



# LANCO INDUSTRIES LIMITED

Annual Report  
2009-2010

# VISION

We aim to be world class, committed to customer satisfaction and to encourage the spirit of leadership amongst our dedicated team by creating a healthy environment for continuous growth, profit and prosperity.

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# CORPORATE INFORMATION

## DIRECTORS

Shri G. Maruthi Rao  
Shri Gouri Shankar Rathi  
Shri L. Madhusudhan Rao  
Shri G. Bhaskara Rao  
Shri L. Sridhar  
Shri P.M. Suresh (Nominee of IDBI)  
Shri Vinod Kumar Agrawal, IAS (Nominee of APIDC)

## MANAGING DIRECTOR

Shri Mayank Kejriwal

## SR. GENERAL MANAGER – FINANCE & COMPANY SECRETARY

Shri G.D. Saini

## AUDITORS

M/s. K.R. Bapuji & Co.  
Hyderabad

## SOLICITORS

Khaitan & Co.

## BANKERS

ICICI Bank Ltd.  
HDFC Bank Ltd.  
IDBI Bank Ltd.  
Standard Chartered Bank  
Punjab National Bank  
Bank of India  
Andhra Bank

## REGISTERED OFFICE & WORKS

Rachagunneri-517 641  
Srikalahasthi Mandal  
Chittoor District  
Andhra Pradesh

## SHARE TRANSFER AGENTS

M/s. Karvy Computershare Private Limited  
Plot No. 17-24, Beside Image Hospital  
Vittalrao Nagar, Madhapur  
Hyderabad-500 081

# DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 18th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2010.

## FINANCIAL RESULTS

	(Rs. in Lakhs) 2009-10	(Rs. in Lakhs) 2008-09
Net Sales & Other Income	<b>69,129.89</b>	64,681.79
Profit before Depreciation & Tax	<b>10,592.23</b>	4,464.66
Depreciation	<b>1,794.60</b>	1,641.84
Profit before Taxation	<b>8,797.63</b>	2,822.82
Less: Provision for Taxation (Including Deferred Tax)	<b>3,003.66</b>	987.53
Profit after Tax	<b>5,793.97</b>	1,835.29
Profit brought Forward from Previous Year	<b>1,143.80</b>	1,242.48
Prior Period Adjustment	<b>67.99</b>	–
Debenture Redemption Reserve written back	<b>750.00</b>	–
Balance available for Appropriation	<b>7,755.76</b>	3,077.77
Appropriations are made as under:		
– Debenture Redemption Reserve	–	468.75
– General Reserve	<b>5,400.00</b>	1,000.00
– Proposed Dividend	<b>596.45</b>	397.64
– Dividend Tax	<b>101.37</b>	67.58
Balance Carried Forward to Next Year	<b>1,657.94</b>	1,143.80

## DIVIDEND

Considering the improved profitability, your Directors are pleased to recommend a higher dividend @ Rs. 1.50 per share on the equity shares of the Company for the year ended 31st March, 2010, as against Rs. 1.00 per share in the previous year. If approved, the dividend will absorb Rs. 697.82 lakhs (including Rs. 101.37 lakhs towards dividend tax).

## REVIEW OF OPERATIONS

During the year, the Company has sold 1,49,805 MT of D.I. pipes compared to previous year's dispatches of 1,23,345 MT, registering an increase of 21.50% and the Sales (Gross) of the Company increased from Rs. 680.47 Crores in FY 2008-09 to Rs. 710.52 Crores in FY 2009-10. The profit (PBT) for the year, however, was considerably higher at Rs. 87.98 Crores as against Rs. 28.23 Crores reported in the previous year. The improved profitability is mainly attributable to higher volumes, reduced input costs, better sales realization and effective fund management resulting in lower interest expenses compared to last year.

The quantity of Low Ash Metallurgical Coke produced in the Coke Oven Plant was lower by 9% at 1,02,862 MT in FY 2009-10 as against 1,13,052 MT in FY 2008-09, due to shutdown of some ovens for major repair. The units of power generated in the 12 MW Waste Heat Recovery Based Captive Power Plant of the Company were also lower at 536 Lakh units during the year under review compared with 629 Lakh units in the preceding year due to reduced production of Coke Oven Plant.

The production of Mini Blast Furnace (MBF) producing liquid metal mainly for Ductile Iron Pipe Plant, for the year was higher at 1,58,503 MT compared with 1,48,433 MT in the previous year, reflecting an increase of about 7%.

The production of D.I. Pipes was higher by about 21% at 1,49,604 MT compared with 1,23,422 MT in the preceding year. The higher production is attributable to increased liquid metal availability from MBF and full-fledged operation of additional Induction Furnaces and Annealing Furnace installed during the previous year.

The production of Cement during the year was lower by 21% at 68,476 MT compared to 86,812 MT in the previous year, due to curtailed operations on account of sluggish market conditions prevailing during the year under review, particularly affecting the demand for slag cement.

As already reported in the previous year, the Company is in the process of repairing the Mini Blast Furnace along with installation of Hot Blast Stoves, which is expected to be commissioned by June, 2010 to increase the liquid metal capacity of the plant to 225,000 TPA. This, along with additional balancing equipments being installed in D.I. Pipe Plant, will increase the D.I. Pipes capacity also to 225,000 TPA.

### **FUTURE PROSPECTS**

Given the trend of spiraling prices of iron ore and coal and also the upcoming capacities in the D.I. Pipes sector, the margins would be under pressure in the coming years. However, Company is adopting various cost reduction measures like installation of Hot Blast Stoves etc., to reduce the impact.

As a measure of further cost reduction, your Company also envisages to install a Sinter Plant, which along with balancing equipments being installed in Ductile Iron Pipe Plant will further increase the liquid metal and D.I. pipe capacity to 275,000 TPA by September, 2011. The Company plans to finance these investments through internal accruals and the Term Loans already sanctioned by the Banks. With all these developments on course, the future outlook for the performance of your Company appears to be positive.

### **DIRECTORS**

Andhra Pradesh Industrial Development Corporation (APIDC), Hyderabad nominated Shri Vinod Kumar Agrawal, IAS on the Board of Directors of your Company with effect from 24th July, 2009 in place of Shri P. Rajeswara Rao. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri P. Rajeswara Rao.

