In respect of the Spinning Division, we have tried various new counts and combination of blends and have been successful in making certain new blends and new products. We have increased the speeds of the machines while maintaining the quality.

Garment Division:

We have a design studio and we keep developing new designs.

- Benefits derived as a result of the above R&D :

Asbestos Division:

In respect of the Asbestos Division, we have achieved substantial reduction in cost and increase in productivity because of this experiment.

Spinning Division:

In respect of the Spinning Division, the new blends have helped us to improve our presence in the domestic and export markets. The Productivity and Quality could be increased leading to better profitability.

Garment Division:

Being a new unit we are able to attract customers.

- Future course of action:

Asbestos Division:

In respect of the Asbestos Division, use of substitute fibers is being continuously experimented.

Spinning Division:

In respect of the Spinning Division, we are continuously experimenting with new blends and shades and higher speeds.

Garment Division

We may at an appropriate stage recruit European Designers.



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4. Expenditure on R&D :

No specific expenditure exclusively on R&D has been incurred.

The indigenous technology available is continuously being upgraded to improve the overall performance of the Company.

FOREIGN EXCHANGE EARNINGS / OUTGO:

Our foreign exchange earnings / outgo during the year 2006-2007 are as follows:

Total foreign exchange used and earned :

(Rs. in lakhs)

31.03.2007 31.03.2006

1. Earnings in Foreign

Currency :

Export of Goods

(FOB Value) **3649.39** 1606.89

2. CIF value of Imports :

Raw Materials	7364.82	5370.30
Components and Spare Parts	40.47	38.38
Capital Goods	31.31	418.49

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans:

We have been continuously developing new varieties of yarn to meet the requirement of the export market so that, we can increase the export. We are finding out the end use of our yarn so that it meets with the customers requirements. We are continuously exploring new markets, in various countries and hence making the market broad based.

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007.

Sl No.	Name and qualifications	Age in years	Designation	Remuneration received (Rs.)	Experience (No. of years)	Date of commencement of employment	Last employment (position held)	Share Holding %
1.	Dr. G Vivekanand M.B.B.S.	49	Managing Director	184.36 lacs	23	01.07.1984	Director, Venus Tobacco Pvt.Ltd. Hyderabad.	34.42
2.	M.P.V. Rao Diploma in- Electrical Engineering	58	President (Technical)	34.10 lacs	40	03.07.1986	Plant Engineer Shree Digvijay Cement Company Limited	Nil

Note:

- Remuneration includes Salary, Allowances, Company's contribution to P.F. and Superannuation fund, reimbursement of medical expenses at actual and other perquisites provided by the Company.
- The appointment of Dr. G. Vivekanand, Managing Director is contractual in nature.

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**DIRECTORS' RESPONSIBILITY STATEMENT
PURSUANT TO SECTION 217(2AA) OF THE
COMPANIES ACT, 1956 (INSERTED BY THE
COMPANIES AMENDMENT ACT, 2000) AND
FORMING PART OF THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST MARCH, 2007.**

The financial statements are prepared in conformity with the accounting standards issued by The Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956, to the extent applicable to the Company, on the historical cost convention, as a going concern and on the accrual basis. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied, except where otherwise stated in the notes on accounts.

The Board of Directors and the Management of Visaka Industries Limited accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs

and profits for the year. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and, for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company have been followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounts.

The Statutory Auditors M/s M. Anandam & Co., Chartered Accountants, have audited the financial statements.

The audit committee at Visaka Industries Limited meets periodically with the auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.



REPORT ON CORPORATE GOVERNANCE
(Pursuant to clause 49 of the listing agreement)

1. Company's philosophy on Corporate Governance Code:

Company's philosophy on corporate governance is to ensure fairness, transparency, accountability and responsibility to all stakeholders.

Your Company believes in a Code of Governance, which fulfills the Motto of "Service to Society through commercial activities". We have implemented a Corporate Governance Code to ensure proper quality, customer satisfaction, prompt payment to suppliers, good employee-employer relationship, legal compliance, proper debt servicing, maximize value to equity shareholders and responsibility to the nation by timely payment of taxes and as a premier exporter.

2. Composition of Board of Directors:

Your Company's Board is a professionally managed Board consisting of 8 Directors in all categorized as under:

Sl. No.	Name and Classification of the Director	No. of Directorships held in other companies	No. of B/M Attended	Attended Last AGM	No. of Memberships/ Chairmanships held in committees of other Companies
1.	CHAIRMAN NON EXECUTIVE INDEPENDENT DIRECTOR Mr. M. Sreenivasa Rao (No. of Shares held : 5000)	4	6	YES	NIL
2.	MANAGING DIRECTOR PROMOTER EXECUTIVE DIRECTOR Dr. G. Vivekanand (No. of Shares held : 4775130)	4	9	YES	NIL
	PROMOTER NON EXECUTIVE DIRECTOR Smt. G. Saroja Vivekanand (No. of Shares held : 111139)	4	8	NO	NIL
3.	NON EXECUTIVE INDEPENDENT DIRECTORS :				
	(a) Mr. B.B. Merchant (No. of Shares held : Nil)	3	5	NO	2
	(b) Mr. Nagam Krishna Rao (No. of Shares held : 63700)	0	9	YES	NIL
	(c) Mr. Gusti Noria (No. of Shares held : 75)	4	4	NO	NIL
	(d) Mr. H. Dayakiran (No. of Shares held : Nil)	2	9	YES	1
	(e) Mr. V. Pattabhi (No. of Shares held : 500)	4	9	YES	NIL

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Number of Board Meetings held during the financial year 2006-2007 was 9. The dates on which these Meetings were held are 25.04.2006, 12.05.2006, 25.05.2006, 14.07.2006, 04.10.2006, 30.10.2006, 24.01.2007, 07.02.2007 and 26.02.2007 respectively.

Details of Directors being appointed and reappointed:

No proposal for appointment of fresh directors was received by the Company.

As per the Companies Act, 1956 two thirds of directors should be retiring directors. One – third of these retiring directors are required to retire every year and if eligible, these directors qualify for reappointment.

Accordingly, Shri. H. Dayakiran and Shri. V. Pattabhi retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

A brief resume of the directors eligible for reappointment are as follows:

Shri. H Dayakiran

Shri. H. Dayakiran, BSc., is an Executive Director of Feno Plast Limited. He has over 25 years of experience in technical and commercial fields. During the last 13 years he has been personally handling export of artificial leather articles manufactured by his Company. He had executed for the first time in the Country a project for manufacture of PVC Leather cloth with transfer coating technology. He has been on the Board of our Company since 2000.

Shri. H. Dayakiran is a director on the Boards of Fenoplast Limited and Rex - O - Knits Pvt. Ltd.

Shri. V Pattabhi

Shri. V. Pattabhi, B. E., is an Independent Consultant. He has over 43 years of experience in the Asbestos Cement Industry and 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.

Shri. V. Pattabhi is Director of Denison Hydraulics India Limited, Andhra Polymers Pvt. Limited, ACE Roofings Private Limited and Minwool Rock Fibres Limited.

3. AUDIT COMMITTEE:

Terms of reference & composition:

Terms of reference of this committee cover the matters specified for Audit Committees u/c 49 of the Listing Agreement & section 292A of the Companies Act, 1956.

Your Audit Committee consists of four members. Out of them three are Non Executive Independent Directors and the other a Promoter – Non Executive Director. The Managing Director, Sr.Vice President (Finance) and Auditors are invitees to the meeting. Sr.Vice President & Company Secretary of the Company is the Ex-Officio Secretary of the Audit Committee. The total number of meetings held was 4 on 25.04.2006, 14.07.2006, 30.10.2006 and 26.02.2007 respectively.

Shri. M. Sreenivasa Rao, Member and Chairman and Shri. B. B. Merchant, Member of the Audit Committee have attended 4 meetings of the Committee each. Shri. Gusti Noria and Smt. G. Saroja Vivekanand, Members of the Audit Committee have attended two meetings and three Meetings, each respectively.

Shri. M. Sreenivasa Rao, Shri. B. B. Merchant & Shri. Gusti Noria are professionals with vast experience, having in-depth financial and accounting knowledge. Smt. G. Saroja Vivekanand was newly nominated to the Audit Committee from the Non-Independent Director Category w.e.f. 25.04.2006.

4. Remuneration Committee:

The Company had set up a Remuneration committee consisting of Shri.M.Sreenivasa Rao, Shri.B.B.Merchant and Shri.Nagam Krishna Rao. Shri.K.V.Soorianarayanan, Sr.Vice President & Company Secretary is the Ex-Officio Secretary of the Remuneration Committee. A meeting of the committee was held during the year 2006-2007 on 25-04-2006.



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The details of the remuneration paid to the directors during the year 2006-2007 are given below:

Name of Director	Salary (Rs.)	Perquisites (Rs.)	Fixed Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Dr. G. Vivekanand, Managing Director	27,00,000	20,78,295	1,36,58,000	Nil	1,84,36,295
Mr. M. Sreenivasa Rao, Director	—	—	5,26,714	55,000	5,81,714
Mr. B.B. Merchant, Director	—	—	5,26,714	50,000	5,76,714
Mr. Gusti Noria, Director	—	—	5,26,714	30,000	5,56,714
Mr. H. Dayakiran, Director	—	—	5,26,714	45,000	5,71,714
Mr. Nagam Krishna Rao, Director	—	—	5,26,714	50,000	5,76,714
Mr. V. Pattabhi, Director	—	—	5,26,714	45,000	5,71,714
Smt. G. Saroja Vivekanand, Director	—	—	5,26,714	55,000	5,81,714

Perquisites include House Rent Allowance, Leave Travel Assistance and contribution to Provident Fund and Superannuation Funds and provision for Gratuity.

Criteria for making payment to non-executive directors: Non executive directors contribute 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 and more so in view of the greater responsibilities they are expected to shoulder in the interest of higher level of excellence in corporate governance, a commission of 1% of the net profits of the Company for all directors put together is being paid.

