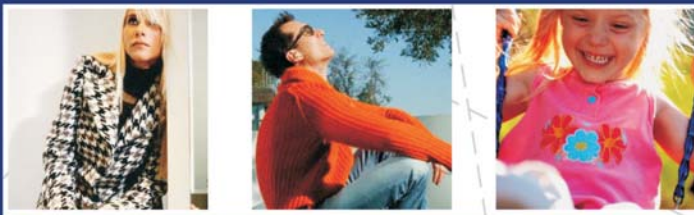
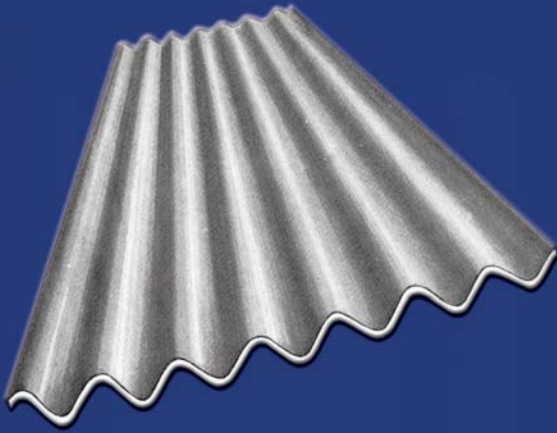


24th
Annual Report
2005 - 2006



VISAKA INDUSTRIES LIMITED



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24th Annual Report 2005 – 2006

Board of Directors

Chairman :

Shri M Sreenivasa Rao

Directors :

Shri B.B. Merchant
Shri Nagam Krishna Rao
Shri V. Pattabhi
Shri Gusti Noria
Shri H Dayakiran
Smt. G. Saroja Vivekanand

Managing Director :

Dr. G. Vivekanand

COMMITTEES OF THE BOARD

Audit Committee :

Shri M Sreenivasa Rao
Shri B.B. Merchant
Shri Gusti Noria

Remuneration Committee :

Shri M. Sreenivasa Rao
Shri B.B. Merchant
Shri Nagam Krishna Rao

Shareholders Grievances Committee :

Shri Nagam Krishna Rao
Dr.G. Vivekanand

Sr. V.P & Company Secretary :

Shri. K.V. Soorianarayanan

Registered Office :

Survey No.315, Yelumala Village
R.C.Puram Mandal, Medak Dist.
Andhra Pradesh, Pin - 502300.

Corporate Office :

"Visaka Towers", 1-8-303/69/3,
S.P. Road, Secunderabad - 500 003.

Factories :

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

Auditors :

M/s M. Anandam & Co.
Chartered Accountants
7 'A' Surya Towers,
S.P.Road,Secunderabad-3

Bankers :

State Bank of India
Industrial Finance Branch, Hyderabad.
State Bank of Hyderabad
Industrial Finance Branch, Hyderabad.

Term Lenders :

IDBI
ICICI Bank
UTI Bank
Indusind Bank
SBI



NOTICE

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

ORDINARY BUSINESS

1. To adopt the Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date and the reports of the Directors and Auditors thereon.
2. To declare Dividend for the year ended 31st March, 2006.
3. To appoint a Director in place of Shri Nagam Krishna Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Smt. G. Saroja Vivekanand who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint Auditors of the Company.

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

“RESOLVED THAT M/s M. Anandam & Co., Chartered Accountants, 7 'A' Surya Towers, S.P. Road, Secunderabad - 500 003, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorised to fix their remuneration for the period”.

SPECIAL BUSINESS

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

Creation of mortgage on the property of the Company.

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable

provisions, if any, of the companies Act, 1956, to mortgaging and or charging by the Board of Directors of the company of all the movable and immovable properties of the company, wheresoever situated, present and future, and the whole of the undertaking of the Company, together with power to take over the Management of the Business and Concern of the Company in certain events, to or in favour of State Bank India to secure its Rupee Term Loan amounting to Rs. 25.85 crores, together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment, costs, charges, expenses and other moneys payable by the Company to State Bank of India under its respective heads of agreement/ loan agreement/letters of sanction/ memorandum of terms and conditions entered into by the Company in respect of said Term Loan.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalize with State Bank of India the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.”

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

Remuneration for Non-Executive Directors

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



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

Preferential Issue of Equity Shares/Equity Share Warrants

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

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

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

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

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



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

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

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

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

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

Increase in limits for FII Investment

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

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

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

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than forty-eight hours before the meeting.
2. If the dividend on shares as recommended by the Directors is passed at the meeting, payment of such dividend will be made to those shareholders or their mandate(s) whose names appear in the Company's register of members as on 16th May, 2006.



3. While member holding shares in physical form may write to the Company for any change in their addresses and bank mandates, members having shares in electronic form may inform the same to their depository participants with whom they have demat account immediately so as to enable the Company to dispatch the dividend warrants at their correct addresses.
4. Members desiring any information as regards accounts are requested to write to the Company **atleast seven** days before the date of the meeting to enable the management to keep the information ready at the meeting.
5. As per the provisions of Section 205 C of the Companies Act, 1956, Unclaimed Dividend Amount in respect of 1997-98 has been transferred to Investor Education and Protection Fund on 29-08-2005 upon expiry of 7 years period. Unclaimed Dividend for the year 1998-99 will be transferred to Investor Education and Protection Fund on or before 26.08.2006. Shareholders who have not claimed Dividend for the year 1998-99 are requested to claim the dividend on or before 20.08.2006.
6. All documents referred to in the notice and explanatory statement are open for inspection at the Registered Office of the Company during office hours on all working days except public holidays, between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
7. The Register of Directors Shareholdings shall be open for inspection to any member or holder of debentures of the Company during the period beginning 14 days before the date of Company's Annual General Meeting and ending 3 days after the date of its conclusion. The said register shall also remain open and accessible during the Annual General Meeting to any person having a right to attend the

meeting.

ANNEXURE TO THE NOTICE

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

Item No. 6

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

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

Section 293(1)(a) of the Companies Act, 1956, provides interalia, that the Board of Directors of a Public Limited Company shall not, without the consent of such Public Limited Company in a general meeting sell, lease or otherwise dispose off, the whole or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of State Bank of India may be regarded as disposal of the Company(s) properties / undertaking, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the mortgage/ charges.

Copies of Letters of Sanction received from the aforesaid banks and copies of the relevant documents / correspondents between the said Bank and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.



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

Your Directors recommend the above resolution for your approval.

Item No. 7

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

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

Your Directors recommend the above resolution for your approval.