Industrial Development Bank of India (IDBI), Chennai nominated Shri P.M.Suresh on the Board of Directors of your Company with effect from 19th April, 2010 in place of Shri D.R. Jawahar. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri D.R. Jawahar.

Shri L. Madhusudhan Rao and Shri G. Bhaskara Rao retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### **CORPORATE GOVERNANCE**

The Corporate Governance report is set out as Annexure to this Report.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

Please refer to the management discussion and analysis section appearing elsewhere.

### **PARTICULARS OF EMPLOYEES**

Board of Directors express its appreciation for sincere efforts made by the employees of your Company at all levels during the year and their co-operation in maintaining cordial relations.

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, the report and accounts are being sent to all the shareholders of the Company excluding the above information. Those shareholders, who desire to obtain these particulars, would be provided the same upon receiving such request.

### **STATUTORY INFORMATION**

Information as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 related to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure-'A' attached hereto and forming part of this report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirms:

- i) That in the preparation of annual accounts the applicable accounting standards have been followed and there has been no material departure.

- ii) That the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2010 and of the profits of the Company for the year ended on that date.
- iii) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the annual accounts have been prepared on a going concern basis.

**AUDITORS' REPORT**

Regarding Auditors' observation on remuneration to Managing Director, attention is invited to note 4 of schedule 17 of the accounts, which is self-explanatory.

**AUDITORS**

The Auditors, M/s. K.R. Bapuji & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**ACKNOWLEDGEMENTS**

The Board of Directors thank the Government Authorities, Financial Institutions, Banks, Customers, Vendors, Shareholders & Investors for their continued co-operation and support to your Company.

For and on behalf of the Board of Directors

Place: Chennai  
Date: 28th April, 2010

**L. Sridhar**  
Director

**Mayank Kejriwal**  
Managing Director

## ANNEXURE – 'A' TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2010.

### A. CONSERVATION OF ENERGY

#### a. Energy Conservation Measures taken

- New Annealing furnace fully stabilized with MBF gas as fuel thereby eliminating LDO/HSD consumption.
- Installation of Variable frequency device (VFD) for slag drier in Cement Plant.
- Variable frequency device (VFD) for cooling tower make up pump in 12 MW CPP.
- Entire liquid metal converted into DI Pipes, avoiding usage of additional power for melting pig iron.
- Furnace oil consumption reduced in 2.5 MW power plant by carrying out improved maintenance.

#### b. Additional investments & proposals, if any, being implemented for reduction of consumption of energy

- Repair of Mini Blast Furnace with installation of Hot Blast Stoves, which would result in higher productivity with lower coke consumption.
- Variable frequency device (VFD) for cement mill separator.
- Initiation of Energy Audit by CII to identify potential areas for energy conservation and implement energy saving measures suggested.
- Initiating 132 KVA sub-station for drawl of power to reduce power losses and improve quality of power.
- Revamping of Annealing Furnace – I to maximize Blast Furnace Gas consumption in place of LDO/HSD.

Energy conservation is an ongoing process and it is the constant endeavor of the Company to create awareness and motivate the employees to conserve energy at every stage through small group activities.

#### c. Benefits derived from the above initiatives (a) and (b)

With implementation of above measures cost of energy particularly LDO has considerably reduced and likely to come down further once the proposed energy saving initiatives are fully implemented, thus resulting in reduced cost of production.

### B. TECHNOLOGY ABSORPTION

The Chinese Technology for Annealing Furnace has been fully absorbed. For the installation and operation of ongoing Hot Blast Stoves, we are in the process of absorbing Russian technology.

### C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earning and outgo (Rs. in Lakhs):	2009-10	2008-09
i) Foreign Exchange Earning	–	167.01
ii) Foreign Exchange Used	21,589.79	27,968.87

### FORM-A

A. POWER & FUEL CONSUMPTION	2009-10	2008-09
1. Electricity		
a. Purchased:		
Units (KWH)	36261888	14826230
Total amount (Rs.)	13,99,41,870	8,02,32,190
Rate / Unit (Rs. / KWH)	3.86	5.41
b. Own Generation:		
i) Through Diesel Generator		
Units (KWH)	669921	528497
Units / Ltr. of Diesel Oil	3.87	2.79
Cost / Unit (Rs. / KWH)	7.50	9.99
ii) Turbo Generator		
a) 2.5 MW CPP (MBF)		
Units (KWH)	15442400	17348800
Cost / Unit (Rs. / KWH)	0.14	0.25
b) 12 MW CPP (COP)		
Units (KWH)	53555600	62907066
Cost / Unit (Rs. / KWH)	0.39	0.45
2. Overall LDO/HSD consumption (KL)	3579.00	6810.00
Total amount (Rs.)	12,58,21,616	27,05,16,587
Cost/Ltr. (Rs.)	35.25	39.72
<b>B. CONSUMPTION PER MT OF PRODUCTION</b>		
Electricity (KWH)		
Pig Iron	182	180
D.I. Pipe	378	360
Cement	103	101
Coke	29	23

# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

It is a process that requires to be comprehensive for maximum effectiveness. The Company, therefore, follows a systematic and rigorous process encompassing all regulatory disclosures, transparency, proficient operational practices, well-built internal controls and risk management systems for enhancement of Stakeholders' value.

The Board of Directors seeks to discharge its operational, strategic and fiduciary responsibilities in all fairness to ensure good management practices; further, the Board represents the shareholders' interest in terms of maximizing shareholders' wealth and remain committed to its responsibilities for all the constituents of its business i.e., investors, customers, employees, suppliers and the general public.

### BOARD OF DIRECTORS

#### Composition of Board

Company's eight-member Board of Directors comprises:

- One Executive Director.
- Three Independent Non-Executive Directors.
- Four Non-Independent Non-Executive Directors.