5. Shareholders/Investors Grievances Committee:

Shri Nagam Krishna Rao, a non-executive director heads the Committee. Dr. G. Vivekanand is the other member of the Committee. Shri K.V.Soorianarayanan - Sr. Vice President & Company Secretary is the Compliance Officer.

We have received 67 complaints from the shareholders during the year and solved all the complaints to the satisfaction of the shareholders. Details are given hereunder:

Nature of Complaint	No. of Complaints received and resolved
SEBI Complaints	Nil
Non receipt of Dividend Warrants	58
Non receipt of Share Certificates	4
Non receipt of Annual Reports	3
Dematerialization of shares	2
Stock Exchange complaints	Nil

Number of pending complaints : NIL

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6. GENERAL BODY MEETINGS :

Date of AGM	Time	Whether Special Resolution Passed	Location
(a) 25.05.2006	At 4.30 P.M	Yes	All the Meetings were held at the Regd. Office, Survey No. 315, Yelumala Village, R.C.Puram Mandal, Medak District – 502 300 Andhra Pradesh.
(b) 29.07.2005	At 4.00 P.M	No	
(c) 04.06.2004	At 11 A.M	No	

There were no resolutions, which required postal ballot.

7. DISCLOSURES :

- Your Company has not entered into any transactions of material nature with its Promoters, Directors, Management, their subordinates or relatives.
- Your Company has complied with all the provisions of the Companies Act, 1956, Rules and Regulations of the said Act, SEBI Guidelines, Stock Exchange Regulations and rules and regulations of other Statutory Authorities and there were no strictures, penalties imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.
- Company has not adopted the Whistle Blower Policy

8. MEANS OF COMMUNICATION:

Quarterly results of the Company are published in Economic Times (English edition) and Andhra Bhoomi (Regional edition) newspapers respectively. Annual results of the Company are displayed on the Company's website – "www.visaka.org". The website also displays information about the Company and its products. The Management Discussion and Analysis Report forms part of this Annual Report.

9. GENERAL SHAREHOLDER'S INFORMATION :

AGM Date	: 04.06.2007
Time	: 11.00 A.M
Venue	: Survey No. 315, Yelumala Village R.C.Puram Mandal, Medak District – 502300 Andhra Pradesh.
Financial Year	: 2006-2007
Book Closure	: 29.05.2007 (one day)
Rate of Dividend recommended	: 30%
Dividend Payment Date	: 03.07.2007
Listing on Stock Exchanges	: National Stock Exchange of India Ltd. : Bombay Stock Exchange Limited

Listing Fee Paid for all the above Stock Exchanges for 2007-2008.

Stock Code	: BSE - 509055 NSE - VISAKAIND
Demat ISIN No	: INE392A01013



VISAKA INDUSTRIES LIMITED

Market Price as per National Stock Exchange Data :

Year	Month	Price		Volume Traded
		High (Rs.)	Low (Rs.)	
2006	April	140.00	120.00	9,22,364
	May	154.00	99.00	25,28,068
	June	115.50	68.00	10,16,610
	July	125.85	89.00	13,38,416
	August	139.00	110.70	16,76,533
	September	157.00	109.70	16,09,966
	October	147.00	128.10	9,97,791
	November	154.75	120.50	11,63,973
	December	156.70	116.55	11,46,372
	2007	January	154.90	133.70
February		140.00	93.30	3,84,791
March		111.20	86.20	6,31,797

Registrar and Share Transfer Agents:

M/s Sathguru Management Consultants Pvt Ltd , Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad – 500034.

Tel Nos : 0091-40-23356507, 23350586 and 23356975

Fax No : 0091-40-23354042

E-mail : info@sathguru.com

Share Transfer System:

The Company has appointed M/s Sathguru Management Consultants Pvt Ltd as registrars and share transfer agents for share transfer work. The Share Transfer Agents process shares sent for transfer / transmission, two times in a month. Transfers / Transmissions, which are complete in all respects, will be processed within 30 days.

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**Distribution of Shareholding :**

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2007

	Category	No. of Shares held	% of Holding
A	PROMOTERS'S HOLDING		
1.	PROMOTERS		
	Indian Promoters	4894544	35.28
	Foreign Promoters	0	0
2.	Persons acting in Concert	0	0
	Sub Total	4894544	35.28
B	NON PROMOTER'S HOLDING		
3.	INSTITUTIONAL INVESTORS		
	a) Mutual Funds and UTI	203018	1.46
	b) Banks, Insurance Companies Financial Institutions, Central / State Govt. Inst / Non Govt. Inst.	905813	6.53
	c) Foreign institutional Investors	3251823	23.44
	Sub Total	4360654	31.43
4.	Others		
	a) Private Corporate Bodies	1230564	8.87
	b) Indian Public	3342788	24.10
	c) NRI's/OCB's	44407	0.32
	d) Any Other (Please Specity)	0	0
	Sub Total	4617759	33.29
	GRAND TOTAL	13872957	100.00

Distribution schedule:As on March 31st, 2007, the Distribution schedule was as follows:

Category (No. of Shares)		No. of Shareholders	% to Total Shareholders	No. of Shares	% to Total Shares
From	To				
1	5000	11259	91.61	1613041	11.63
5001	10000	575	4.68	466924	3.37
10001	20000	215	1.75	325998	2.34
20001	30000	69	0.56	177586	1.28
30001	40000	56	0.45	203081	1.47
40001	50000	29	0.24	137527	0.99
50001	100000	22	0.18	162824	1.17
100001	Above	65	0.53	10785976	77.75
Total		12290	100	13872957	100

Dematerialization of shares and liquidity:As on 31.03.2007, **94.74%** of the paid up equity capital of the Company has been dematerialized.



VISAKA INDUSTRIES LIMITED

- a) There are no outstanding GDR's/ADR's.
- b) The Company has issued 9,00,000 Equity Share Warrants to M/s. Sandadi Homes Private Limited, on 25.05.2006, which are convertible at the option of the allottee, into Equity Shares of the Company within a period of 18 months from the date of allotment, i.e. 24th November, 2007.
- c) Upon approval of merger of M/s. Shakti Roofings Private Limited by the Hon'ble High Court of Andhra Pradesh, as per the scheme of amalgamation approved by the members of the company, the company has to issue, 20,07,995 Equity Shares to the shareholders of M/s. Shakti Roofings Private Limited.

Plant Locations :

1. A.C. Division – Plant 1
Survey No.315, Yelumala Village
R.C.Puram Mandal
Medak District, Andhra Pradesh - 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 - 721 147
4. A.C. Division – Plant 4
Survey No: 27/1,
G.Nagenahalli Village, Kora Hobli,
Tumkur Taluk & District,
Karnataka.
5. A.C.Division – Plant 5
Village Kannawan,P.S.Bacharawan
Tehsil: Maharaj Ganj, Raibareli District
Uttar Pradesh - 229 301
6. A. C. Division – Plant 6
Survey No. 179 & 180,
Near Kanchikacharla, Jujuru (Village)
Mandal : Veerula Padu, Krishna District
Andhra Pradesh - 521 181.
7. Textile Division
Survey No.179 & 180
Chiruva Village, Maudha Taluq
Nagpur District, Maharashtra.

8. Garment Division :
No.427/1A, Chettipunyam Village
(Opp. Mahindra City)
Chengalpet Taluq
Kancheepuram District
Tamilnadu - 603 204

INVESTOR RELATIONS

Enquiries, if any relating to shareholder accounting records, share transfers, transmission of shares, change of address / bank mandate details for physical shares, receipt of dividend warrants, loss of share certificates etc., should be addressed to:

M/s. Sathguru Management Consultants-
Private Limited

Registrars and Share Transfer Agents

Plot No. 15, Hindi Nagar Colony

Punjagutta, Hyderabad.

Pin: 500 034.

Tel Nos: 091 - 040 – 23356507, 23350586 &
23356975

Fax Nos: 091 - 040 – 23354042

E-mail ID: info@sathguru.com

(OR)

directly to the Company to:

The Sr. Vice President & Company Secretary

Visaka Industries Limited

Visaka Towers, 1-8-303/69/3

S.P. Road, Secunderabad.

Pin: 500 003.

Tel Nos: 091 - 040 – 32403934/35/36/37/38/40/
42/43/44/45

Fax Nos: 091 - 040 – 27813837

Investor Grievances

The shareholders are also welcome to register grievances, if any, in the matter of shares of the company, its transfers, transmissions, remat, dividend payable etc., with the below mentioned Email-ID exclusively designated for this purpose:

E-mail ID for registering

of investor complaints : soori@visaka.in

Compliance Officer : K.V. Soorianarayanan

Sr. Vice President &

Company Secretary

To know more about the Company, you are welcome to visit us at:

“www.visaka.org”



VISAKA INDUSTRIES LIMITED

DECLARATION BY CEO OF THE COMPANY ON CODE OF CONDUCT

As per the revised clause 49 of the Listing Agreement of the Stock exchanges the Board shall lay down a code of conduct for all board members and senior management of the Company. The code of conduct shall be posted on the website of the company and all the Board Members and senior management personnel shall affirm compliance with the code on annual basis. The Annual report of the Company shall contain a declaration to this effect signed by CEO of the Company.

I hereby declare that :

1. Code of conduct prepared for the Board Members and senior management of the company was approved by the Board of Directors in the Board Meeting held on 29-10-2005 and the same was adopted by the Company.
2. Code of conduct adopted by the Company was circulated to the members of the Board and senior management of the company and also posted in the website of the company.
3. All the members of the Board and senior management of the company have complied with all the provisions of the code of conduct.

for **VISAKA INDUSTRIES LIMITED**

Sd/-

Dr. G. Vivekanand
Managing Director

Date : 30th April 2007

Place : Hyderabad.