Item No. 8

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

As per regulation 13.1A of the SEBI (Disclosure

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

1. Object of the Issue :

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

2. Pricing :

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

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

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

4. Relevant Date

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

5. Proposed time within which allotment will be completed:

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

6. Shareholding Pattern of the Company before



and after the proposed issue (based on the Shareholding Pattern as on 31st March, 2006)

The pattern of shareholding before and the one likely to emerge after the proposed allotment would

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

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

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

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

7. Identity of the Proposed Allottees and the percentage of post preferential issue capital that may

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

be as under:

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

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



above resolution.

8. Lock-in

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

9. Auditor's Certificate

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

10. Change in Management

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

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

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

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

Your Directors recommend the resolution for your

approval.

Item No. 9

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

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

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

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

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

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

Your Directors recommend the resolution for your approval.

Date: 25.04.2006

Place: Secunderabad

By Order of the Board

K.V. Soorianarayanan

Sr. V.P & Company Secretary



DIRECTORS REPORT

To
The Members
Visaka Industries Limited

Your Directors are pleased to present the 24th Annual Report of the Company with Audited Balance Sheet and Statement of Accounts. The financial highlights are as follows :

(Rs. in lakhs)

	2005-2006	2004-2005
Gross Income	31120.20	22434.44
Profit for the year before taxation	2908.76	2232.64
Provision for taxation	983.02	797.58
Profit for the year after taxation	1925.74	1435.06
Balance brought forward from previous year	523.66	476.91
Profit available for appropriation	2449.40	1911.97
Dividend on Preference Share Capital	30.00	30.00
Dividend on Equity Share Capital		
Interim	00.00	106.74
Final	320.23	213.48
Corporate Dividend Tax	49.12	48.09
Transfer to Capital Redemption Reserve	00.00	40.00
Transfer to General Reserve	1600.00	950.000
Balance carried to Balance Sheet	450.05	523.66

DIVIDEND

Your Directors recommend payment of dividend of Rs.3.00 per share on the equity capital for the year ended 31st March 2006. Your Directors also declared a dividend of Rs.12.00 per share on the

12% Redeemable Cumulative Preference Share Capital of Rs.100/- each. The Company is absorbing Corporate Dividend Tax of Rs 49.12 lakhs on preference and 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 12% Redeemable cumulative Preference Shares of Rs.100/- each which were issued in the year 1997-98 are due for redemption in the financial year 2006-2007.

MANAGEMENT DISCUSSION AND ANALYSIS

a) ASBESTOS CEMENT BUSINESS:

Industry Structure and Developments:

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 49 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 2005-2006 was estimated at 24.03 lacs metric tones, which represents about 96% of the industry's installed capacity of 25 lacs 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% i.e. the sales increased from 20.15 lac metric tones in 2004-2005 to 23.34 lac metric tones during the year 2005-2006

Opportunities and Threats:

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

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



However the fact that industry as a whole grew by about 16% during the last year indicates a growing demand for our products and this growth in demand should offset the increase on the supply side. The continuous efforts being made to capture rural markets should also increase the demand. Thus increase in production should not have any serious impact on the margins and the industry should be able to pass on the increase in cost by increasing the selling price.

Product-wise Performance :

During the year the company successfully implemented the Raebareli Plant, which commenced production from 1st January 2006. As against a production of 2,30,943 tonnes during the previous year the production during the financial year ended 31st March 2006 was 3,59,288 tonnes recording an increase of 55.57%. The sales during the financial year 2005-2006 was 3,34,090 tonnes as against 2,17,059 tonnes sold during the preceding year recording a growth of about 53.92%

Outlook :

During the year 2006-2007 your company will have the benefit of full production from the Raebareli Plant. The Board of Directors in the meeting held on 25-04-2006 has approved the merger of M/s Shakti Roofings Private Limited with your Company subject to approval of the members and High Court of Andhra Pradesh. Your Company also planning a unit near Vijayawada in the State of Andhra Pradesh and this unit is expected to commence production by 1st October 2006. 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 2006-2007.

Risks and Concerns :

The activities of the Ban Asbestos Lobby instigated by the manufacturers of substitute products continue to be a matter of concern. We have highlighted in various forums that this lobby is either ignorant or is pretending to act as ignorant of the fact that fibre used in the West and the purpose for which it was used in the West (mixture containing about 95% blue fibre for insulation) is totally different from the chrystotile fibre 8-10% being used as a bonding material in Asbestos Cement Sheets.

We have elaborated the facts about asbestos elsewhere in the annual report.

Financial Performance :

The gross turnover of Asbestos Cement Division during the year was Rs.213.23 crores as compared to Rs.138.52 crores during the previous year. The Profit before tax for the year was Rs.26.26 crores as compared to Rs.15.52 crores in the previous year.

Future Plans :

In Asbestos Cement Sheets division, apart from Vijayawada the company have plans to set up another unit in Ahmedabad. Your company has already entered into an agreement for purchase of land for this purpose.

b) SYNTHETIC YARN BUSINESS :

Industry Structure and Developments :

The industry went through a bad time during the first six months of calendar year 2005 because of low price of cotton and high crude prices. The industry has been making steady improvement from the second quarter of financial year 2005-2006. The domestic consumption of yarn is increasing and hence we expect this division to do well during the year 2006-2007.

Opportunities and Threats :

With the removal of subsidy for cotton fibre in U.S. synthetic fibre industry is poised for a growth. Because of reduction of customs duty the PSF prices have come down. The substantial addition of shuttle-less looms in our country is expected to boost the demand for our yarn. Due to coming into effect of WTO regulations there is possibility of import of textiles which could be a possible threat.

Product-wise performance :

The production in the spinning unit during the year 2005-2006 was 6619.27 metric tones as compared to 5681.13 metric tones during the previous year. We sold 6743.56 metric tones of yarn during 2005-2006 as compared to 4927.11 in the previous year.



Risks and Concerns :

Fluctuating raw material prices are a matter of concern.

Outlook :

Because of the opportunities listed above the outlook for the industry is expected to be brighter than the previous year.

Financial Performance :

The turnover of this division during the current year was Rs.89.98 crores compared to Rs.74.88 crores during the previous year. The gross profit before tax during the year was Rs.4.11 crores as compared to Rs.6.80 crores during the previous year.

c) GARMENT BUSINESS:

Industry Structure and Developments :

The removal of Quota System has opened the flood gates for export of garments from India to US & Europe. This coupled with extended quota restrictions on China until 2008 would help the Indian export of garments.

Industry experts indicate that "Big Bang" trigger will treble global textile trade between 2005 to 2015, with Indian textile exports expected to grow at a CAGR of 21 percent to US \$ 50bn by 2010, significantly steeper than the 10 percent forecasted growth of the global textile trade.

Opportunities and Threats :

With the introduction of quota for China for trousers by U.S. and Europe India is getting lot of orders for trousers. Since we are in the line of manufacture of trousers we will be benefited by this. This division could face competition from low cost countries like Vietnam and Bangladesh.