The composition of the Board of Directors and the position they hold in other public companies including private companies which are subsidiaries of public companies as on 31st March, 2010 unless otherwise stated are given in the following table:

Name of Director	Executive / Non-Executive / Independent	No. of Other* Directorships held	Other* Committee# positions held	
			As Chairman	As Member
Shri Mayank Kejriwal	Managing Director – Executive	12	–	–
Shri G. Maruthi Rao	Non-Executive – Independent	–	–	–
Shri Gouri Shankar Rathi	Non-Executive	–	–	–
Shri G. Bhaskara Rao	Non-Executive	9	3	2
Shri L. Madhusudhan Rao	Non-Executive	8	–	1
Shri L. Sridhar	Non-Executive	7	1	–
Shri P.M. Suresh (i) Nominee of IDBI (Lender)	Non-Executive – Independent	–	–	–
Shri D.R. Jawahar (i) Nomination withdrawn by IDBI	Non-Executive – Independent	–	–	–
Shri Vinod Kumar Agrawal (ii) Nominee of APIDC (Equity Investor)	Non-Executive – Independent	4	–	–
Shri P. Rajeswara Rao (ii) Nomination withdrawn by APIDC	Non-Executive – Independent	3	–	1

(i) IDBI nominated Shri P.M. Suresh as its nominee in place of Shri D.R. Jawahar with effect from 19th April, 2010.

(ii) APIDC nominated Shri Vinod Kumar Agrawal as its nominee in place of Shri P. Rajeswara Rao with effect from 24th July, 2009.

\* Excluding Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

# Only two Committees viz., Audit, and Shareholders' / Investors' Grievance Committees have been considered for this purpose.

None of the Non-Executive Directors have any pecuniary relationship or transaction with the Company in their personal capacity.

### Attendance of each Director at the Board Meetings and the last Annual General Meeting

Five Board Meetings were held during the year 2009-10. The dates of the meetings are as follows:

27th April' 09, 24th July' 09, 28th August' 09, 21st October' 09 and 21st January' 10.

Agenda Papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as recommended by the SEBI on Corporate Governance as well as items required under Clause 49 of the listing agreement were placed before the Board from time to time.

### The following table highlights the attendance of each Director at the respective meetings during the year 2009-10:

Name of Director	Board Meetings		AGM
	Held	Attended	
Shri Mayank Kejriwal	5	2	NO
Shri G. Maruthi Rao	5	5	YES
Shri Gouri Shankar Rathi	5	5	YES
Shri G. Bhaskara Rao	5	1	NO
Shri L. Madhusudhan Rao	5	–	NO
Shri L. Sridhar	5	4	YES
Shri D.R. Jawahar	5	5	YES
Shri P. Rajeswara Rao	5	1	NO
Shri Vinod Kumar Agrawal	5	2	NO

### AUDIT COMMITTEE

The Audit Committee, which was constituted on 30th January, 2001 presently comprises two Independent Non-Executive Directors and one Non-Executive Director.

The Audit Committee is expected to review the Company's financial reporting process and its financial statements, review the accounting and financial policies and practices, review the efficacy of the internal control mechanisms and monitor the management of risk, review policies adopted by the Company and ensure compliance with the regulating guidelines, review reports furnished by the internal and statutory auditors and ensure that suitable follow ups are taken.

The terms of the reference of the Audit Committee includes the powers as laid out in Clause 49 II (C) of the Listing Agreement and role as stipulated in Clause 49 II (D) of the Listing Agreement.

The Audit Committee during the year ended 31st March, 2010 had four meetings on 27th April'09, 24th July'09, 21st October'09 and 21st January'10.

### The composition of the Audit Committee as on 31st March, 2010 and attendance during the year are as under:

Sl. No.	Name of Directors	Position	Executive / Non-Executive / Independent	No. of meetings attended
1	Shri G. Maruthi Rao	Chairman	Independent, Non-Executive	4
2	Shri G. Bhaskara Rao	Member	Non-Executive	1
3	Shri D.R. Jawahar	Member	Independent, Non-Executive	4

The Audit Committee met on 28th April, 2010 for considering finalization of accounts for the year ended 31st March, 2010. The Managing Director, Sr. General Manager-Finance & Company Secretary, Statutory Auditors and Internal Auditors are generally present in the Audit Committee meeting as invitees.

Company Secretary acts as the Secretary to the Audit Committee.

Shri G. Maruthi Rao, Chairman of the Audit Committee attended the last Annual General Meeting of the Company held on 28th August, 2009.

### Code of Conduct

The Board of Directors has laid down a Code of Conduct for all the Board Members and the employees in the management grade of the Company. The code covers amongst other things the Company's commitment to honest & ethical personal conduct, fair competition, corporate social responsibility, sustainable environmental performance, health & safety, transparency and compliance of laws & regulations etc. The Code of Conduct is posted on the website of the Company.

### Prevention of Insider Trading Code

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (as amended), the Board has approved the 'Code of Conduct for Prevention of Insider Trading' and authorized the Audit Committee to implement and monitor the various requirements as set out in the Code.

Pursuant to Clause 49 of the listing agreement, it is hereby affirmed that the 'Code of Conduct for Prevention of Insider Trading' approved by the Board has been complied with during the year by the senior management of the Company. This policy is posted on the website of the Company.

### Whistle Blower Policy

Pursuant to Clause 49 of the listing agreement, the Company has put in place the 'Whistle Blower Policy' duly approved by the Board. Further, it is hereby affirmed that the Company has not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and that the Company has provided protection to "Whistle Blowers" from unfair termination and other unfair or prejudicial employment practices. This policy is also posted on the website of the Company.

### DETAILS OF REMUNERATION TO DIRECTORS, 2009-10

Presently the Non-Executive Directors do not receive any remuneration from the Company except by way of sitting fees for attending the meetings of the Board and its Committees. Shri Mayank Kejriwal, Managing Director of the Company is being paid a commission @ 3% on the net profits of the Company computed in the manner prescribed under Sections 349 & 350 of the Companies Act, 1956, subject to a ceiling of Rs. 200 lakhs for the year ended 31st March, 2010.