FACTS ON ASBESTOS

1. WHAT IS ASBESTOS?

- a) Asbestos is a naturally occurring mineral found in underground rock formations. For commercial purposes, it is recovered by mining and rock crushing. Fine particles, invisible to the eye, are present in the air and water everywhere. All of us may be inhaling them and ingesting them through drinking water every day for our life times without any adverse effect on health. Asbestos is commercially used since 1900 and is classified into 2 groups. One category is called Chrysotile (white) Asbestos and the other group is termed as Amphiboles consisting of Crocidolite (blue), Amosite (brown) etc.
- b) White asbestos (chrysotile variety) constitutes 98% of world production for its commercial use. Indian asbestos cement sheet and pipe manufacturers import all their requirements of chrysotile fibres from Canada, Brazil, Russia, Zimbabwe and Kazakhstan for production of AC sheets and pipes. India imports only 20% of World production from above countries. Asbestos is also mined in India, but quantity and quality-wise it is of no relevance to our asbestos cement production.
- c) The Chemical composition of Crocidolite, Amosite and Chrysotile are different.
- d) Asbestos fibre (composed mainly of magnesium and silica), is a great reinforcing agent. While its tensile strength is greater than steel, it has other rare and highly valued fire retardant, chemical resistant and heat insulating qualities. **In fact it is a magic mineral and no other substitute can match its properties.**

2. WHAT ARE ASBESTOS CEMENT (AC) PRODUCTS ?

- a) Because of its exceptional strength and ability to cover inside area as reinforcement only 8.9% of chrysotile fibres are adequate to combine with cement and other raw

materials. Over 90% of asbestos fibre imports of India go into AC sheet and pipe production.

- b) AC Sheets have been used In India for 70 years. Being weatherproof and corrosion resistant, these sheets are practically ageless and maintenance free, whereas metal sheets corrode and deteriorate with age and exposure. (See chart for comparison).
- c) AC Sheets have also proven to be the most cost effective, easy-to-install, strong and durable roofing material for warehouses, factories, low-cost housing, and practically, any structure needing a roof. Apart from India, Russia, China, Indonesia, Thailand and Brazil are some of the largest users of AC Sheets.
- d) AC sheets and pipes, being corrosion and erosion-free, once properly laid and jointed, need no maintenance or replacement. They are also very cost effective.
- e) AC products, which consume low energy in manufacture and do not in any way deplete the natural resources, meet the needs of the country in its developing economy in the context of rapidly rising population, and limited resources.
- f) AC products are manufactured under (ISI) license strictly conforming to the standards of Bureau of Indian Standards. IS 459/1992 for Corrugated Roofing Sheets, IS 2098/1997 for Flat Sheets and IS 1626 (Part 111)/1994 for Roofing Accessories.

EXPLAIN THE NEGATIVE REPORTS ON ASBESTOS :

- a) The bias against the use of asbestos in a few countries is due to the adverse Western media coverage relating to altogether different types and usages of asbestos in the past in those countries i.e. sprayed-on asbestos and friable low-density asbestos insulation used under uncontrolled conditions at that time due to lack of adequate scientific knowledge ex. Usage of amphibole (blue) variety in such applications resulted in unfortunate western

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experience. Though these particular usages have since been discontinued in the West, the claims relating to the past keep appearing in the media resulting in general confusion. In India Asbestos Fibre was never used as sprayed insulation.

- b) But, once the scientific research into the risks of asbestos was set in motion, development and installation of pollution control systems took place, enabling the asbestos mining and asbestos cement industries to maintain safe and acceptable levels of dust pollution at the work places.
- c) Once the safety fears were defined, the Governments have stepped in and laid down pollution control regulations and the mechanisms to enforce their compliance. Compliance with these regulations and standards assure the workers in asbestos cement industries a risk-free environment.

For the consumer, the Asbestos Cement products were always safe.

4. WHAT IS THE SITUATION IN INDIA?

- a) Blue asbestos which lead to health problems was banned through out the world including in India.
- b) In India, only the chrysotile variety of asbestos, which is considered safer, is used in asbestos-cement products, namely, sheets and pipes. The fibers are mixed and bonded with cement and other raw material. After all the fibres are locked into the matrix there is no chance of air contamination.
- c) Even in the West, studies of workers using only chrysotile to make AC Products have no increased risks as per study by reputed scientists. Similar is experience in India with workers in asbestos-cement product industry without any adverse health effects in spite of decades of service, there being no risk of exposure to asbestos dust because of (1) Not using amphibole asbestos considered hazardous (2) Adopting west process (3) Observing pollution control measures installed in the factories. Health of the workers is closely monitored as per directives and regulations of the government agencies.

- d) There is no risk whatsoever in living or working under the AC roof, as asbestos fibres are bonded (locked in) with cement and cannot get released in to the atmosphere.
- e) Transportation of drinking water in AC pipes is absolutely safe as confirmed by the World Health Organization. Ingested asbestos if any does not pose any health risk.
- f) Apart from the Fibre Variety, the health problems, which arose in the West in the past, were because of usage of mixed asbestos in the buildings, mostly in friable form for insulation purposes. Indian climatic conditions never required the type of asbestos spraying and insulation, at one time common in the West. Thus, the health hazards and risks associated with the past asbestos fibre usage in the western countries, have nothing to do with the asbestos products or applications in India.
- g) In India Asbestos Cement sheets have been extensively used by Indian Railways for the last 50 years to provide the safest form of roofing to the thousands of Railway Platforms across the country where over 1 crore people step everyday. It is noteworthy that AC Sheets have withstood the test of time with no reported risk/casualty to the Indian traveler nor has there been any adverse effect on the local environment.

Another major consumption of AC Sheets is in the roofing of Food Corporation of India godowns, where millions of tons of food grains are stocked. The above two examples are testimony to the fact that Asbestos Sheets are absolutely safe to use.

- h) It is worth noting that India uses only about 6% to 7% of the asbestos produced in the world. (The rest is used in other countries, where obviously, controlled usage is favored as in India)
- i) All the member industries of chrysotile asbestos cement products manufacturers association (CACPMA) carry out dust level measurements and health surveillance programs as prescribed by regulatory



authorities. Directorate General of Factory Advisory Services & Labour Institutes (DGFASLI) has taken up a multi disciplinary national project on occupational health and working environment in asbestos industries in the year 2004. The dust levels measured in various departments of twelve factories were less than 0.13 fibre/ml of air. 620 randomly selected employees of above factories were medically screened for asbestos related diseases. No asbestos related diseases were detected in above employees who are exposed to chrysotile fibre for the last 5-20 years.

5. WHAT ARE THE POLICIES OF GOVERNMENT OF INDIA ON ASBESTOS?

- a) The Government of India has constituted various expert committees to study the asbestos industry and having been satisfied that asbestos does not actually pose a health risk to the workers at the manufacturing plants so long as the work place pollution controls were in place, or to the public who use the asbestos-cement products, the Ministry of Industry, Government of India, have favoured controlled usage.
- b) The Ministry of Industry, Ministry of Labour, Ministry of Environment, Ministry of Consumer Affairs, Bureau of Indian Standards, et al have laid-down regulations, standards, guidelines and recommendations specific to the asbestos industry, in line with those of International Labour Organization, World Health Organization and other bodies. The Central and State Pollution Control Boards, Labour and Factory Inspectors also regularly monitor the factories' compliance with the mandatory safety standards and pollution control levels.
- c) The latest expert committee reviews of Ministry of Environment, Central Pollution Control Board, Ministry of Consumer Affairs and Bureau of Indian Standards completed in the year 2002-03 have concluded that the asbestos-cement Industry can operate in a safe environment under the laid-down pollution control levels.

6. ARE THERE ANY COURT RULINGS ON ASBESTOS USAGE?

- a) Concerns caused by the past medical findings in the Western countries, when asbestos applications were indiscriminate and bereft of pollution controls, resulted not only in anti asbestos media campaign and litigation, but also led some environmental activists and NGOs approaching the courts for effective remedies.
- b) The Supreme Court of India has, in January 1995, disallowed one such appeal and permitted the continued usage of asbestos and asbestos products, as the petitioners failed to produce evidence to prove that asbestos-based items or their manufacturing process in India were dangerous to health. The Supreme Court had laid down certain guidelines and the implementation of the same are being monitored by the Chrysotile Information Centre.
- c) After considering a strong case by the powerful Environmental Protection Agency, the United States Court of Appeals has, in 1991, rejected an appeal for phasing out asbestos cement and other asbestos based products in USA, again for lack of evidence to warrant such a prohibition.
- d) Most recently in June 2001, the Supreme Court in Brazil has also rejected a petition by some activists for ban of asbestos cement production. Brazil, incidentally is one of the largest producers and users of asbestos.

7. ARE ASBESTOS AND ASBESTOS CEMENT PRODUCTS STILL USED IN OTHER COUNTRIES?

- a) There is no ban on production or usage of asbestos cement sheets or pipes in USA and Canada and most of the other world nations. Less than a dozen countries have regulations restricting use of asbestos based products most of which had, in any case, been phased out much earlier.
- b) The USA still imports AC pipes for water transportation.

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- c. Most recently in 2001, Canada has reintroduced asbestos to make asphalt asbestos compound for re-paving of the roads, for more flexibility, resistance and for reducing fissures on the road surface.
- d. As said earlier, even today, Russia, China, Japan, Thailand, India, Brazil and Indonesia are among the largest users of AC sheets and other products.
- e. About 94% of Chrysotile Asbestos produced worldwide is consumed by countries other than India. India uses barely 6 to 7% of world's asbestos fibre production. This goes to prove that AC sheet and pipe production and usages of these products are very much prevalent in most of the world.
- f. This asbestos production and usage in most countries confirms that these products do not cause the health problems as propagated by some zealots and industrial competitors. There are activists everywhere who pursue some issue or the other, often with inadequate research or deliberately fed misinformation for their personal gains. Asbestos is merely one such issue, which 95% of the world nations chose to ignore.

8. ARE WORKMEN INSTALLING AC ROOF AT RISK OF EXPOSURE TO ASBESTOS?

- a) No certainly not, when the recommended work practices are followed while on the job.
- b) A typical study was conducted on handling, cutting & installation of asbestos cement roofing sheets. The typical test results show the fibre concentration in air sampling is found to be around 0.07 fibre/cc which is far below the level of 0.5 fibre/cc envisaged.

9. IS IT DANGEROUS TO LIVE OR WORK UNDER AN ASBESTOS CEMENT ROOF?

- a) Not at all. There is no risk, whatsoever, to health as the asbestos fibres are locked-in and bound with cement and there is no possibility of these fibres escaping (from the products) into the ambient air.