Product-wise performance :

The production and sales of this Division for the first 3 months of commercial production were 21564 pieces and 19206 pieces respectively.

The 230 machine facility (3 sewing lines) installed in Chennai proved to be the right investment at the right time which will increase our company's profitability & turnover in the coming years.

Our sampling department with 16 machines & CAD/CAM facility can reproduce any complicated design to enable customer book bulk orders faster.

Risks and Concerns :

Turnover of trained labour in a short span is a matter of concern. However the attrition rate so far has not been more than 2% per month.

Outlook :

Many buyers from Europe and few buying houses in India whomsoever visited us have shown interest to place orders on the company.

Your Company have shipped 3 containers of 100% cotton trousers to Italy for labels SONNY BONO, DOUBLE B & BOGGI and a formal trouser consignment to BALLIN, Canada.

We are also making garments for an American label LEMON GRASS.

Visaka's Garment Unit is expected to get Worldwide Responsible Apparel Production (WRAP) Certification from 01-05-2006. Out of 1200 garment factories in Chennai, only 11 are WRAP certified. Visaka will be one amongst these 12 factories from 1st May 2006.

With the infrastructure in place we expect to turn out better performance during 2006-2007.

Financial Performance :

During first 3 months of commercial production of this division, the unit has made a nominal turnover of Rs. 51.53 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, 2006 was Rs. 476.70 lakhs. Deposits amounting to Rs.6,60,000/- remained unclaimed as on 31.03.2006. 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.2,64,683.22 in respect of 1997-98 have been transferred to Investor Education and Protection Fund on 29-08-2005 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 records its appreciation for the same.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has adequate internal control systems in the form of Collective decision making. All important decisions are taken, to the extent possible by a committee of executives and not individually. The Company has a comprehensive internal audit system spanning the various Depots, Factories and Head Office. The operations at the various locations are subjected to monthly internal audit by qualified firms of independent Chartered Accountants. The Company implements established procedures in various functions, which are in line with the recommendations of Accounting bodies like the ICAI to a large extent. These procedures have adequate built-in internal controls. The Company also has an Audit Committee comprising of Independent directors. The overall internal control systems comprising the above are considered adequate for the size of the company and the nature of its operations.

We have been continuously upgrading our production technologies for improving efficiency. Similarly we felt need for upgrading technology for improving flow of Management information. For this purpose we have effectively implemented an 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 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 31.03.2006 is 1716. 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 Nagam Krishna Rao and Smt. G. Saroja Vivekanand 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, retires as Auditors in this Annual General Meeting and is 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 : 25.04.2006
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, 2006.

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.

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

	Current year 2005-2006	Previous year 2004-2005
(I) ELECTRICITY		
Purchased in(KWH) Amount (Rs.)	32386440 99142936	31163091 93894518
Average Rate (Rs./Unit)	3.06	3.01
(II) OWN GENERATION		
Units generated (KWH)	7342	40588
Units per litre of Diesel Oil (KWH)	2.68	3.41
Average Cost (Rs./Unit)	12.98	8.79
B. CONSUMPTION PER UNIT OF PRODUCTION		
Yarn production in (kgs.)	6619270	5681128
Electricity Units/kg. of yarn	4.89	5.49

2. FORM B

RESEARCH & DEVELOPMENT

1. 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.

2. 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.

3. 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.

Garments Division

We may at an appropriate stage recruit European Designers.

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 earning/outgo during the year 2005-2006 are as follows:

Total foreign exchange used and earned :

(Rs. in lakhs)

31.03.2006 31.03.2005

1. Earnings in Foreign Currency :		
Export of Goods (FOB Value)	1606.89	1899.90
2. CIF value of Imports :		
Raw Materials	5370.30	3284.50
Components and Spare Parts	38.38	31.54
Capital Goods	418.49	742.57

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.

We have set up our Garment Unit basically as an export oriented unit.

**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, 2006.**

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.	48	Managing Director	154.71 lacs	22	01.07.1984	Director, Venus Tobacco Pvt.Ltd. Hyderabad.	48.89

Note :

1. Remuneration includes Salary, Allowances, Company's contribution to P.F. and Superannuation fund, reimbursement of medical expenses at actuals and other perquisites provided by the Company.
2. The nature of employment is contractual.

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, 2006.

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)	5	5	YES	NIL
2.	MANAGING DIRECTOR PROMOTER EXECUTIVE DIRECTOR Dr. G Vivekanand – (No. of Shares held : 5218580)	1	8	YES	NIL
	PROMOTER NON EXECUTIVE DIRECTOR Smt. G. Saroja Vivekanand (No. of Shares held : 411139)	2	8	YES	NIL
3.	NON EXECUTIVE INDEPENDENT DIRECTORS :				
	(a) Mr. B.B. Merchant (No. of Shares held : Nil)	3	6	YES	NIL
	(b) Mr. Nagam Krishna Rao (No. of Shares held : 3700)	0	8	YES	NIL
	(c) Mr. Gusti Noria (No. of Shares held : 75)	3	8	YES	NIL
	(d) Mr. H. Dayakiran (No. of Shares held : Nil)	2	8	YES	1
(e) Mr. V. Pattabhi (No. of Shares held : 500)	4	4	YES	NIL	



Number of Board Meetings held during the financial year 2005-2006 was 8. The dates on which these Meetings were held are 27.04.2005, 04.06.2005, 27.06.2005, 29.07.2005, 22.08.2005, 29.10.2005, 28.12.2005 and 27.01.2006.

Details of Directors being appointed and reappointed :

No proposal for appointment of fresh directors 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, Mr. Nagam Krishna Rao and Smt. G. Saroja Vivekanand 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 is as follows:

Mr. Nagam Krishna Rao

Mr. Nagam Krishna Rao has been on the Board of your Company since 1994. He is a leading Jewellery Merchant in Hyderabad and he was a member of Andhra Pradesh Legislative Assembly. He was also the Chairman of Hyderabad Urban Development Authority. He is holding 3700 shares in the Company.

Smt. G. Saroja Vivekanand

Smt. G. Saroja Vivekanand, aged about 40 years holds a Bachelors Degree in Arts. She is a director of Nikit Investment Private Limited and Britika Real Estates Private Limited. She is

holding 4,11,139 shares in the Company.

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 three members all being Non Executive Independent Directors. 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 5 on 27.04.2005, 27.06.2005, 29.07.2005, 29-10-2005 and 27.01.2006 respectively.

Mr. M Sreenivasa Rao, Member and Chairman of the Audit Committee have attended 4 meetings and Mr. Gusti Noria and Mr. B.B. Merchant, Members of the Audit Committee have attended all the five meetings.

The Chairman of the Committee and other two members are professionals with vast experience, having in-depth financial and accounting knowledge.