#### Details of Remuneration to Directors, 2009-10

Name of the Directors	Sitting Fee (Rs.)	Service contract / Notice Period / Severance fees
Shri Mayank Kejriwal – Commission	2,00,00,000	Service contract
Shri G. Maruthi Rao	1,80,000	Retirement by rotation
Shri Gouri Shankar Rathi	1,00,000	-do-
Shri G. Bhaskara Rao	40,000	-do-
Shri L. Madhusudhan Rao	–	-do-
Shri L. Sridhar	80,000	-do-
Shri D.R. Jawahar	1,80,000	Nominee of IDBI
Shri P. Rajeswara Rao	20,000	Nomination withdrawn by APIDC w.e.f. 24.07.09
Shri Vinod Kumar Agrawal	40,000	Nominee of APIDC w.e.f. 24.07.09
<b>Total</b>	<b>2,06,40,000</b>	

#### Shareholdings of Non-Executive Directors as on 31st March, 2010

Name	No. of shares held	% of Company's equity shares
Shri L. Madhusudhan Rao	2284724	5.75
Shri G. Bhaskara Rao	2284674	5.75
Shri L. Sridhar	2282935	5.74
Shri G.S. Rathi	35000	0.09

## SHAREHOLDERS' COMMITTEE

The composition of Shareholders' / Investors' Grievances Committee is as follows:

Shri Gouri Shankar Rathi	–	Chairman
Shri G. Bhaskara Rao	–	Member
Shri G. Maruthi Rao	–	Member

## THE SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE ADMINISTERED THE FOLLOWING:

- Redress Shareholders' and Investors' complaints relating to non-receipt of balance sheet, transfer of shares, non-receipt of dividends etc.
- Consolidate and sub-divide share certificate(s).
- Approve transmission and issue of duplicate / fresh share certificate(s).

In accordance with Clause 49 para VI(D) of the Listing Agreement of the Stock Exchanges, the Board has delegated powers of share transfers to M/s. Karvy Computershare Private Limited (KCPL), Plot No. 17-24, Beside Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad-500 081. KCPL reviews share transfers every fortnight.

## COMPLIANCE OFFICER

G.D. Saini, Company Secretary, Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, AP., Ph: 08578-287650-55, Fax: 08578-287657, E-mail: gdsaini@lancoindustries.com

## GENERAL BODY MEETINGS

Location and time for last three Annual General Meetings:

Date	Venue	Time
27.08.2007	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
27.08.2008	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
28.08.2009	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.

No special resolution was put through postal ballot in the last year.

## DISCLOSURES

- The Company has generally complied with all the mandatory requirements as specified in the revised Clause 49 to the extent these apply and extend to the Company.
- Transactions with the related parties are disclosed in Note 11 of Schedule 17 of the Accounts in Annual Report.
- No transactions were made that may have potential conflict with the interests of the Company at large.
- The Managing Director has given declaration to the Board that he has no personal interest in any material, commercial and financial transactions that may have any potential conflict with the interest of the Company at large.
- There were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter relating to Capital Market during the last three years.
- The CEO (Managing Director) and the CFO (Sr. General Manager-Finance & Company Secretary) have furnished a Certificate to the Board for the year ended 31st March, 2010 in compliance with the revised Clause 49.V of the Listing Agreement(s) as amended.

## MEANS OF COMMUNICATION

The Company regularly intimates quarterly financial results to the Stock Exchanges immediately after they are taken on record by the Board. Further, coverage is given by publication of the financial results in the leading economic and vernacular daily newspapers.

The quarterly financial results and other shareholder related information are also posted on Corporate Filing site of the Stock Exchanges and Company's website [www.lancoindustries.com](http://www.lancoindustries.com).

Management Discussion and Analysis is covered in the Directors' Report to the Shareholders, which forms a part of the Annual Report.

**GENERAL SHAREHOLDERS INFORMATION**

The following information would be useful to our shareholders:

Sl. No.	Information	
1	Annual General Meeting	
	– Date and Time	25th August, 2010 at 11.30 AM
	– Venue	At Registered Office: Rachagunneri Village-517 641 Srikalahasthi Mandal, A.P.
2	Financial Calendar	Tentative Schedule
	Financial Reporting for the Quarter ended June 30, 2010	End July, 2010
	Financial Reporting for the Quarter ended September 30, 2010	End October, 2010
	Financial Reporting for the Quarter ended December 31, 2010	End January, 2011
	Financial Reporting for the Quarter ended March 31, 2011	End April, 2011
	Annual General Meeting for the year ending March 31, 2011	End August, 2011
3	Book Closure Date (Both days inclusive)	19th August, 2010 to 25th August, 2010
4	Dividend Payment Date	31st August, 2010
5	Listing Details:	
	– Equity Shares	Listed at Mumbai Stock Exchange Ltd. & National Stock Exchange of India Ltd.
6	Stock Code (Mumbai & National Stock Exchange)	513605 & LANCOIN
7	Demat ISIN Number for NSDL & CDSL	
	– Equity Shares	INE943C01027
8	Corporate Identity Number	L74999AP1991PLC013391

**9. Stock Market Data:**

Month	Mumbai Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Apr-09	24.00	15.50	161109	23.60	14.60	294048
May-09	37.50	19.60	464351	37.95	18.65	594948
Jun-09	37.00	26.00	318936	37.00	25.00	433828
Jul-09	33.80	23.00	259210	34.00	22.30	399761
Aug-09	48.00	30.65	926430	48.00	30.60	1275455
Sep-09	50.70	40.15	1070785	50.50	38.10	1847519
Oct-09	46.40	39.15	4032515	46.45	39.00	4402714
Nov-09	45.60	38.05	2643698	45.45	38.55	3576064
Dec-09	53.40	41.90	3530959	52.50	42.90	4162115
Jan-10	69.15	50.90	10552953	69.25	51.00	12610627
Feb-10	72.60	61.35	5147541	73.00	60.60	6191970
Mar-10	68.30	61.70	2137924	68.20	53.00	2764618

Share Price Performance in comparison to BSE / NSE Sensex / Nifty

	% change in LIL Share Price		% change in Sensex / Nifty	
	BSE	NSE	BSE	NSE
Financial Year 2009-10	319.68	344.37	79.85	73.59

10.	Registrar & Share Transfer Agents	Karvy Computershare Private Ltd. Plot No. 17-24, Beside Image Hospital Vittalrao Nagar, Madhapur, Hyderabad-500 081
11.	Share Transfer System	The turnaround time for completion of transfer of shares in physical form is generally 15 days from the date of receipt, if the documents are clear in all respects.