- b) Several measurements have confirmed this fact.

10. IS PUBLIC AT RISK DUE TO WEATHERING OF ASBESTOS CEMENT PRODUCTS ?

- a) Asbestos cement sheets do not decay or rot because of the inherent properties of asbestos fibre and cement. These do not crumble due to continued exposure to the elements or due to age. There is no evidence that people living under asbestos-cement roof, or the general public living around asbestos cement-roofed buildings or factories producing asbestos cement products have been specifically affected in any manner.
- b) In fact studies have concluded that increase in asbestos dust concentration in the near vicinity of asbestos cement roofing is so insignificant that it cannot be detected even by a scanning electron microscope.

11. IS IT WRONG TO USE AC PIPES FOR CARRYING DRINKING WATER?

Even the World Health Organization has approved the usage of AC pipes for drinking water. As stated earlier, the most health conscious USA uses AC pipes for drinking water transportation.

12. WHAT IS THE LATEST THAT IS HEARD IN THE WEST ABOUT ASBESTOS?

- a) The Times, London, 18 Sept 2001, quoting Mr. Richard Wilson, Professor of Physics at Harvard University in Cambridge, Massachusetts, USA, reported that "**asbestos is the best Insulator we know of, and not to use it because of hysterical public health reasons, is absurd**".
- b) The Wall Street Journal, USA, 19 October 2001, in an article captioned "EPA comes clean on Asbestos", reported "Faced with a public health scare the EPA (Environmental Protection Agency of the USA) decided to cough up the truth about asbestos. Its officials bent over backward to get out the message that asbestos was harmful only if breathed at high levels and over sustained



periods of Time". The north Tower contained 40 floors of asbestos. The EPA repeated that the public was not at any real risk from the asbestos released from the collapse of the WTC north tower and swirling around downtown Manhattan.

- c) After Sept 11, 2001 collapse of WTC towers, Prof. Art Robinson, founder of the Oregon Institute of Science and Medicine, said "**asbestos was an early victim of junk science and enviro-fear propaganda**". Had the (top floors) contained Asbestos, the towers would have stood for four hours, saving 5000 lives.
- d) The USA Geological Survey Fact Sheet FS 12-1 of March 2001 reports "There have been thousands of applications for asbestos.

Most were viewed as practical solutions to difficult problems". For instance, (I) asbestos helped make the braking systems in automobiles much more dependable (II) It enabled the production of inexpensive cement-based water supply pipes (iii) Chrysotile (asbestos) is also mined in the US. One firm in California, accounted for all US chrysotile production in 1999.

- e) La Presse, Canada, May 18, 2001 has quoted Katherine Glasson, press officer for the Minister of Transport as having said "this material is not dangerous". The paper also said, the Ministry of Transport estimates to use 1,00,000 tons of asbestos-asphalt for the repaving of its road network this year as compared to 17,000 tons last year.

SOME POPULAR MISCONCEPTIONS

	MYTHS	FACTS
1.	Asbestos cement is dangerous material.	Asbestos cement is completely safe. It is not corrosive, reactive, ignitable or toxic.
2.	Inhalation of even one fibre of asbestos is harmful.	Thousands of asbestos fibres, invisible, are inhaled by us everyday from natural resources, without any harm. Asbestos Cement Roof will not add to the environmental fibres.
3.	Asbestos cement water pipes cause colonic carcinoma and other diseases.	Asbestos fibres in water are ingested without any harm whatsoever. Therefore the AC water pipes pose no threat.
4.	Asbestos cement production is banned in the USA.	The US Court of Appeals rejected a proposed ban on scientific grounds. Asbestos-cement products are not banned in the USA.

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Sl. No.	Characteristics	A C Sheets	Corrugated Galvanized Iron Sheets	Aluminum Sheets
1.	Life Span (Years)	50 (Min.) Non-Corrosive	10-15	N.A.
2.	Maintenance	Nil	Every 3-5 years	Nil
3.	Fire Rating	Retardant	Tendency to Twist and melt	Tendency to twist and melt
4.	Thermal Insulation	Good	Poor	Poor
5.	Accoustic Rating	Good	Poor	Poor
6.	Absorption of rain and wind noise	Good (deadens these noises)	Poor	Poor
7.	Energy consumption required in production (kwh/Sqm.)	2.4	36.6	33.0
8.	Man Power potential	Intensive	Low	Low
9.	Wind resistance when installed	Good	Poor	Poor
10.	Weather effect	None	None	Surface Oxidation
11.	Bimetallic Reaction	None	None	Present in contact with concrete and other metals, presence of moisture
12.	Condensation	Low and will not affect sheet	High and will affect sheet	High and will result in corrosion
13.	Effect of high winds	Minimum	Unacceptable rattling sound	Rattling sound
14.	Noise level	Low	High	High
15.	Protective coating	Not required	Not required	Required to avoid direct contact with cement, limesoil, iron, copper etc.



16.	Storage	Can be stored in open space at work site	Needs closed godown for storage to avoid weather assaults	Needs closed godown for storage to avoid weather assaults
17.	Coverage Efficiency	Approx. 50% higher, taking into account lap losses.	Effective laid area becomes only 67% as compared to AC Sheets.	Effective laid area becomes only 67% as compared to AC Sheets.
18.	Cost	Low	High	Highest

Brief on Dr. David Bernstein's Study

A study was undertaken by Dr. David Bernstein, Consultant in Toxicology, Geneva, Switzerland along with other scientists Rick Rogers, USA and Paul Smith, Switzerland during 2003-2004. This study was initiated by the Quebec Government and the Chrysotile Institute, Canada. The aim of this study was to establish the difference in biopersistence of Chrysotile and other varieties of asbestos (amphiboles) and so also the substitute materials.

The study included a standardized inhalation biopersistence following the recommendations of the European Commission (EC) Interim Protocol for the Inhalation Biopersistence of Synthetic mineral fibres in which the lungs were digested to evaluate fibre content remaining. In addition, confocal microscopy was used to examine lungs in three dimensions to determine where and what size the remaining fibres were in the lungs. The study was carried out on wistar rats (specific pathogen free quality).

The results published in end 2004 after 1 year of cessation of exposure showed that chrysotile is cleared from the lung with a clearance half time of 11.4 days for the fibres longer than 20 um. Chrysotile clears in a range similar to that of glass and stone wools. It remains less biopersistent than ceramic and special purpose glasses and considerably less biopersistent than amphibole asbestos. At 1 year after cessation of exposure, no long ($L > 20$ um) chrysotile fibres remained in the lung. In contrast, with amosite asbestos there were 4×10^5 long fibres ($L > 20$ um) remaining in the lungs at one year after cessation of exposure.

These results fully support the differentiation of chrysotile from amphiboles reported in recent evaluations of available epidemiological studies. The value of this study and other similar studies is that it shows that at low exposure levels pure chrysotile is probably not hazardous.

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M. ANANDAM & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To
The Members of
M/s. Visaka Industries Limited
Secunderabad.

1. We have audited the attached Balance Sheet of **Visaka Industries Limited**, as at 31st March, 2007 the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our Comments in the annexure referred to in paragraph 3 above, we report that;
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - c) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified from being appointed as a director of the Company under clause (g) of subsection (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;



VISAKA INDUSTRIES LIMITED

- i. in the case of the Balance Sheet, of the State of Affairs of the company as at 31st March, 2007;
- ii. in the case of the Profit & Loss account, of the Profit of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

for M. ANANDAM & CO.,
Chartered Accountants.

Place : Secunderabad
Date : 30th April, 2007

(A.V.Sadasiva)
Partner (M. No. 18404)

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE:

- i.
 - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. According to the information and explanations given to us, the company has a phased programme of verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and the nature of its business.
 - c. The Company has not disposed of any substantial part of its fixed assets so as to affect its going concern status.
- ii.
 - a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. The Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii.
 - a. The Company has taken loan from other company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1000 Lakhs and the year-end balance of loans taken from such parties was Rs. Nil. The Company has not granted loan to any party covered in the register maintained under section 301 of the Companies Act, 1956.
 - b. In our opinion, the rate of interest and other terms and conditions on which loans have been taken from companies listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the Company.
 - c. The Company is regular in repaying the principal amounts as stipulated and has been regular in the payment of interest.
 - d. There is no overdue amount of loans taken from companies listed in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods and services. During the course of

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our audit, no major weakness has been noticed in the internal control system in respect of these areas.

- v. a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, where applicable have been complied with. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. In our opinion and according to the information and explanations given to us, the Company has made and maintained accounts and records prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956 in respect of textile division.
- ix. a. According to the information and explanations given to us and the records of the company examined by us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth-tax, Service tax, Sales tax, Custom duty, Excise duty, Cess and other statutory dues as applicable with the appropriate authorities and there were no arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.
- b. According to the information and explanations given to us and records of the Company examined by us, the particulars of sales tax, income tax, customs duty, excise duty, service tax and wealth tax, as at 31st March, 2007 which have not been deposited on account of dispute pending, are as under:

Name of the Statute	Nature of the dues	Amount Rs. Lakhs	Financial year to which the amounts relates	Forum where the disputes is pending
Income tax Act, 1961	Income Tax	8.12	2003-2004	CIT(A)
Income tax Act, 1961	Income Tax	5.79	2002-2003	IT Tribunal
The Central Excise Act, 1944	Excise Duty	9.74 (Net of Modvat)	1997-1998	Central Excise and Gold Appellate Tribunal



VISAKA INDUSTRIES LIMITED

- x. The company has no accumulated losses and it has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- xii. According to information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4(xiii) if the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xiv. In our opinion and according to the information and explanation given to us, the Company is not dealing in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xvi. In our opinion and according to the information and explanation given to us, the term loans have been applied for the purpose for which they were raised other than amounts temporarily invested pending utilization of the funds for the intended use.
- xvii. In our opinion and according to the information and explanation to us, and on an overall examination of the Balance sheet of the Company, we report that no funds raised on short-term basis have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any funds on public issue and hence disclosure on the end use of money raised by the public issue is not applicable to the Company.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For M. ANANDAM & CO.,
Chartered Accountants

Place : Secunderabad
Date : 30th April, 2007

(A.V. SADASIVA)
Partner (M No. 18404)

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M. ANANDAM & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To
The Board of Directors,
M/s. Visaka Industries Limited
SECUNDERABAD.