4. Remuneration Committee :

The Company had set up a Remuneration committee consisting of Mr. M. Sreenivasa Rao, Mr. B.B. Merchant and Mr. Nagam Krishna Rao. Mr. K.V. Soorianarayanan, Sr. Vice President & Company Secretary is the Ex-Officio Secretary of the Remuneration Committee. During the year 2005-2006 there were no meetings held.



The details of the remuneration paid to the directors during the year 2005-2006 are given below:

Name of Director	Salary (Rs.)	Perquisites (Rs.)	Fixed Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Dr. G. Vivekanand, Managing Director	24,00,000	19,81,305	1,10,90,000	Nil	1,54,71,305
Mr. M Sreenivasa Rao, Director	—	—	4,42,000	45,000	4,87,000
Mr. B.B. Merchant, Director	—	—	4,42,000	55,000	4,97,000
Mr. Gusti Noria, Director	—	—	4,42,000	65,000	5,07,000
Mr. H Dayakiran, Director	—	—	4,42,000	40,000	4,82,000
Mr. Nagam Krishna Rao, Director	—	—	4,42,000	40,000	4,82,000
Mr. V. Pattabhi, Director	—	—	4,42,000	20,000	4,62,000
Smt. G. Saroja Vivekanand, Director	—	—	4,42,000	40,000	4,82,000

Perquisites include HRA, leave travel assistance and contribution to PF and Superannuation Funds and provision for Gratuity.

Criteria of making payment to non-executive directors : Non executive directors contributes 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. V.P & Company Secretary is the Compliance Officer.

We have received 59 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	2
Non receipt of Dividend Warrants	40
Non receipt of Share Certificates	12
Non receipt of Annual Reports	3
Dematerialization of shares	1
Stock Exchange complaints	1

Number of pending complaints : NIL

**6. GENERAL BODY MEETINGS :**

Date of AGM	Time	Whether Special Resolution Passed	Location
(a) 29.07.2005	At 4 P.M	No	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) 04.06.2004	At 11 A.M	No	
(c) 18.06.2003	At 11 A.M	Yes	

There were no resolutions, which required postal ballot.

7. DISCLOSURES :

- (a) Your Company has not entered into any transactions of material nature with its Promoters, Directors, Management, their subordinates or relatives.
- (b) 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.
- (c) Company has not adopted the whistleblower policy.

8. MEANS OF COMMUNICATION :

Quarterly results of the Company are published in Business Standard and Economic Times (English edition) and Andhra Bhoomi (Regional edition) newspapers respectively. Annual results of the Company are displayed in 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	: 25.05.2006
Time	: 4.30 P.M
Venue	: Survey No. 315, Yelumala Village, R.C.Puram Mandal, Medak District – 502300. Andhra Pradesh.
Financial Year	: 2005-2006
Record Date	: 16.05.2006
Rate of Dividend recommended	: 30%
Dividend Payment Date	: 20.06.2006
Listing on Stocks Exchanges	: National Stock Exchange of India Ltd. : The Stock Exchange, Mumbai.
Listing Fee Paid for all the above Stock Exchanges for 2006-2007.	
Stock Code	: BSE - 59055 NSE - VISAKAIND
Demat ISIN No	: INE392A01013



Market Price as per National Stock Exchange Data :

Year	Month	Price		Volume Traded
		High (Rs.)	Low (Rs.)	
2005	April	165.25	120.50	45,29,385
	May	153.95	132.10	48,61,765
	June	155.25	132.10	12,92,873
	July	168.85	132.65	22,30,626
	August	188.70	152.15	28,23,808
	September	178.00	128.00	15,79,292
	October	162.00	119.50	12,17,038
	November	159.40	133.30	40,01,239
	December	151.95	133.25	10,98,913
	2006	January	157.85	137.50
February		147.00	126.00	10,84,691
March		137.90	121.00	13,48,781

Registrar and Share Transfer Agents:

M/s Sathguru Management Consultants Pvt. Ltd., Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad - 500 034. Telephone No. 040-23356507 & 23350586.

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 processes shares sent for transfer, transmission two times in a month. Transfers/Transmissions, which are complete in all respects, will be processed within 30 days. The share transfers/transmissions take around 25 days.



Distribution of Shareholding :

DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2006

Category	No. of Shares held	% of Holding
A PROMOTERS'S HOLDING		
1. PROMOTERS		
Indian Promoters	5637994	52.82
Foreign Promoters	0	0
2. Persons actinn in Concert	0	0
Sub Total	5637994	52.82
B NON PROMOTER'S HOLDING		
3. INSTITUTIONAL INVESTORS		
a) Mutual Funds and UTI	14662	0.14
b) Banks, Insurance Companies	4925	0.04
Financial Institutions, Central/ State Govt. Inst/Non Govt/Inst.		
c) Foreign institutional Investors	409490	3.84
Sub Total	429077	4.02
4. Others		
a) Private Corporate Bodies	1300997	12.19
b) Indian Public	3258386	30.52
c) NRI's/OCB's	47903	0.45
d) Any Other (Please Specity)	0	0
Sub Total	4607286	43.16
GRAND TOTAL	10674357	100.00

Distribution schedule:

As on March 31st, 2006, 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	500	12102	91.59	1752155	16.41
501	1000	633	4.79	513595	4.81
1001	2000	242	1.83	364825	3.42
2001	3000	73	0.55	193480	1.81
3001	4000	39	0.30	140617	1.32
4001	5000	36	0.27	169574	1.59
5001	10000	30	0.23	205411	1.92
10001	Above	58	0.44	7334700	68.72
Total		13213	100	10674357	100



Dematerialization of shares and liquidity :

As on 31.03.2006 91.23% of the paid up equity capital of the Company has been dematerialized.

There are no outstanding GDR's/ADR's/Warrants or any Convertible instruments.

Plant Locations :

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

Address for Correspondence :

Enquiries, if any relating to shareholder accounting records, share transfers, transmissions of shares, change of addresses for physical shares, receipt of dividend warrants, or loss of share certificates, etc. should be addressed to:

M/s Sathguru Management Consultants Pvt Ltd., Plot No. 15, Hindi Nagar, Punjagutta, Hyderabad - 500 034. Telephone No.: 040-23356507 & 23350586.

or

The Company Secretary, Visaka Industries Limited, Visaka Towers, 1-8-303/69/3, S.P. Road, Secunderabad - 500 003. Tel No.: 27813833.

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 : 25th April 2006

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 weather-proof 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 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 favoured 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, and 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.
- 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 Harward 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

S. No.	Characteristics	A C Sheets	Corrugated Galvanised Iron Sheets	Aluminium 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 & melt	Tendency to Twist & 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.)	2.40	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 11.4 days for the fibres longer than 20 μm . 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 ($L > 20 \mu\text{m}$) chrysotile fibres remained in the lung. In contrast, with amosite asbestos there were 4×10^5 long fibres ($L > 20 \mu\text{m}$) 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 show that a low exposure levels pure chrysotile is probably not hazardous.