12. Dividend history for the last 5 years is as under:

Financial Year	Dividend Rate %	Amount including Dividend Tax (Rs. Lakhs)
2004-05	10	449.61
2005-06	5	226.70
2006-07	10	465.22
2007-08	10	465.22
2008-09	10	465.22

13. Details of queries / complaints received and resolved during the year 2009-10:

Nature of Complaints	Opening	Received During the year	Resolved during the year	Pending for Resolution
Non-Receipt of Dividend Warrants	Nil	20	20	Nil
Non-Receipt of Securities	Nil	24	24	Nil
Non-Receipt of Annual Reports	Nil	5	5	Nil
Non-Receipt of fresh/new Shares	Nil	1	1	Nil
<b>Total</b>	<b>Nil</b>	<b>50</b>	<b>50</b>	<b>Nil</b>

As confirmed by M/s Karvy Computershare Private Ltd. (RTA of the Company) the complaints are generally attended within 15 days from the date of receipt.

14. Distribution of Shareholding as on March 31, 2010:

Sl No.	Category		Number of Shareholders	% of Shareholders	No. of Shares held	% of shares held
	From	To				
1	1	5000	15258	88.62	1823336	4.59
2	5001	10000	917	5.33	780715	1.96
3	10001	20000	459	2.67	718972	1.81
4	20001	30000	157	0.91	403710	1.02
5	30001	40000	82	0.48	299449	0.75
6	40001	50000	83	0.48	399072	1.00
7	50001	100000	127	0.74	979390	2.46
8	100001	And above	134	0.78	34358951	86.41
	<b>Total</b>		<b>17217</b>	<b>100.00</b>	<b>39763595</b>	<b>100.00</b>

## 15. Categories of Shareholding as on 31st March, 2010:

Sl. No.	Category	No. of shares held	Percentage of shareholding
<b>A.</b>	<b>PROMOTER'S HOLDING</b>		
<b>1</b>	<b>Promoters</b>		
	a) Indian Promoters		
	i) Electrosteel Castings Limited	19301218	48.54
	ii) Others	498669	1.25
	b) Foreign Promoters	–	–
<b>2</b>	<b>Persons Acting in Concert</b>	–	–
	<b>Sub-Total</b>	<b>19799887</b>	<b>49.79</b>
<b>B.</b>	<b>NON-PROMOTERS HOLDING</b>		
<b>3</b>	<b>Institutional Investors</b>		
	a) Mutual Funds and UTI	17325	0.04
	b) Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	256225	0.64
	c) FIs	10050	0.03
	<b>Sub-Total</b>	<b>283600</b>	<b>0.71</b>
<b>4</b>	<b>Others</b>		
	a) Private Corporate Bodies	2939312	7.39
	b) Indian Public	15126465	38.05
	c) NRIs / OCBs	1569349	3.95
	d) Any other (Clearing Members)	44982	0.11
	<b>Sub-Total</b>	<b>19680108</b>	<b>49.50</b>
	<b>GRAND TOTAL</b>	<b>39763595</b>	<b>100.00</b>

## 16. Dematerialisation of Shares and Liquidity:

Since the Company has entered into an agreement with both the depositories namely NSDL and CDSL for dematerialisation of its Shares, the Shareholders of the Company have the choice to dematerialize their shares and keep them in dematerialized form with any depository participant.

## 17. Outstanding convertible Instruments:

As on 31.3.2010, there are no outstanding convertible instruments.

## 18. Registered Office &amp; Works:

Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P., India. Ph. No. 08578-287650 (5 Lines)

## 19. Members can Contact us at our Registered Office:

Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P., India. Ph. No. 08578-287650 (5 Lines)

20. Status of Non-Mandatory requirements:
- i) Audit Qualifications:  
Observation of the Auditors' in their report to the members of the Company have been appropriately addressed in the note 4 of Schedule 17 (Notes on Accounts).
  - ii) Other Items:  
The non-mandatory requirements viz., Remuneration Committee, Shareholding Rights, Training of Board Members & Tenure of Independent Directors and Mechanism for performance evaluation of non-executive Board Members will be implemented by the Company when required and/or deemed necessary by the Board.
21. Secretarial Audit:
- As stipulated by Securities and Exchange Board of India (SEBI), a qualified Practicing Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to Stock Exchanges and is also placed before the Board of Directors.

#### **Declaration by the Managing Director under Clause 49(I)(D)(ii) of the Listing Agreement**

This is to declare that:

- 1) In pursuance of the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Conduct has been laid down by the Company for all the Board members and the Senior Management Personnel of the Company.
- 2) The said Code of Conduct is also uploaded on the website of the Company at [www.lancoindustries.com](http://www.lancoindustries.com).
- 3) All Board Members and Senior Management Personnel have affirmed having complied with the said Code of Conduct, during the year ended 31st March, 2010.

**For Lanco Industries Limited**

Place: Chennai  
Date: 28th April, 2010

**Mayank Kejriwal**  
Managing Director

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
LANCO INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Lanco Industries Limited for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the 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 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 **K.R. Bapuji & Co.**  
Firm Registration No. 000395S  
Chartered Accountants

**K.R. Bapuji**  
Partner  
Membership No. 21169

Place: Chennai  
Date: 28th April, 2010

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

Lanco Industries Limited (LIL) promoted by Lanco Group in 1992 set up a Mini Blast Furnace (MBF) in 1994 with an installed capacity of 90,000 TPA to manufacture and sell Pig Iron to foundry units across India.

In 1998, LIL entered into an arrangement to supply Molten Iron and Pig Iron to Lanco Kalahasthi Castings Limited (LKCL) a Company within the same campus engaged in the business of Iron Castings & Forging. LKCL later on added high technology Ductile Iron Pipes (DIP) manufacturing facilities to its portfolio.

In March 2002, India's pioneering D.I. Pipe manufacturer, Electrosteel Castings Limited (ECL) entered into a strategic alliance with LIL and LKCL by acquiring 46.43 and 48.89 percent stake in the companies respectively. In addition to technological support, ECL also infused fresh funds into LIL by way of equity participation and re-modeled the financial structure, thus reducing interest costs.

In 2003, the capacity of MBF was increased from 90,000 TPA to 1,50,000 TPA and the capacity of D.I.Pipes was increased from 60,000 TPA to 90,000 TPA at a capital outlay of approx. Rs.35 Crores.