We have examined the compliance of conditions of Corporate Governance by Visaka Industries Limited for the year ended 31st March, 2007 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of condition of Corporate Governance is the responsibility of management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2007, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for M. ANANDAM & CO.,
Chartered Accountants.

(A.V. Sadasiva)

Partner (M.No. 18404)

Place : Secunderabad
Date : 30th April, 2007



VISAKA INDUSTRIES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

Rs. in Lakhs

PARTICULARS	SCHEDULE	31st March 2007	31st March 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1391.27	1321.41
Share Warrants (Refer Note no.9 to Notes on Accounts)		124.29	0.00
Reserves & Surplus	2	13047.29	7461.98
		<u>14562.85</u>	<u>8783.39</u>
Loan Funds			
Secured Loans	3	16321.12	13432.45
Unsecured Loans	4	1656.55	1657.50
		<u>17977.67</u>	<u>15089.95</u>
Deferred Taxes			
Deferred tax Assets	5	0.00	1.35
Deferred tax Liabilities		916.90	787.03
		<u>916.90</u>	<u>785.68</u>
TOTAL		<u>33457.42</u>	<u>24659.02</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	6	25031.49	21367.39
Less : Depreciation		7503.32	6160.92
Net Block		17528.17	15206.47
Capital Work in Progress including advances		349.86	381.94
Preoperative expenses	7	0.00	8.70
		<u>17878.03</u>	<u>15597.11</u>
Investments			
Current Assets, Loans & Advances	8	125.00	0.75
Inventories	9	7148.22	7224.66
Sundry Debtors		4339.01	3152.54
Cash & Bank Balances		3905.73	1926.49
Loans & Advances		5810.93	3488.35
		<u>21203.89</u>	<u>15792.04</u>
Less : Current Liabilities & Provisions			
Liabilities	10	2913.71	4413.56
Provisions		2835.87	2317.70
		<u>5749.58</u>	<u>6731.26</u>
Net Current Assets			
		<u>15454.31</u>	<u>9060.78</u>
Miscellaneous Expenditure			
To the extent not written off / adjusted		0.08	0.38
Notes on Accounts	15		
TOTAL		<u>33457.42</u>	<u>24659.02</u>

Schedules 1 to 15 annexed here to form part of these accounts.

As per our report of even date

For and on behalf of the Board of Directors

For M. Anandam & Co.,
Chartered Accountants

M. Sreenivasa Rao
Chairman

Dr. G. Vivekanand
Managing Director

B.B. Merchant
Director

A.V. SADASIVA
Partner (M.No.18404)

Nagam Krishna Rao
Director

V. Pattabhi
Director

Gustinoria
Director

Date : 30-04-2007
Place : Secunderabad.

H. Dayakaran
Director

G. Saroja Vivekanand
Director

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

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	SCHEDULE	Rs. in Lakhs	
		31st March 2007	31st March 2006
INCOME			
Gross Sales		40173.59	30373.18
Less : Excise duty		2253.21	797.61
Net Sales		37920.38	29575.57
Other Income	11	515.84	385.56
Increase/(Decrease) in stock	12	426.96	1159.07
		38,863.18	31120.20
EXPENDITURE			
Raw Materials consumed		21,214.51	15898.44
Trade Purchases		—	55.75
Manufacturing and other expenses	13	11684.46	10151.54
		32898.97	26105.73
Profit Before Interest & Depreciation		5964.21	5014.47
Interest	14	1150.14	1045.27
Depreciation	6	1347.72	1060.14
Preliminary Expenses Written Off		0.30	0.30
Profit for the year before taxation		3466.05	2908.76
Provision for Taxation			
Current Tax		917.13	782.44
Deferred Tax		131.22	159.84
Fringe Benefit Tax		43.97	40.74
		1092.32	983.02
Profit for the year after taxation		2373.73	1925.74
Balance brought forward from previous year		450.05	523.66
Profit available for appropriation		2823.78	2449.40
Dividend on Preference Share Capital		6.14	30.00
Dividend on Equity Share Capital		416.19	320.23
Corporate Dividend Tax		71.77	49.12
Transfer to General Reserve		1800.00	1600.00
Balance Carried to Balance Sheet (Schedule 2)		529.68	450.05
Earnings Per Share			
Basic		20.65	17.72
Diluted		19.36	17.72
Notes on Accounts	15		

Schedules 1 to 15 annexed here to form part of these accounts.

As per our report of even date

For and on behalf of the Board of Directors

For M. Anandam & Co.,
Chartered Accountants

M. Sreenivasa Rao
Chairman

Dr. G. Vivekanand
Managing Director

B.B. Merchant
Director

A.V. SADASIVA
Partner (M.No.18404)

Nagam Krishna Rao
Director

V. Pattabhi
Director

Gustinoria
Director

Date : 30-04-2007
Place : Secunderabad.

H. Dayakiran
Director

G. Saroja Vivekanand
Director

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



VISAKA INDUSTRIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR 2006-07

Rs. in Lakhs

	2006-07	2005-06	
A) CASH FLOW FROM OPERATING ACTIVITIES :			
Net Profit before tax and extra-ordinary items	3466.05		2908.76
Adjustments for :			
Depreciation	1347.72		1060.14
Preliminary expenses written off	0.30		0.30
(Profit)/Loss on sale/scrap of fixed assets (net)	0.24		1.06
(Profit)/loss on Redemption of Investments	(1.64)		0.00
Fixed Assets written off	8.40		0.00
Interest expenses	1150.14	2505.16	1045.27
Operating profit before working capital changes	5971.21		5015.53
Working Capital Changes :			
(Increase)/Decrease in Trade and other receivables	(2998.80)		(1788.95)
(Increase)/Decrease in Inventories	76.43		(2628.72)
Increase / (Decrease) in Trade Payables	(1505.42)	(4427.79)	2378.76
Cash generation from Operations		1543.42	2976.62
Direct Taxes paid	(1032.72)	(1032.72)	(933.41)
Net Cash from Operating activities		510.70	2043.21
B) CASH FLOW FROM INVESTING ACTIVITIES :			
Purchase of Fixed Assets	(3638.57)		(4681.84)
Proceeds on sale of Fixed Assets	1.28		8.34
Purchase of Investments	(125.00)		0.00
Proceeds on sale of Investments	2.39		0.00
Net Cash Used in Investment activities	(3759.90)		(4673.50)
C) CASH FLOW FROM FINANCING ACTIVITIES :			
Proceeds from Long Term borrowings	4000.00		4376.00
Repayment of Long Term borrowings	(1765.49)		(1609.62)
Proceeds from Share Capital	319.86		0.00
Proceeds from Share warrants	124.29		0.00
Redemption of Preference Capital	(250.00)		0.00
Proceeds from Share Premium	3705.68		0.00
Dividend Paid	(395.95)		(277.44)
Interest Paid	(1163.14)		(987.34)
Increase/(Decrease) in Short Term borrowings (incl. Bank borrowings for Working Capital)	653.19		1835.77
Net Cash Flow from Financing Activities	5228.44		3337.37
Net Inc/(Dec) in Cash and Cash equivalents	1979.24		707.08
Cash and Cash equivalent as at 01.04.2006	1926.49		1219.41
Cash and Cash equivalent as at 31.03.2007	3905.73		1926.49

Cash Flow:

Note: The Cash Flow Statement has been prepared as per indirect method as set out in Accounting Standard 3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.

As per our report of even date

For and on behalf of the Board of Directors

For M. Anandam & Co.,
Chartered Accountants

M. Sreenivasa Rao
Chairman

Dr. G. Vivekanand
Managing Director

B.B. Merchant
Director

A.V. SADASIVA
Partner (M.No.18404)

Nagam Krishna Rao
Director

V. Pattabhi
Director

Gustinoria
Director

Date : 30-04-2007
Place : Secunderabad.

H. Dayakiran
Director

G. Saroja Vivekanand
Director

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

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**SCHEDULES FORMING PART OF THE BALANCE SHEET AND
PROFIT & LOSS ACCOUNT**

	31.03.2007	31.03.2006
Rs. in Lakhs		
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
3,00,00,000 Equity Shares of Rs.10 each	3000.00	3000.00
5,00,000 12% Cumulative Redeemable Preference Shares of Rs.100 each	500.00	500.00
	3500.00	3500.00
ISSUED, SUBSCRIBED & PAID-UP CAPITAL		
13872957 Equity Shares of Rs. 10 each fully paid up in cash (Previous year 10674357 Equity Shares of Rs. 10 each fully paid up in cash)	1387.30	1067.44
Add : Shares forfeited 79408 Shares	3.97	3.97
Preference Shares (Previous year 2,50,000, 12% Cumulative Preference Shares of Rs. 100 each fully paid in cash redeemed in 2006-07)	0.00	250.00
	1391.27	1321.41
		Rs.in Lakhs

	Balance as on 01.04.2006	Additions	Deductions	Balance as on 31.03.2007
SCHEDULE - 2				
RESERVES AND SURPLUS				
Central Subsidy	30.00	-	-	30.00
Capital Reserve	15.00	-	-	15.00
Securities Premium	1197.77	3705.68	-	4903.45
Capital Redemption Reserve	250.00	-	-	250.00
Deferred tax Reserve	1019.16	-	-	1019.16
General Reserve	4500.00	1800.00	-	6300.00
Profit & Loss A/c	450.05	79.63	-	529.68
	7461.98	5585.31	-	13047.29

Notes:**Details of Securities Premium**

(Rs. in Lakhs)

Balance as on 01-04-2006	1197.77
Add : Rs. 128.10 per share on Preferential allotment of 3,00,000 Equity Shares	384.30
Add : Rs. 126 per share on Qualified Institutional allotment of 28,98,600 Equity Shares.	3652.24
Less : Issue Expenses	330.86
Balance as on 31.03.2007	4903.45



VISAKA INDUSTRIES LIMITED

	Rs. in Lakhs	
	31.03.2007	31.03.2006
SCHEDULE - 3		
SECURED LOANS		
From Banks		
- Rupee Term Loans	12067.63	9832.17
- Working Capital	4253.49	3600.28
	<u>16321.12</u>	<u>13432.45</u>

Notes :

- Term Loans are secured by first charge and equitable mortgage on all immovable properties of the company, both present and future, and a first charge by way of hypothecation of all movable assets (save and except book debts), both present and future, subject to prior charges created in favour of the company's Bankers, for Working Capital requirements. The loans are also secured by the personal guarantee of the Managing Director.
- Loans for working capital are secured on pari-passu basis by hypothecation of the Company's entire movable assets including stocks, all raw materials, work-in-process, stores & spares, finished goods and book debts, present and future, and personal guarantee of the Managing Director.