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, 2006 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 with 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 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:



- i. In the case of the Balance Sheet, of the State of Affairs of the company as at 31st March, 2006.
- 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 : 25th April, 2006

(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 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.630 Lakhs and the year end balance of loans taken from such parties was Rs.375 lakhs. 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 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 has 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 explanation 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 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, in our opinion, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investors 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.
- b. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess were in arrears as at 31.03.06 for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us and records of the Company examined by us, the particulars of sales tax, incometax, customs duty, excise duty, service tax, as at 31st March, 2006 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	7.71	2003-2004	CIT(A)
Income tax Act, 1961	Income Tax	6.71	2002-2003	CIT(A)
The Central Excise Act, 1944	Excise Duty	9.74 (Net of Modvat)	1997-1998	Central Excise and Gold Appellate Tribunal

- 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 give to us, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- xii. According to the 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. According to the provisions of caluse 4 (xiii) if the Companies (Auditor's Report) Order, 2003 is 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 (Auditor's 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 (Auditor's Report) Order, 2003 are not applicable to the company.
- xvi. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised other than amounts temporarily invested pending utilisation of the funds for the intended use.
- xvii. In our opinion and according to the information and explanations given 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 investment.
- 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 : 25th April, 2006

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



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, 2006 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 March, 31st 2006, 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 : 25th April, 2006



BALANCE SHEET AS AT 31ST MARCH, 2006

Rs. in Lakhs

PARTICULARS	SCHEDULE	31st March 2006	31st March 2005
SOURCES OF FUNDS			
Shareholders Funds			
Capital	1	1321.41	1321.41
Reserves & Surplus	2	7461.98	5935.59
		<u>8783.39</u>	<u>7257.00</u>
Loan Funds			
Secured Loans	3	13432.45	9894.50
Unsecured Loans	4	1657.50	593.29
TOTAL		<u>23873.34</u>	<u>17744.79</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	21367.39	17005.19
Less : Depreciation		6160.92	5103.13
Net Block		15206.47	11902.06
Capital Work in Progress including advance		381.94	82.75
Preoperative expenses	6	8.70	0.00
		<u>15597.11</u>	<u>11984.81</u>
Investments	7	0.75	0.75
Current Assets, Loans & Advances			
Inventories	8	7224.66	4595.95
Sundry Debtors		3152.54	1773.29
Cash & Bank Balances		1926.49	1219.41
Loans & Advances		3488.35	2663.08
		<u>15792.04</u>	<u>10251.73</u>
Less : Current Liabilities & Provisions	9		
Liabilities		4576.56	2140.34
Provisions		2154.70	1727.00
		<u>6731.26</u>	<u>3867.34</u>
Net Current Assets		9060.78	6384.39
Deferred Taxes			
Deferred tax Assets	10	1.35	4.33
Deferred tax Liabilities		787.03	630.17
		<u>(785.68)</u>	<u>(625.84)</u>
Miscellaneous Expenditure			
To the extent not written off / adjusted	15	0.38	0.68
Notes on Accounts			
TOTAL		<u>23873.34</u>	<u>17744.79</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 : 25-04-2006
Place : Secunderabad.

H. Dayakiran
Director

G. Saroja Vivekanand
Director

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



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

Rs. in Lakhs

PARTICULARS	SCHEDULE	31st March 2006	31st March 2005
INCOME			
Gross Sales		30373.18	21340.63
Less : Excise duty		797.61	532.58
Net Sales		29575.57	20808.05
Other Income	11	385.56	274.65
Increase/(Decrease) in stock	12	1159.07	1351.74
		31120.20	22434.44
EXPENDITURE			
Raw Materials consumed		15898.44	10696.07
Trade Purchases		55.75	920.69
Manufacturing and other expenses	13	10151.54	7154.28
		26105.73	18771.04
Profit Before Interest & Depreciation		5014.47	3663.40
Interest	14	1045.27	672.64
Depreciation		1060.14	755.28
Preliminary Expenses Written Off		0.30	2.84
Profit for the year before taxation		2908.76	2232.64
Provision for Taxation			
Current Tax	782.44		408.88
Deferred Tax	159.84		388.70
Fringe Benefit Tax	40.74	983.02	0.00
Profit for the year after taxation		1925.74	1435.06
Balance brought forward from previous year		523.66	476.91
Profit available for appropriation		2449.40	1911.97
Transfer to Capital Redemption Reserve		0.00	40.00
Dividend on Preference Share Capital		30.00	30.00
Dividend on Equity Share Capital			
Interim		0.00	106.74
Final		320.23	213.48
Corporate Dividend Tax		49.12	48.09
Transfer to General Reserve		1600.00	950.00
Balance Carried to Balance Sheet (Schedule 2)		450.05	523.66
Basic and Diluted Earnings per share		17.72	13.12
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 : 25-04-2006
Place : Secunderabad.

H. Dayakiran
Director

G. Saroja Vivekanand
Director

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



CASH FLOW STATEMENT FOR THE YEAR 2005-06

Rs. in lakhs

	2005-06	2004-05
A) CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before tax and extra ordinary items	2908.76	2232.64
Adjustments for :		
Depreciation	1060.14	755.28
Preliminary expenses written off	0.30	2.84
(Profit)/Loss on sale/scraps of fixed assets (net)	1.06	3.88
Interest expenses	1045.27	672.64
Operating profit before working capital changes	2106.77	1434.64
Working Capital Changes :		
(Increase)/Decrease in Trade and other receivable	(1788.95)	(196.74)
(Increase)/Decrease in inventories	(2628.72)	(1,865.87)
Increase / (Decrease) in Trade Payable	2378.76	787.74
Cash generation from Operations	2976.62	2392.41
Direct Taxes paid	(933.41)	(398.49)
Net Cash from Operating activities	2043.21	1993.92
B) CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(4681.84)	(4,981.19)
Proceeds of Fixed Assets	8.34	26.84
Sale of Investments	0.00	2.32
Net Cash Used in investment activities	(4673.50)	(4,952.03)
C) CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Long Term borrowings	4376.00	4325.00
Repayment of Long Term borrowings	(1609.62)	(1,120.17)
Dividend Paid	(277.44)	(446.78)
Interest Paid	(987.34)	(674.41)
Increase/(Decrease) in Short Term borrowings (incl. Bank borrowings for Working Capital)	1835.77	978.10
Net Cash Flow from Financing Activities	3337.37	3,061.74
Net Inc/(Dec) in Cash and Cash equivalents	707.08	103.63
Cash and Cash equivalent as at 01.04.2005	1219.41	1115.78
Cash and Cash equivalent as at 31.03.2006	1926.49	1219.41

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

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Director

Date : 25-04-2006
Place : Secunderabad.