In 2003, LKCL got merged with LIL (with effect from 1st April, 2003) to take advantage of the close synergy in the business model of the two companies, since a large part of Pig Iron in liquid form is consumed by LKCL for manufacture of pipes.

In 2004, a major backward integration project comprising of 1,50,000 TPA Coke Oven Plant and 12 MW Waste Heat Recovery Based Co-generating Captive Power Plant at a capital outlay of Rs.88 Crores was started.

In 2005, 1,50,000 TPA Coke Oven Plant was commissioned and commercial production was stabilized. The coke being produced is at par with international quality of LAM coke.

In 2006, the capacity of D.I. Pipes was further increased from 90,000 TPA to 1,20,000 TPA and the 12 MW Waste Heat Recovery Based Co-Generating Captive Power Plant was set up, which started generating power from March, 2007.

In 2007, Stamp Charging System was successfully implemented at Coke Oven Plant for producing quality metallurgical coke at a lower cost.

In 2008, the Company implemented ERP system (SAP) to support business process and effective resource planning and management.

In 2009, Capacity of D.I. Pipes was increased from 1,20,000 TPA to 1,80,000 TPA.

In 2010 started the Project for enhancing both the liquid metal and D.I.Pipes capacity of the plant to 2,25,000 TPA.

## VALUE ADDITION

It has been our constant endeavour to promote value addition in every stride of Company's operations starting from raw material to finished product. Company's own Coke Oven Plant along with 12 MW Waste Heat Recovery Based Co-generating Captive Power Plant have strengthened the value chain.

## THE YEAR IN RETROSPECT (2009-10 VS. 2008-09)

The volumes of production and sales of Company's products reflected a healthy growth during the year 2009-10.

Product	Production (MT)		Dispatches (MT)	
	2009-10	2008-09	2009-10	2008-09
Molten Metal / Pig Iron*	<b>1,58,503</b>	1,48,433	<b>1,57,220</b>	1,49,970
D.I. Pipes	<b>1,49,604</b>	1,23,422	<b>1,49,805</b>	1,23,345
Cement **	<b>68,476</b>	86,812	<b>68,704</b>	87,008

\* Dispatches include 1,54,897 MT (previous year 1,36,137 MT) used for captive consumption.

\*\* Dispatches include 13,963 MT (previous year 10,087 MT) used for captive consumption.

1,02,862 MT coke was produced in the Coke Oven Plant for captive consumption during 2009-10 vis-à-vis 1,13,052 MT in 2008-09.

The 12 MW Waste Heat Recovery Based Co-Generating Captive Power Plant of the Company generated 536 Lakh units compared to 629 Lakh units in 2008-09.

The Sales (Gross) of the Company increased from Rs. 680.47 crores in FY 2008-09 to Rs. 710.52 crores in FY 2009-10. The profit (PBT) for the year under review, however, was considerably higher at Rs. 87.98 crores as against Rs. 28.23 crores reported in the previous year mainly on account of higher volumes, reduced input costs, better sales realization and effective fund management resulting in lower interest expenses.

## **INDUSTRY OUTLOOK**

The water resources in the country are limited and cannot be wasted. The losses like leakage, wastage etc., need to be arrested.

D.I. Pipes in this regard are found to be quite stronger and have longer life span, are easier to tap, require less support and have a lower life cycle cost compared to other types of pipes used for water supply and sanitation.

With the continued emphasis given by the Government of India for laying pipelines for water and sewerage transportation, the demand for D.I. Pipes is expected to remain strong in the coming years.

## **BUSINESS**

### **Raw-Materials**

Due to fall in the prices of key raw materials like Coal and iron ore in the year 2009-10, the ratio of raw material cost to turnover has reduced to 54% in the year 2009-10 as against 63% in the previous year, reflecting a substantial reduction in input cost.

### **Quality**

At Lanco, we strongly believe that our brand image and market share can be better enhanced by offering qualitative and specialized products to our customers to cater to their needs for critical applications. Company's quality systems are ISO 9001:2008 accredited. BSI, UK has approved Ductile Iron pipes manufactured by the Company for using Kite Mark license.

### **Safety, Health & Environment**

The Company is dedicated to the safety and health of its employees and stakeholders. Our Safety, Health & Environment Management Systems are top driven and vibrant. Top Management of the Company is committed to maintaining highest standard of safety, health and environment protection and is also committed to meet all applicable statutory requirements and prevention of pollution.

To conserve the fresh water, the Company is implementing its admired project to use primarily treated sewerage water of Tirupati Municipal Corporation for industrial purpose. The water will be transported to the Company's Sewerage Treatment Plant (STP) at its works through a pipe line covering a distance of about 21 KM and will be further treated for its use in the Plant. The Project is in full swing and is expected to be completed in this calendar year.

Company's environment management systems are ISO14001:2004 certified. The Company has sponsored various social activities for spreading awareness of environment and safety issues in the neighbouring villages.

### **Corporate Social Responsibility (CSR)**

LIL has a longstanding commitment to addressing the needs of the society. The Company firmly believes that for any economic development to be meaningful, the benefits from the business must trickle down to the society at large. It is of the firm view that the corporate goals must be aligned with the larger societal goals. As part of its Corporate Social Responsibility, the Company undertakes a range of activities to improve living conditions of people in the neighbouring villages. These initiatives include extending infrastructure support to schools, free medical camps, and other village development initiatives like street lighting, development of roads etc.,

### **Information Technology**

The Company believes that Information Technology has a vital role to play in supporting the business functions and drive innovation and competitiveness and facilitates faster decision making to gain the edge in a dynamic market situation. The Company with its recent growth and planned expansions in the near future thought of establishing a strong information management system and it is with this profound objective successfully implemented 1st Phase of SAP ERP system in

2008-09 and has initiated actions for implementation of SAP 2nd Phase in the year 2009-10 which is at the fag end of completion.

### **OPPORTUNITIES AND THREATS**

The key economic driver for the industry includes water infrastructure. Lack of safe drinking water and proper sanitation has led to a growing emphasis on water infrastructure. This will result in high demand for DI pipes due to durability and effective handling in rough terrain. The increased emphasis given by GoI for water infrastructure development in the country will trigger growth for the Company's business.