	Rs. in Lakhs	
	31.03.2007	31.03.2006
SCHEDULE-4		
UNSECURED LOANS		
Security Deposits from Stockists & Others	700.66	514.58
Deposits from Public	706.21	476.70
Interest free Sales Tax Loan	221.26	200.18
Others	28.42	466.04
	<u>1656.55</u>	<u>1657.50</u>

	Rs. in Lakhs	
	31.03.2007	31.03.2006
SCHEDULE-5		
DEFERRED TAX ASSETS AND LIABILITIES		
Assets		
Preliminary Expenses		
Opening Balance	1.35	0.00
Add : During the year	0.00	1.35
Less : Reversed during the year	<u>1.35</u> <u>0.00</u>	<u>0.00</u> <u>1.35</u>
	<u>0.00</u>	<u>1.35</u>
Liability		
Depreciation		
Opening balance	787.03	630.17
Add : Current year depreciation	<u>129.87</u> <u>916.90</u>	<u>156.86</u> <u>787.03</u>
	<u>916.90</u>	<u>787.03</u>

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Rs. in Lakhs

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on 01.04.2006	Additions	Deductions	As on 31.03.2007	Depreciation for the year	Total Depreciation	As on 31.03.2007	As on 31.03.2006
SCHEDULE-6								
FIXED ASSETS								
Land Free Hold	914.80	646.82	0.00	1561.62	0.00	0.00	1561.62	914.80
Buildings	5168.77	1087.08	0.67	6255.18	140.15	814.36	5440.82	4494.89
Plant & Machinery	13871.34	1844.21	13.52	15702.03	1054.99	6080.22	9621.81	8840.65
Furniture & Fixtures	206.85	16.96	1.06	222.75	16.64	103.19	119.56	119.83
Office Equipment	126.77	11.87	0.00	138.64	6.17	53.50	85.14	79.45
Vehicles	181.86	16.03	0.00	197.89	17.95	63.56	134.33	136.26
Data Processing Equipment	473.00	56.38	0.00	529.38	69.42	303.69	225.69	238.99
Advertisement Rights	424.00	0.00	0.00	424.00	42.40	84.80	339.20	381.60
TOTAL	21367.39	3679.35	15.25	25031.49	1347.72	7503.32	17528.17	15206.47
Previous year	17005.19	4376.57	14.37	21367.39	1060.14	6160.92	15206.47	11902.06

Rs. in Lakhs

31.03.2007

31.03.2006

SCHEDULE-7**PRE-OPERATIVE EXPENSES**

Man power cost	19.13	80.11
Power & Fuel	5.63	11.23
Rent, Rates & Taxes	6.34	25.96
Insurance	7.29	5.81
Printing & Stationery	1.53	3.02
Postage & Telephones	0.67	5.03
Vehicle expenses	5.51	15.40
Travelling & conveyance	5.13	13.89
Finance charges	79.11	63.40
Professional expenses	3.49	3.59
Other expenses	24.02	51.28
Depreciation	0.29	1.86
Trial Run Expenses	5.54	20.32
TOTAL	163.68	300.90
Less: Expenditure Capitalised	163.68	292.20
Balance remaining to be Capitalised	0.00	8.70



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Rs. in Lakhs

31.03.2007 31.03.2006

SCHEDULE-8

INVESTMENTS

TRADE-UNQUOTED (at Cost)

Birla Fixed Term Plan-Quarterly Series 7 (2,50,000 Units @ Rs. 10 each)	25.00	0.00
Canbank Mutual Fund (10,00,000 Units @ Rs. 10 each)	100.00	0.00
SBI Mutual Fund - Purchased and sold during the year (10784190.37 Units)	0.00	0.00

NON-TRADE-UNQUOTED (at Cost)

APIDC Venture Fund	0.00	0.75
	125.00	0.75

Rs. in Lakhs

31.03.2007 31.03.2006

SCHEDULE-9

CURRENT ASSETS, LOANS & ADVANCES

A) Current Assets

Inventories (As certified and valued by the Management)

Stores & Spares	352.42	302.87
Raw Materials	2009.81	2562.76
Work-in-Process	1201.61	1175.01
Finished goods		
-Manufactured	3582.06	3180.16
-Traded	2.32	3.86
	7148.22	7224.66

Sundry Debtors

Secured

Not Over Six Months Old-Considered good	540.88	284.88
Others - Considered good	5.80	4.89

Unsecured

Not Over Six Months Old-Considered good	3712.31	2823.33
Others - Considered good	80.02	39.44
-Considered Doubtful	0.00	0.00
	4339.01	3152.54

Cash & Bank Balances

Cash in hand	28.14	33.37
Balance with Scheduled Banks:		
-On Current Account	2523.53	1863.42
-On Deposit Account	1354.06	29.70
	3905.73	1926.49

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**B) Loans & Advances (Unsecured)**

Advances recoverable in cash or in kind or for value to be received considered good	2699.29	1450.18
Deposits with Government	222.15	228.17
Inter Corporate Deposits	565.00	0.00
Other Deposits	53.89	49.63
Advance Tax	2270.60	1760.37
	<u>5810.93</u>	<u>3488.35</u>
		Rs. in Lakhs
	31.03.2007	31.03.2006

SCHEDULE-10**CURRENT LIABILITIES & PROVISIONS:****Current Liabilities****Sundry Creditors**

- for Goods	1041.68	2320.82
- for Expenses	1789.12	2000.22
Interest accrued but not due	47.40	60.41
Unclaimed Dividends	35.51	32.11
	<u>2913.71</u>	<u>4413.56</u>

Provisions

Provision for taxation	2168.72	1730.12
Provision for employee benefits	173.05	188.23
Provisions for Dividend		
- Preference Share Capital	6.14	30.00
- Equity Share Capital	416.19	320.23
Corporate Dividend tax	71.77	49.12
	<u>2835.87</u>	<u>2317.70</u>
		Rs. in Lakhs
	31.03.2007	31.03.2006

SCHEDULE-11**OTHER INCOME**

Interest & Miscellaneous Receipts	238.81	213.30
Insurance Claims	60.91	11.45
Export Incentives	207.50	160.81
Profit on Redemption of Investments	1.64	0.00
Exchange Fluctuation Gain	6.98	0.00
	<u>515.84</u>	<u>385.56</u>
		Rs. in Lakhs
	31.03.2007	31.03.2006

SCHEDULE-12**INCREASE/(DECREASE) IN STOCKS****Closing Stock**

Finished Goods	3584.38	3184.02
Work in Process	1201.61	1175.01
	<u>4785.99</u>	<u>4359.03</u>

Less: Opening Stock

Finished Goods	3184.02	2560.60
Work in Process	1175.01	639.36
	<u>4359.03</u>	<u>3199.96</u>
Increase / (Decrease)	<u>426.96</u>	<u>1159.07</u>



VISAKA INDUSTRIES LIMITED

	Rs. in Lakhs	
	31.03.2007	31.03.2006
SCHEDULE-13		
Manufacturing and other Expenses		
Consumable Stores & Spares	1387.23	1185.79
Power & Fuel	2237.04	1745.49
Rent	90.97	51.81
Rates & Taxes		
Excise Duty	240.03	280.27
Others	30.33	37.33
Repairs & Maintenance		
- Buildings	41.30	60.30
- Plant & Machinery	126.18	100.14
- Others	160.85	109.86
Salaries Wages & Bonus	1710.77	1258.79
Company's Contribution to Provident Fund & Other Funds	179.27	170.22
Workmen & Staff Welfare	221.65	145.13
Insurance	115.78	112.23
Travelling & Conveyance	240.92	241.09
Printing & Stationery	65.82	65.65
Freight	2567.97	2443.28
Commission & Discount	305.82	239.10
Advertisement & Sales Promotion	380.74	382.45
Vehicle Expenses	159.01	99.19
Sales Tax	79.23	87.01
Postage & Telephone	120.25	87.56
Bank Charges	197.04	131.53
Auditor's remuneration	6.99	7.51
Directors Sitting Fee	3.30	3.05
Loss on sale of Fixed Assets	0.24	1.06
Bad debts written off	0.00	15.41
Exchange Fluctuation Loss	0.00	257.05
Fixed Assets written off	8.40	0.00
Other Expenses	1007.33	833.24
	11684.46	10151.54

	Rs. in Lakhs	
	31.03.2007	31.03.2006
SCHEDULE-14		
INTEREST		
Fixed Loans	704.68	743.71
Working Capital	330.15	179.52
Others	115.31	122.04
	1150.14	1045.27



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SCHEDULE - 15

NOTES ON ACCOUNTS

1) SIGNIFICANT ACCOUNTING POLICIES

i) BASIS OF ACCOUNTING

Financial Statements are prepared under the historical cost convention on the basis of a going concern in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

ii) REVENUE RECOGNITION

Revenues and expenses are recognized on accrual basis with the exception of insurance claims, export incentives, interest on calls in arrears and interest on over due receivables which are accounted on cash basis.

iii) FIXED ASSETS

a) Fixed Assets are stated at cost (Net of Cenvat, wherever applicable) less depreciation. Cost includes freight, duties and taxes and other expenses related to acquisition and installation. Pre-operative expenses incurred during the construction period in case of major acquisitions and installations are capitalized.

b) Advertisement rights are recognized as Intangible Asset and it is amortized over a period of ten years.

iv) DEPRECIATION

Depreciation on fixed assets has been provided on the straight line method and at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

v) BORROWING COSTS

Borrowing Costs incurred during construction of an asset that takes a substantial period of time to get ready is capitalized over the cost of asset upto the date of use.

vi) INVESTMENTS

Investments are stated at the lower of cost or market price.

vii) INVENTORIES

a) Consumables, Stores and Spares are valued at lower of cost or net realizable value on weighted average basis.

b) Raw Materials are valued at cost on weighted average basis, work-in-process are valued at cost and finished goods are valued at the lower of cost or net realizable value.

viii) FOREIGN CURRENCY TRANSACTIONS

a) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of the transaction.

b) Monetary items denominated in foreign currencies at the year end are translated at the year-end rates, the resultant gain or loss will be recognized in the profit and loss account.

c) Any gain or loss arising on account of exchange difference on settlement of transaction is recognized in the profit and loss account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying costs of such assets.

ix) RETIREMENT BENEFITS

Annual contribution to Gratuity fund is based on actuarial valuation.

x) TAXES ON INCOME:

Deferred tax liabilities and deferred tax assets are recognized for the tax effect on the difference between taxable income and accounting income which are not permanent in nature subject to the consideration of prudence in the case of deferred tax assets.

xi) LEASES:

Assets acquired under financial leases are recognized at the lower of the fair value of the leased asset at inception and the present value of minimum lease payment. The finance charge is allocated to periods during the lease term at a constant periodic rate of interest on the remaining balance of the liability.