H. Dayakiran
Director

G. Saroja Vivekanand
Director

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



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

Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE - 1

SHARE CAPITAL

AUTHORISED CAPITAL

3,00,00,000 Equity Shares of Rs.10/- each (Previous year 1,50,00,000 Equity Shares of Rs.10/- each)	3000.00	1500.00
5,00,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each (Previous year 10,00,000 12% Cumulative Redeemable Preference Shares of Rs.100/- each)	500.00	1000.00
	<u>3500.00</u>	<u>2500.00</u>

ISSUED,SUBSCRIBED & PAID-UP CAPITAL

10674357 Equity Shares of Rs. 10/- each fully paid up in cash	1067.44	1067.44
Add : Shares forfeited 79408 Shares	3.97	3.97
2,50,000, 12% Cumulative Preference Shares of Rs. 100/- each fully paid in cash redeemable in 2006.	250.00	250.00
	<u>1321.41</u>	<u>1321.41</u>

Rs.in Lakhs

Balance as on 01.04.2005 Additions Deductions **Balance as on 31.03.2006**

SCHEDULE - 2

RESERVES AND SURPLUS

Central Subsidy	30.00	-	-	30.00
Capital Reserve	15.00	-	-	15.00
Share Premium	1197.77	-	-	1197.77
Capital Redemption Reserve	250.00	-	-	250.00
Deferred tax Reserve	1019.16	-	-	1019.16
General Reserve	2900.00	1600.00	-	4500.00
Profit & Loss A/c	523.66	1526.39	1600.00	450.05
	<u>5935.59</u>	<u>3126.39</u>	<u>1600.00</u>	<u>7461.98</u>

Rs.in Lakhs

31.03.2006 31.03.2005

SCHEDULE - 3

SECURED LOANS

From Banks			
- Rupee Term Loans	9832.17	8130.00	
- Working Capital	3600.28	1764.50	
	<u>13432.45</u>	<u>9894.50</u>	



Notes :

1. 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.
2. 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

31.03.2006 31.03.2005

SCHEDULE-4

UNSECURED LOANS

Security Deposits from Stockists & Others	514.58	335.65
Deposits from Public	476.70	224.13
Interest free Sales Tax Loan	200.18	0.00
Others	466.04	33.51
	1657.50	593.29

Rs. in Lakhs

GROSS BLOCK

DEPRECIATION

NET BLOCK

As on 01.04.2005 Additions Deductions As on 31.03.2006 Depreciation for the year Total Depreciation As on 31.03.2006 As on 31.03.2005

SCHEDULE-5

FIXED ASSETS

Land Free Hold	630.49	284.31	0.00	914.80	0.00	0.00	914.80	630.49
Buildings	4108.91	1059.86	0.00	5168.77	115.18	673.88	4494.89	3550.21
Plant & Machinery	11494.37	2384.80	7.83	13871.34	811.23	5030.69	8840.65	7274.44
Furniture & Fixtures	167.33	39.65	0.13	206.85	11.75	87.02	119.83	92.51
Office Equipment	105.75	21.02	0.00	126.77	6.41	47.32	79.45	65.25
Vehicles	147.77	39.67	5.58	181.86	16.08	45.60	136.26	114.93
Data Processing Equipment	350.57	123.26	0.83	473.00	57.09	234.01	238.99	174.23
Advertisement Rights	0.00	424.00	0.00	424.00	42.40	42.40	381.60	0.00
TOTAL	17005.19	4376.57	14.37	21367.39	1060.14	6160.92	15206.47	11902.06
Previous year	11689.27	5353.13	37.21	17005.19	755.28	5103.13	11902.06	7334.93



Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE-6

PRE-OPERATIVE EXPENSES

Man power cost	80.11	13.77
Power & Fuel	11.23	14.94
Rent, Rates & Taxes	25.96	7.45
Insurance	5.81	10.46
Printing & Stationery	3.02	0.73
Postage & Telephones	5.03	0.78
Vehicle expenses	15.40	2.74
Travelling & conveyance	13.89	102.64
Finance charges	63.40	63.10
Professional expenses	3.59	3.11
Other expenses	51.28	10.96
Depreciation	1.86	0.00
Trail Run Expenses	20.32	0.00
TOTAL	300.90	230.68
Less: Expenditure Capitalised	292.20	230.68
Balance remaining to be Capitalised	8.70	0.00

Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE-7

INVESTMENTS

NON-TRADE-UNQUOTED (at Cost)

APIDC Venture Fund	0.75	0.75
	0.75	0.75

Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE-8

CURRENT ASSETS, LOANS & ADVANCES

A) Current Assets

Inventories (As certified and valued by the Management)

Stores & Spares	302.87	227.04
Raw Materials	2562.76	1168.95
Work-in-Process	1175.01	639.36
Finished goods		
-Manufactured	3180.16	2549.04
-Traded	3.86	11.56
	7224.66	4595.95

Sundry Debtors

Secured		
Not Over Six Months Old-Considered good	284.88	192.20
Others-Considered good	4.89	9.83
Unsecured		
Not Over Six Months Old-Considered good	2823.33	1538.38
Others-Considered good	39.44	32.88
-Considered Doubtful	0.00	7.27
	3152.54	1780.56
Less: Provision for Doubtful debts	0.00	7.27
	3152.54	1773.29



Cash & Bank Balances

Cash in hand	33.37	28.60
Balance with Scheduled Banks:		
-On Current Account	1863.42	1130.76
-On Deposit Account	29.70	60.05
	<u>1926.49</u>	<u>1219.41</u>

B) Loans & Advances (Unsecured)

Advances recoverable in cash or in kind or for value to be received considered good	1450.18	1147.85
Deposits with Government	228.17	156.92
Other Deposits	49.63	13.51
Advance Tax	1760.37	1344.80
	<u>3488.35</u>	<u>2663.08</u>

Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE-9

CURRENT LIABILITIES & PROVISIONS:

Current Liabilities

Sundry Creditors

- for Goods	2320.82	989.74
- for Expenses	2163.22	1116.19
Interest accrued but not due	60.41	2.48
Unclaimed Dividends	32.11	31.93
	<u>4576.56</u>	<u>2140.34</u>

Provisions

Provision for taxation	1730.12	1424.79
Provision for Bonus	25.23	24.58

Provisions for Dividend

-Preference Share Capital	30.00	30.00
- Equity Share Capital	320.23	213.48
Corporate Dividend tax	49.12	34.15
	<u>2154.70</u>	<u>1727.00</u>

Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE-10

DEFERRED TAX ASSETS AND LIABILITIES

Assets

Voluntary retirement scheme

Opening Balance	1.88		3.76	
Less: Reversed during the year	<u>1.88</u>	0.00	<u>1.88</u>	1.88