Raw material availability and volatile prices coupled with upcoming capacity additions by other players in the sector will have a bearing on the margins of the Company. However, measures like long term planning to ensure availability of raw materials & economization of its cost, continuous focus on productivity improvement and cost control initiatives, higher capacity utilization etc., will help the Company to protect its margins and achieve sustained growth.

### **OUTLOOK**

The Company has been taking adequate steps for improvement in plant efficiency, strengthening value addition, continuously focusing on cost control measures and has been successful in managing financial resources effectively. As part of further backward integration, the Company also envisages to install a Sinter Plant, which along with balancing equipments being installed in Ductile Iron Pipe Plant will further increase the liquid metal and D.I. pipe capacity to 275,000 TPA by September, 2011. Higher capacity utilization and growth in demand for D.I.Pipes indicate towards a positive outlook for the performance of the Company in the coming years.

### **HUMAN RESOURCES**

We at LIL, believe that attraction, preservation and development of human resources is the vital for organizational development and high caliber people are a source of competitive advantage for our business.

The Company is committed to attract the right talent, give appropriate compensation, retain them and also develop them to meet the current and future organizational goals. The Company's HR management team is dedicated to this work. The employees are properly trained and motivated to take up multiple responsibilities. As a measure of organizational development, Kaizen Scheme has been introduced and there is remarkable response for the same and the participation level by all cadres of employees has been on a high note.

### **RISKS AND CONCERN**

This has been dealt with separately in the Annual Report under "Risk Management".

### **INTERNAL CONTROL SYSTEM AND ITS ADEQUACY**

We firmly believe that a system of effective internal controls is a critical component of organizational management and a foundation for the safe and sound operations of the organization. A system of strong internal controls can help to ensure that the Company will comply with laws and regulations as well as policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to the Company's reputation.

The Company has a well established Internal Control System, the conformity of which is periodically assessed by Internal Audit and regularly reviewed by the Statutory Auditors and the Audit Committee of the Board. Recommendations if any, are assessed and implemented, if found necessary.

### **CAUTIONARY STATEMENT**

The statements found in this report on management discussion and analysis may constitute "forward-looking statements", which reflect management's current views with respect to certain future events and financial performance and include any statement that does not directly relate to any historical or current fact. Such statements are based on currently available information and are subject to various risks and uncertainties that could cause actual results to differ materially from those projected or implied in the "forward-looking statements" and from historical trends. These "forward-looking statements" are based upon current assumptions of future events which may not prove to be accurate. Actual results could, however, materially differ from those projected, expressed or implied.

# RISK MANAGEMENT

The Company is continuously focused on assessing the risks related to its business and committed to adopt much stronger risk management practices to ensure effective risk mitigation. The Company's risk management is in line with the requirements of amended Clause 49 of the Listing Agreement.

## **ECONOMIC RISK**

Owing to volatile market conditions, the prices of major raw materials and other inputs used by the Company may increase from time to time, resulting in threat of margin pressure.

To mitigate this risk, the Company has taken various steps like finalizing long term supply contracts whereby the price and availability of materials is covered for a stipulated period. This apart, Company, as a further measure of backward integration, is contemplating to install a Sinter Plant, which besides reducing Company's dependence on calibrated iron ore, which is costlier and in short supply compared to iron ore fines will result in reduced cost of production. Besides, the Company has been taking on a continuous basis, adequate steps for improvement in plant efficiency, strengthening value addition and cost control measures, which will help the Company to insulate it from this risk.

## **COMPETITOR RISK**

In view of increasing upcoming capacities by other existing players as well as entry of new players in the market, the Company is exposed to the risk of competitors.

To counter this risk, Company is taking various marketing initiatives like ensuring on time delivery and improved after sales service and its continuous thrust for quality improvement will help the Company in enhancing its brand image and sustain its market share. Further, with the continued emphasis given by the Govt. of India for Water Infrastructure Projects and sanitation in the country, the demand for D.I.Pipes is expected to grow on a sustainable basis.

## **ENVIRONMENT RISK**

As the Company is a metal industry, by virtue of its manufacturing process is subjected to the risk of environment pollution.

The Company has effective and vibrant Environment Management Systems, which are certified by ISO 14001:2004. Further, the Company is committed for maintaining highest environment protection standards and is dedicated to meet applicable statutory requirements for preservation of environment and greenbelt development.

## **INDUSTRIAL RELATIONS RISK**

The Company being labour intensive is faced with the threat of labour unrest.

The Company has been maintaining exceptionally good relations with the labour, since inception and there have been no loss of man-days on this account. The Company expects that with the employee friendly approach being adopted by it, the industrial relations will continue to remain cordial in the coming years also.

## **FOREIGN EXCHANGE RISK**

In view of heavy reliance on imports for catering to its raw materials requirement coupled with overseas borrowings, the Company is open to the risk of volatility in the foreign exchange rates.

To counter this risk, the Company regularly reviews its foreign exchange exposure and initiates appropriate far-sighted actions to ensure effective foreign exchange management to lessen the risk of volatility in exchange rates.

## **PAYMENT RISK**

The Company, by virtue of its major customers being Metro Water Boards, Municipal Corporations and other Govt. institutions is exposed to the risk of delay and default in payments.

As most of the water projects are funded by the Government or overseas funding agencies, the risk of defaults in this regard is minimum. In respect of other customers, most of the supplies are covered by Letters of Credit/ Bank Guarantees. Further, as a cautionary measure, the credit worthiness and the past payment record of every customer is meticulously evaluated before supply to minimize such risk.