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2) Contingent Liabilities:

Claims not acknowledged as debts:

- Income tax matters in respect of which the company is in appeal Rs. 11.41 Lakhs. (Previous Year Rs. 14.42 ILakhs)

3) On the basis of the information available with the company, there is no amount remaining unpaid as on 31st March, 2007 to any supplier who is a small scale or ancillary industrial undertaking beyond the agreed credit period.

4) a) Related Party Disclosures for the year:

- i) Key Management personnel:
Dr.G.Vivekanand

ii) Relatives of key management personnel:

- Mrs.Saroja Vivekanand - Spouse
- Mrs.G.Kalavathi - Mother
- Mrs.P.Vishwashanthi - Sister
- Mr.G.Venkata Krishna - Son
- Mr.G.Vamsi Krishna - Son
- Miss.G.Vrithika - Daughter
- Miss.G.Vaishnavi - Daughter

iii) Other entities under control:

Visaka Charitable Trust

- iv) Enterprises in which relatives of key management personnel have control:
Nikit Investment Pvt. Ltd.

b) Aggregated Related party disclosures

	Rs.in Lakhs				
	Key Management Personnel	Relatives of key Management personnel	Trusts	Enterprises Controlled by relatives	Total
Remuneration	184.36	5.27			189.63
Sitting Fee		0.55			0.55
Redemption of Preference Share Capital	153.17	96.83			250.00
Rent		6.90			6.90
Dividend paid	174.94	23.94			198.88
Donation to Charitable Trust			9.00		9.00
Interest on ICDs/deposits		5.61		9.52	15.13
ICDs received				625.00	625.00
ICDs repayments				1000.00	1000.00

5) During the year, the Company has set up a Cement Asbestos Products Plant at Kanchikacherla, Near Vijayawada. This plant has commenced production on 1st December, 2006. The cost of fixed assets including pre-operative expenditure has been capitalized.

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- 6) During the year 2005-2006 the Company has taken a server on Finance lease. The details of the said finance lease are as under:

	Rs.in Lakhs	
	2006-07	2005-06
a) Outstanding balance of minimum lease payments		
• Not later than one year	12.12	12.12
• Later than one year and not later than five years	9.09	21.21
TOTAL	21.21	33.33
b) Present Value of (a) above		
• Not later than one year	11.45	10.98
• Later than one year and not later than five years	8.90	20.35
TOTAL	20.35	31.33
c) Finance Charges	0.86	2.00

- 7) Basic earnings per equity share has been computed by dividing net profit after tax and preference dividend by the weighted average number of equity shares outstanding for the period. Diluted earnings per equity share has been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the period. The reconciliation between basic and diluted earnings per equity share is as follows:

Particulars	Units	Year ended 31.03.07	Year ended 31.03.06
a. Net profit after tax and preference dividend	Rs in Lakhs	2366.73	1891.55
b. Weighted average number of equity shares used in computing basic earnings per share	No. of shares (Lakhs)	114.61	106.74
c. Basic earnings per share (a/b)	Rs	20.65	17.72
d. Effect of potential equity shares for preferential allotment	No. of shares (Lakhs)	9	-
e. Weighted average of number of equity shares used in computing diluted earnings per share	No. of shares (Lakhs)	122.25	106.74
f. Diluted earnings per share (a/e)	Rs.	19.36	17.72
g. Effect of potential equity shares for preferential allotment (c-f)	Rs.	1.29	-

- 8) a) 3,00,000 Equity shares face value of Rs. 10 each have been allotted by way preferential allotment during the year to M/s.Sandadi Homes Private Limited at a premium of Rs. 128.10 per share.
- b) 9, 00,000 Convertible share warrants have been allotted by way of preferential allotment during the year to M/s.Sandadi Homes Private Limited. 10% of the face value of Rs.138.10 of the warrants was paid by the allottee at the time of allotment and the same will be adjusted at the time of



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exercise of the option to conversion. One Convertible share warrant will be converted into one equity share of Rs.10 each at a premium of Rs.128.10 per equity share. The option to exercise the right for conversion shall be available to the holder not later than 25th Nov 2007.

- c) 28,98,600 Equity shares face value of Rs. 10 each have been issued during the year to Qualified Institutional Buyers at a premium of Rs. 126 per share.
- 9) During the year the company has entered into an amalgamation agreement with M/s.Shakti Roofings Private Limited having registered office at Hyderabad which is doing Cement Asbestos Sheets business. The amalgamation scheme has been approved by the share holders of both the companies with the appointed date of amalgamation being 1st April 2006. All the assets and liabilities of M/s.Shakti Roofings Private Limited is being merged in to the company and as per the scheme 20,07,995 equity shares face value of Rs.10 each of the company is to be allotted to existing share holders of M/s.Shakti Roofings Private Limited. The necessary approvals from stock exchanges and Registrar of Companies have been obtained for the amalgamation. However, the Andhra Pradesh High court yet to give its approval for the said amalgamation. Pending approval of the High court, no accounting entries have been passed in the books of account of the company.
- 10) During the year the company has redeemed 2,50,000 Cumulative preference shares of Rs.100 each as per the terms of redemption.

11. CAPACITY, PRODUCTION, SALES, CONSUMPTION AND STOCK:

(Quantitative information in respect of goods manufactured)

	31st March 2007			31st March 2006		
	Asbestos Products	Textile Yarn	Garments	Asbestos Products	Textile Yarn	Garments
Licensed Capacity per annum	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Installed Capacity (as certified by Management and not verified by the Auditors, being a technical matter)	460000 MT	1816 (Spinning Positions)	230 MCS	380000 MT	1816(Spinning Positions)	230 MCS
	(Metric Tonnes)		(Pieces)	(Metric Tonnes)		(Pieces)
Opening Stock -	62792	1134.042	1200.00	39212	1249.189	-
Opening Stock - Traded	71			219		
Production during the year	436922	6976.020	186491*	359288	6619.270	21564*
Purchases - Traded				764		
Sales during the year:						
- Domestic Manufactured	433602	4593.923	770.00	334068	5278.178	-
- Traded	7			860		
- Captive Consumption	191			22		
- Export		2528.256	175290		1465.379	19206
TOTAL	433800	7122.179	176060	334950	6743.557	19206
Transfer - Manufactured	3809	-0.422	6170	1618	-9.140	1158
- Traded	18			52		
Closing Stock - Manufactured	62112	988.305	5461	62792	1134.042	1200
- Traded	46			71		

*Production does not include Job Work Production of 58004 Pcs. (Previous year 25307 Pcs)

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12. TURNOVER: (GROSS)

	31st March 2007		31st March 2006	
	Quantity (MT)	Value (Rs/Lakhs)	Quantity	Value (Rs/Lakhs)
Asbestos Products - MTs				
Domestic - Manufactured	433602	29592.48	334068	21263.52
- Traded	7	0.13	860	58.73
- Captive Consumption	191	8.18	22	1.03
	<u>433800</u>	<u>29600.79</u>	<u>334950</u>	<u>21323.28</u>
- Sale of Asbestos Fibre	139	30.69		0.00
		<u>29631.48</u>		<u>21323.28</u>
Textile Yarn - MTs				
- Domestic	4593.923	6729.58	5278.178	7349.36
- Exports	2528.256	3157.12	1465.379	1649.01
	<u>7122.179</u>	<u>9886.70</u>	<u>6743.557</u>	<u>8998.37</u>
Garment - PCS				
- Domestic	770	2.95	-	-
- Exports	175290	652.46	19206	51.53
	<u>176060</u>	<u>655.41</u>	<u>19206</u>	<u>51.53</u>
TOTAL		40173.59	-	30373.18

	31st March 2007		31st March 2006	
	Quantity	Value (Rs/Lakhs)	Quantity (MT)	Value (Rs/Lakhs)
13. RAW MATERIALS CONSUMED				
Asbestos Products - MTs				
- Asbestos Fibre/Woodpulp	36077	9003.19	29314	6476.04
- Cement	182506	5614.66	151494	3837.54
- Others	125806	960.64	103076	928.25
Textile Yarn - MTs				
- Polyester Staple Fibre	6247.961	4265.08	5854.788	3740.57
- Viscose Staple Fibre	934.360	911.96	863.980	732.58
- Others	83.269	75.62	147.969	123.57
Garments - Metres				
- Fabric	358115.860	308.19	55270	53.04
- Trims		75.17		6.85
TOTAL		<u>21214.51</u>		<u>15898.44</u>

Rs. in Lakhs

	31st March 2007	31st March 2006
14. Managerial Remuneration		
Salary	27.00	24.00
Commission	136.58	110.90
Perquisites	13.49	13.69
Contribution to Provident and Other funds	7.29	6.12
Commission to Non-wholetime Directors	36.87	30.94
	<u>221.23</u>	<u>185.65</u>



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Computation of Net Profit under Section 198 and 309 of the Companies Act, 1956.