Provision for doubtful debts

Opening Balance	2.45			
Add : During the year	-		2.45	
Less : Reversed during the year	<u>2.45</u>	0.00	<u>2.45</u>	2.45
Add :				

Preliminary Expenses

For the year	1.35	<u>1.35</u>		
		<u>1.35</u>	<u>4.33</u>	



Liability

Depreciation

Opening balance	630.17		240.91	
Add: Current year depreciation	156.86	<u>787.03</u>	389.26	<u>630.17</u>
		<u>787.03</u>		<u>630.17</u>
				Rs. in Lakhs
			31.03.2006	31.03.2005

SCHEDULE-11

OTHER INCOME

Interest & Miscellaneous Receipts		213.30		90.44
Insurance Claims		11.45		8.04
Profit on sale of Fixed Assets		0.00		0.09
Export Incentives		<u>160.81</u>		<u>176.08</u>
		<u>385.56</u>		<u>274.65</u>
				Rs. in Lakhs
			31.03.2006	31.03.2005

SCHEDULE-12

INCREASE/(DECREASE) IN STOCKS

Closing Stock

Finished Goods		3184.02		2560.60
Work in Process		<u>1175.01</u>		<u>639.36</u>
		<u>4359.03</u>		<u>3199.96</u>
Less: Opening Stock				
Finished Goods		2560.60		1475.26
Work in Process		<u>639.36</u>		<u>372.96</u>
		<u>3199.96</u>		<u>1848.22</u>
Increase / (Decrease)		<u>1159.07</u>		<u>1351.74</u>
				Rs. in Lakhs
			31.03.2006	31.03.2005

SCHEDULE-13

Manufacturing and other Expenses

Consumable Stores & Spares		1185.79		926.88
Power & Fuel		1745.49		1377.53
Rent		51.81		33.20
Rates & Taxes				
Excise Duty		280.27		0.00
Others		37.33		23.81
Repairs & Maintenance				
- Buildings		60.30		141.83
- Plant & Machinery		100.14		82.15
- Others		109.86		93.64
Salaries Wages & Bonus		1258.79		960.07
Company's Contribution to Provident				
Fund & Other Funds		170.22		125.52
Workmen & Staff Welfare		145.13		119.17
Insurance		112.23		94.36
Travelling & Conveyance		241.09		213.18



Printing & Stationery	65.65	40.90
Freight	2443.28	1424.33
Commission & Discount	239.10	189.35
Advertisement & Sales Promotion	382.45	312.89
Vehicle Expenses	99.19	72.17
Sales Tax	87.01	42.59
Postage & Telephone	87.56	75.60
Bank Charges	131.53	83.67
Auditor's remuneration	7.51	4.44
Directors Sitting Fee	3.05	2.56
Loss on sale of Fixed Assets	1.06	3.97
Provision for Bad & Doubtful debts	0.00	7.27
Bad debts written off	15.41	0.00
Exchange Fluctuation	257.05	68.90
Other Expenses	833.24	634.30
	<u>10151.54</u>	<u>7154.28</u>

Rs. in Lakhs

31.03.2006 31.03.2005

SCHEDULE-14**INTEREST**

Fixed Loans	743.71	493.49
Working Capital	179.52	113.52
Others	122.04	65.63
	<u>1045.27</u>	<u>672.64</u>

SCHEDULE - 15**NOTES ON ACCOUNTS****1) 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.

2) The Company has paid an amount of Rs.424 lacs to Hyderabad Cricket Association (HCA) towards advertisement rights in the Cricket Stadium at Hyderabad. The Company has recognized this right as an Intangible Asset and the cost is amortized over 10 years.

3) Contingent Liabilities:

Claims not acknowledged as debts:

- Income tax matters in respect of which the company is in appeal Rs.14.42 lacs

4) On the basis of the information available with the company, there is no amount remaining unpaid as on 31st March, 2006 to any supplier who is a small scale or ancillary industrial undertaking beyond the agreed credit period.

5) 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

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 lacs

	Key Management Personnel	Relatives of key Management personnel	Trusts	Enterprises Controlled by relatives	Total
Remuneration	154.71	4.42			159.13
Sitting Fee		0.40			0.40
Rent		6.90			6.90
Dividend paid	122.75	21.74			144.49
Donation to Charitable Trust			5.00		5.00
Interest on ICDs/deposits		12.73		25.68	38.41
ICDs received				1005.00	1005.00
ICDs repayments				630.00	630.00

6) During the year the Company has set up a Cement Asbestos Products Plant at Rae Bareilly, and an apparel Unit at Chennai. These plants have commenced production on 1st January, 2006 and 2nd January, 2006 respectively. The cost of fixed assets including pre-operative expenditure has been capitalized on respective dates.

7) During the year, the Company has taken a server on Finance lease. The details of the said finance lease are as under:

		Rs.in lacs	
		2005-06	2004-05
a) Outstanding balance of minimum lease payments			
• Not later than one year		12.12	—
• Later than one year and not later than five years		21.21	—
	TOTAL	<u>33.33</u>	—
b) Present Value of (a) above			
• Not later than one year		10.98	—
• Later than one year and not later than five years		20.35	—
	TOTAL	<u>31.33</u>	—
c) Finance Charges		2.00	—

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

(Quantitative information in respect of goods manufactured)

	31st March 2006			31st March 2005	
	Asbestos Products	Textile Yarn	Garments	Asbestos Products	Textile Yarn
Licensed Capacity per annum	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)	380000 MT	1816 (Spinning Positions)	230 MCS	320000 MT	1816(Spinning Positions)
	(Metric Tonnes)		(Pieces)	(Metric Tonnes)	
Opening Stock -	39212	1249.189	-	28860	483.637
Opening Stock - Traded	219			184	
Production during the year	359288	6619.270	21564*	230943	5681.128
Purchases - Traded	764			15174	
Sales during the year:					
- Domestic Manufactured	334068	5278.178	-	216835	3223.155
- Traded	860			14967	
- Captive Consumption	22			224	
- Export		1465.379	19206		1703.958
TOTAL	334950	6743.557	19206	232026	4927.113
Transfer - Manufactured	1618	-9.140	1158	3532	-11.537
- Traded	52			172	
Closing Stock - Manufactured	62792	1134.042	1200	39212	1249.189
- Traded	71			219	

(*Production does not include Job Work Production of 25037 Pcs)



9. TURNOVER: (GROSS)

	31st March 2006		31st March 2005	
	Quantity (MT)	Value (Rs/Lakhs)	Quantity	Value (Rs/Lakhs)
Asbestos Products - MTs				
- Domestic - Manufactured	334068	21263.52	216835	12959.70
- Traded	860	58.73	14967	884.58
- Captive Consumption	22	1.03	224	7.80
	<u>334950</u>	<u>21323.28</u>	<u>232026</u>	<u>13852.08</u>
Textile Yarn - MTs				
- Domestic	5278.178	7349.36	3223.155	5466.43
- Exports	1465.379	1649.01	1703.958	2022.12
	<u>6743.557</u>	<u>8998.37</u>	<u>4927.113</u>	<u>7488.55</u>
Garment - PCS				
- Domestic	0.00	0.00	-	-
- Exports	19206	51.53	-	-
	<u>19206</u>	<u>51.53</u>	<u>-</u>	<u>-</u>
TOTAL		30373.18	-	21340.63

	31st March 2006		31st March 2005	
	Quantity	Value (Rs/Lakhs)	Quantity (MT)	Value (Rs/Lakhs)

10. RAW MATERIALS CONSUMED

Asbestos Products - MTs				
- Asbestos Fibre/Woodpulp	29314	6476.04	18938	3685.01
- Cement	151494	3837.54	97260	2415.98
- Others	103076	928.25	65241	518.85
Textile Yarn - MTs				
- Polyester Staple Fibre	5854.788	3740.57	5216.418	3505.30
- Viscose Staple Fibre	863.980	732.58	655.260	569.89
- Others	147.969	123.57	0.910	1.04
Garments - Metres				
- Fabric	55270	53.04		
- Trims		6.85		
TOTAL		<u>15898.44</u>		<u>10696.07</u>

Rs. in lakhs

	31st March 2006	31st March 2005
11) Managerial Remuneration		
Salary	24.00	18.00
Commission	110.90	84.55
Perquisites	13.69	11.33
Contribution to Provident and Other funds	6.12	4.86
Commission to Non-wholetime Directors	30.94	23.73
	<u>185.65</u>	<u>142.47</u>



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

Profit before Taxation	2908.76	2232.64
Add:		
Managerial Remuneration	<u>185.65</u>	<u>142.47</u>
	185.65	142.47
	<u>3094.41</u>	<u>2375.11</u>
Maximum Remuneration to wholetime Director @5%	154.72	118.76
Commission to whole time Director restricted to	110.90	84.55
Maximum commisson to Resident Indian- Non-whole time Directors @ 1%	30.94	23.75
Commission to Non-whole time Directors restricted to	30.94	23.73

12) Payment to Auditors

Audit Fee	5.05	2.59
Tax Audit Fee	1.72	1.10
Certification Fee	0.34	0.58
Out of Pocket Expenses	0.40	0.17
	<u>7.51</u>	<u>4.44</u>

13) Expenditure in Foreign Currency

Travel	7.05	7.31
Commission on Export Sales	21.43	22.62
Interest Paid	99.40	50.51
	<u>127.88</u>	<u>80.44</u>

14) Earnings in Foreign Currency

Export of Goods (FOB Value)	1606.89	1899.90
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15) CIF Value of Imports

Raw Materials	5370.30	3284.50
Component & Spare Parts	38.38	31.54
Capital Goods	418.49	742.57

31st March 2006

Rs. in Lakhs

%

31st March 2005

Rs.in lakhs

%

16) Consumption of Raw Materials &

Spare Parts

a) Raw Materials

i) Imported	6478.34	41	3689.90	34
ii) Indigenous	9420.10	59	7006.17	66
	<u>15898.44</u>	<u>100</u>	<u>10696.07</u>	<u>100</u>

b) Spare Parts & Consumables

i) Imported	77.72	7	35.54	4
ii) Indigenous	1108.07	93	891.34	96
	<u>1185.79</u>	<u>100</u>	<u>926.88</u>	<u>100</u>

17) Capital Commitments

Estimated amount of contracts remaining to be executed on capital account	2,328.19	65.71
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18) Segment information for the year ended March, 2006

i) Information about Primary business segments

Rs. In lakhs

	31-03-2006				31-03-2005		
	Cement Asbestos Products	Synthetic Yarn	Garments	Consolidated	Cement Asbestos Products	Synthetic Yarn	Consolidated
REVENUE							
External Sales	21323.28	8998.37	51.53	30373.18	13852.08	7488.55	21340.63
Inter segment Sales	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	21323.28	8998.37	51.53	30373.18	13852.08	7488.55	21340.63
Segment Result	3782.66	822.64	(121.94)	4483.36	2100.35	1172.78	3273.13
Unallocated Corporate expenses				(544.57)			(371.25)
Operating profit				3938.79			2901.88
Interest Expense				(1045.27)			(672.64)
Rental Income				15.24			3.40
Income tax				(983.02)			(797.58)
Profit form ordinary activities				1925.74			1435.06
Extra Ordinary Profit/ Loss				0.00			0.00
Net Profit				1925.74			1435.06
Other information							
Segment Assets	18772.80	9316.11	1009.20	29098.11	11485.33	8970.48	20455.81
Unallocated Corporate Assets				2293.14			1785.81
Total Assets				31391.25			22241.62
Segment Liabilities	3954.97	498.93	53.58	4507.48	1710.55	451.89	2162.44
Unallocated Corporate Liabilities				18100.76			12822.86
Total Liabilities				22608.24			14985.30
Capital Expenditure	3558.39	47.76	615.83	4221.98	2159.60	2969.53	5129.13
Unallocated Capital Expenditure*				154.59			224.00
Total Capital Expenditure				4376.57			5353.13
Depreciation	623.51	426.09	7.35	1056.95	391.50	360.59	752.09
Unallocated Depreciation				3.19			3.19
Total Depreciation				1060.14			755.28
Non-cash expenses other than depreciation (preliminary expenses)	0.38	0.00	0.00	0.38	0.68	0.00	0.68

* Represents Capital Expenditure for Vijayawada Unit being setup

ii) Information about secondary business segments .

Revenue by Geographical markets

Rs. In lakhs

	31.03.2006			31.03.2005		
	India	Outside India	Total	India	Outside India	Total
External	28672.63	1700.54	30373.18	19318.51	2022.12	21340.63
Inter-segment	0.00	0.00	0.00	0.00	0.00	0.00
Total	28672.63	1700.54	30373.18	19318.51	2022.12	21340.63
Carrying amount of segment assets	31391.25	0.00	31391.25	22241.62	0.00	22241.62
Additions to fixed assets	4376.57	0.00	4376.57	5353.13	0.00	5353.13



Notes :

Business Segments:

The Company's activities are organized into three operating segments namely, Cement Asbestos and 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 readymade 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.

19) Figures for the previous year are regrouped wherever necessary.

As per our report of even date

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 : 25-04-2006 Place : Secunderabad.	H. Dayakiran Director	G. Saroja Vivekanand Director	K.V. Soorianarayanan Sr.V.P & Company Secretary



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

BOOK-POST

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Corporate Office : "Visaka Towers",
1-8-303/69/3, S.P. Road,
Secunderabad - 500 003.