Profit before Taxation		3466.05		2908.76
Add:				
Managerial Remuneration	221.23	221.23	185.65	185.65
		<u>3687.28</u>		<u>3094.41</u>
Maximum Remuneration to wholetime Director @5%		184.36		154.72
Commission to whole time Director restricted to		136.58		110.90
Maximum commisson to Resident Indian- Non-whole time Directors @ 1%		36.87		30.94
Commission to Non-whole time Directors restricted to		36.87		30.94
15. Payment to Auditors				
Audit Fee		4.50		5.05
Tax Audit Fee		1.50		1.72
Certification Fee		0.35		0.34
Out of Pocket Expenses		0.64		0.40
		<u>6.99</u>		<u>7.51</u>
16. Expenditure in Foreign Currency				
Travel		1.67		7.05
Commission on Export Sales		54.83		21.43
Interest Paid		0.47		99.40
		<u>56.97</u>		<u>127.88</u>
17. Earnings in Foreign Currency				
Export of Goods (FOB Value)		3649.39		1606.89
18. CIF Value of Imports				
Raw Materials		7364.82		5370.30
Component & Spare Parts		40.47		38.38
Capital Goods		235.33		418.49
	31st March 2007		31st March 2006	
	Rs. in Lakhs	%	Rs.in Lakhs	%
19. Consumption of Raw Materials & Spare Parts				
a) Raw Materials				
i) Imported	9047.74	43	6478.34	41
ii) Indigenous	12166.77	57	9420.10	59
	<u>21214.51</u>	<u>100</u>	<u>15898.44</u>	<u>100</u>
b) Spare Parts & Consumables				
i) Imported	27.21	2	77.72	7
ii) Indigenous	1360.02	98	1108.07	93
	<u>1387.23</u>	<u>100</u>	<u>1185.79</u>	<u>100</u>
20. Capital Commitments				
Estimated amount of contracts remaining to be executed on capital account	1740.19		2328.19	

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21. Segment information for the year ended 31st March, 2007

i) Information about Primary business segments

Rs. In Lakhs

	31-03-2007				31-03-2006			
	Cement Asbestos Products	Synthetic Yarn	Garments	Consolidated	Cement Asbestos Products	Synthetic Yarn	Garments	Consolidated
REVENUE								
External Sales	29631.48	9886.70	655.41	40173.59	21323.28	8998.37	51.53	30373.18
Inter segment Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	29631.48	9886.70	655.41	40173.59	21323.28	8998.37	51.53	30373.18
Segment Result	4275.72	1079.17	(362.75)	4992.14	3782.66	822.64	(121.94)	4483.36
Unallocated Corporate expenses				(418.08)				(544.57)
Operating profit				4574.06				3938.79
Interest Expense				(1150.14)				(1045.27)
Rental and other Income				42.13				15.24
Income tax				(1092.32)				(983.02)
Profit from ordinary activities				2373.73				1925.74
Extra Ordinary Profit/ Loss				0.00				0.00
Net Profit				2373.73				1925.74
Other information								
Segment Assets	23677.13	9116.33	1198.93	33992.39	18772.80	9316.11	1009.20	29098.11
Unallocated Corporate Assets				5214.53				2293.14
Total Assets				39206.92				31391.25
Segment Liabilities	2346.74	579.69	77.37	3003.80	3954.97	498.93	53.58	4507.48
Unallocated Corporate Liabilities				21640.35				18100.76
Total Liabilities				24644.15				22608.24
Capital Expenditure	3390.36	19.79	43.22	3453.37	3558.39	47.76	615.83	4221.98
Unallocated Capital Expenditure				225.98				154.59
Total Capital Expenditure				3679.35				4376.57
Depreciation	876.41	435.59	32.53	1344.53	623.51	426.09	7.35	1056.95
Unallocated Depreciation				3.19				3.19
Total Depreciation				1347.72				1060.14
Non-cash expenses other than depreciation (preliminary expenses)	0.30	0.00	0.00	0.30	0.30	0.00	0.00	0.30

ii) Information about secondary business segments .

Revenue by Geographical markets

Rs. In Lakhs

	31.03.2007			31.03.2006		
	India	Outside India	Total	India	Outside India	Total
External	36364.01	3809.58	40173.59	28672.63	1700.54	30373.18
Inter-segment	0.00	0.00	0.00	0.00	0.00	0.00
Total	36364.01	3809.58	40173.59	28672.63	1700.54	30373.18
Carrying amount of segment assets	39206.92	0.00	39206.92	31391.25	0.00	31391.25
Additions to fixed assets	3679.35	0.00	3679.35	4376.57	0.00	4376.57



NOTES:

Business Segments:

The Company's activities are organized into three operating segments namely, Cement Asbestos ,Textile-Synthetic Yarn and Garment. The segments are the basis on which the company reports its primary segment information. The Cement Asbestos Products division produces asbestos sheets and accessories used mostly as roofing material. Synthetic Yarn division manufactures Yarn out of blends of polyester, viscose, other materials which go into the weaving of fabric. The garment division manufactures ready made garments. Segment result includes the respective other income.

Financial Information about business segments is presented as above.

Geographical Segments:

The Sales of the above segments are classified as per the geographical segments of the company as Domestic and Exports.

Segment Revenue and Expenses:

The Company has an established basis of allocating Joint/Corporate expenses to the segments, which is reasonable, and followed consistently. All other segment revenue and expenses are attributable to the segments. Certain Expenses/Income are not specifically allocable to specific segments and accordingly these expenses are disclosed as 'unallocated corporate expenses' or income and adjusted only against the total income of the company.

Segment Assets and Liabilities:

Segment assets include all operating assets used by a segment and consist principally of operating cash, debtors, inventories and fixed assets, net of allowances and provisions that are reported as direct offsets in the balance sheet. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. In such cases, the entire revenue and expenses of these assets including depreciation are also allocated to the same segments. Assets which are not allocable to the segments have been disclosed as 'unallocated corporate assets'. Segment liabilities include all operating liabilities and consist principally of creditors and accrued liabilities. Segment assets and liabilities do not include deferred income taxes. The loans and other borrowings that are not specifically allocable to the various segments are disclosed as 'unallocated corporate liabilities'.

Inter Segment Transfers:

The Company adopts a policy of pricing inter-segment transfers at cost to the transferor segment. However, during the year there are no such transactions.

22. Figures for the previous year are regrouped wherever necessary.

As per our report of even date

For and on behalf of the Board of Directors

For M. Anandam & Co.,
Chartered Accountants

M. Sreenivasa Rao
Chairman

Dr. G. Vivekanand
Managing Director

B.B. Merchant
Director

A.V. SADASIVA
Partner (M.No.18404)

Nagam Krishna Rao
Director

V. Pattabhi
Director

Gustinoria
Director

Date : 30-04-2007
Place : Secunderabad.

H. Dayakiran
Director

G. Saroja Vivekanand
Director

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



25th ANNUAL REPORT

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No. State Code
 Balance Sheet Date

II. CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN THOUSANDS)

Public Issue Rights Issue
 Bonus Issue Private Placement

III. POSITION OF MOBILISATION/DEPLOYMENT OF FUNDS (AMOUNT Rs. IN THOUSANDS)

Total Liabilities Total Assets
 Paidup Capital Reserves & Surplus
 Secured Loans Unsecured Loans
 Application of Funds
 Net Fixed Assets Investments
 Net Current Assets Misc.Expenditure
 Accumulated Losses

IV. PERFORMANCE OF THE COMPANY (AMOUNT Rs.IN THOUSANDS)

Turnover Including Other Income Earning per Share (in Rs.)
 Total Expenditure Dividend Rate (%)
 +/- Profit/Loss before Tax On Preference Capital
 +/- Profit/Loss after Tax On Equity Capital

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY:

Item Code (ITC Code)	Production Description
68	C E M E N T P R O D U C T S
55095100	S Y N T H E T I C B L E N D E D Y A R N
2650	G A R M E N T S



VISAKA INDUSTRIES LIMITED

VISAKA INDUSTRIES LIMITED

Regd. Office : Survey No. 315, Yelumala Village, R.C. Puram (Mandal)
 Medak District, A.P. 502 300.

ATTENDANCE SLIP

I hereby record my presence at the 25th Annual General Meeting of the Company being held on Monday, the 4th day of June 2007 at 11.00 am at its Registered Office.

Name of the Shareholder : Name of Proxy :
 Signature of Member / Proxy : Regd. Folio No/*ClientId :

*Applicable for members holding shares in electronic form.

Note : To be signed and handed over at the entrance of the Meeting Venue.

VISAKA INDUSTRIES LIMITED

Regd. Office : Survey No. 315, Yelumala Village, R.C. Puram (Mandal)
 Medak District, A.P. 502 300.

PROXY FORM

Regd. Folio/*Client Id.....No. of Shares.....SI.No.....

I/we.....of.....in the district of.....

being a member (s) of the above named Company hereby appoint.....of in the district of

.....or failing him.....of.....in the district ofas

my/our proxy to attend and vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company to be held on Monday, the 04th day of June 2007 or adjournment thereof.

Signed this.....day of.....2007

Signature.....

Affix One Rupee Revenue Stamp here

Note : The proxy duly completed should be deposited at the Registered Office of the Company not less than 48 (forty eight) hours before the time fixed for holding the meeting.

* Applicable for members holding shares in electronic form



25th ANNUAL REPORT

25th Annual Report 2006 – 2007

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
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

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 – 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, Jujjuru (Village)
Mandal: Veerula Padu, Krishna District
Andhra Pradesh – 521 181.
7. Textile Division
Survey No.179 & 180
Chiruva Village, Maudha Taluq
Nagpur District, Maharashtra.
8. Garment Division:
No.427/1A, Chettipunyam Village
(Opp. Mahindra City)
Chengalpet Taluq, Kancheepuram District
Tamilnadu – 603 204.

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

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Secunderabad - 500 003.