# AUDITORS' REPORT

To

The members of

LANCO INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of Lanco Industries Limited ("the Company") as at 31st March, 2010 and also the Profit and Loss Account and 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 have 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 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 the 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 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (hereinafter referred to as 'the said Order') and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in the 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 accounts as required by law have been kept by the Company so far as it appears from our examination of those 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 in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of written representations received from the directors of the Company and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) *Subject to Note No. 4 of Schedule 17 i.e. provision for commission payable to the Managing Director aggregating to Rs. 200 lakhs, pending approval of the Company in general meeting*, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon, 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, 2010,
    - ii) in the case of the Profit and Loss Account, of the profit 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 **K.R. Bapuji & Co.**  
Firm Registration No. 000395S  
Chartered Accountants

**K.R. Bapuji**  
Partner  
Membership No. 21169

Place: Chennai  
Date: 28th April, 2010

**ANNEXURE TO AUDITORS' REPORT**  
**Re: Lanco Industries Limited**

(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) As explained to us, the fixed assets have been physically verified by the management during the year as per a detailed program drawn for the said purpose, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) No substantial part of the fixed assets of the Company has been disposed off during the year.
- ii) a) As explained to us, the management has conducted physical verification of inventories during the year, except the materials lying with third parties. In our opinion, the frequency of the said verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories. The discrepancies noticed on physical verification of inventories as compared to book records were not material.
- iii) a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (b), (c) and (d) of paragraph 4 of the Order are not applicable.
- b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause (f) and (g) of paragraph 4 of the Order are not applicable.
- 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 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 the said areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements referred to in v(a) above and exceeding the value of Rupees five lakhs with any such party.
- vi) The Company has not accepted any deposits from public covered under Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and Rules framed thereunder.
- vii) In our opinion, the Company's internal audit system is commensurate with its size and nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company relating to the products, where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- ix) a) According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities and there were no undisputed dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
- b) According to the information and explanations given to us, the disputed dues of sales tax, income-tax, customs duty, wealth-tax, excise duty, service-tax and cess, if any, that have not been deposited on account of disputed matters pending before appropriate authorities as at 31st March, 2010 are as follows:

Sl. No.	Name of the Statute	Nature of dues	Amount (Rs. in lakhs)	Period to which it relates	Forum where the dispute is pending
1.	Central Sales Tax Act, 1956	Sales tax	97.61 47.70	1999-00 2005-06	Sales Tax Appellate Tribunal
2.	APGST Act, 1957	-do-	67.52	2002-03	Sales Tax Appellate Tribunal
3.	Income-tax Act 1961	Income-tax	56.11 3.65 0.14	2003-04 2004-05 2006-07	Income Tax Appellate Tribunal -do- Commissioner of Income-tax (Appeals)
4.	Central Excise Act, 1944 —	Central Excise Duty/Interest	17.00 43.00 16.50	2005-06 2006-07 to 2008-09 2007-08	Commissioner (Appeals) -do- CESTAT

- x) The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks or debenture holders.
- xii) According to the information and explanations given to us, the Company has not granted any 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. Therefore, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of paragraph 4 of the Order are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xvi) In our opinion and according to the information and explanations given to us, on overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) Based on the information and explanations given to us and on an overall examination of the cash flow statement and the Balance Sheet of the Company, in our opinion, the funds raised by the Company on short term basis have prima facie not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) According to the information and explanations given to us, during the year, the Company has fully redeemed the secured debentures and there was no fresh issue of debentures during the year. Accordingly, the provisions of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
- xx) The Company has not raised any money through a public issue during the year. Accordingly, the provisions of clause (xx) of paragraph 4 of the Order are not applicable to the Company.
- xxi) Based on the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **K.R. Bapuji & Co.**  
Firm Registration No. 000395S  
Chartered Accountants

**K.R. Bapuji**  
Partner  
Membership No. 21169

Place: Chennai  
Date: 28th April, 2010

## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	31st Mar'10 (Rs. in Lakhs)	31st Mar'09 (Rs. in Lakhs)
<b>I. SOURCE OF FUNDS</b>			
<b>1. Shareholders Funds</b>			
a) Share capital	1	3,976.36	3,976.36
b) Reserves & Surplus	2	13,713.91	8,549.77
<b>2. Loan Funds</b>			
a) Secured Loans	3	26,486.50	33,227.46
b) Unsecured Loans	4	6,130.29	4,878.54
<b>3. Deferred Tax Liability (Net)</b>		<b>3,435.74</b>	<b>3,123.73</b>
<b>TOTAL</b>		<b>53,742.80</b>	<b>53,755.86</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	5	40,286.29	38,974.86
b) Less: Depreciation		12,527.20	10,734.88
c) Net Block		27,759.09	28,239.98
d) Capital Work in Progress		3,441.21	425.37
<b>2. Investments</b>	6	–	–
<b>3. Current Assets, Loans &amp; Advances</b>			
a) Inventories	7	11,519.49	14,436.48
b) Sundry Debtors	8	11,845.80	11,966.16
c) Cash & Bank Balances	9	1,516.42	3,550.27
d) Loans and Advances	10	5,581.47	6,020.93
		<b>30,463.18</b>	<b>35,973.84</b>
<b>Less: Current Liabilities &amp; Provisions</b>	11		
a) Current Liabilities		6,853.94	10,108.38
b) Provisions		1,066.74	774.95
		<b>7,920.68</b>	<b>10,883.33</b>
<b>Net Current Assets</b>		<b>22,542.50</b>	<b>25,090.51</b>
<b>TOTAL</b>		<b>53,742.80</b>	<b>53,755.86</b>
<b>Notes on Accounts</b>	17		

As per our report attached  
For K.R. Bapuji & Co.  
Firm Registration No. 000395S  
Chartered Accountants

K.R. Bapuji  
Partner  
Membership No. 21169  
Place: Chennai  
Date: 28th April, 2010

For and on behalf of the Board

L. Sridhar  
Director  
Mayank Kejriwal  
Managing Director  
G.D. Saini  
Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Year ended 31st Mar'10 (Rs. in Lakhs)	Year ended 31st Mar'09 (Rs. in Lakhs)
<b>INCOME</b>			
Sales (Gross)		71,051.85	68,046.95
Less: Excise Duty		<u>1,993.89</u>	<u>3,575.34</u>
Sales (Net)		69,057.96	64,471.61
Other Income	12	71.93	210.18
Increase / (Decrease) in Stocks	13	<u>503.99</u>	<u>(246.82)</u>
<b>TOTAL</b>		<b><u>69,633.88</u></b>	<b><u>64,434.97</u></b>
<b>EXPENDITURE</b>			
Purchases		640.58	607.33
Raw Materials Consumed	14	37,578.14	39,775.51
Manufacturing & Other Expenses	15	18,761.11	14,979.99
Financial Charges	16	2,061.82	4,607.48
Depreciation		<u>1,794.60</u>	<u>1,641.84</u>
<b>TOTAL</b>		<b><u>60,836.25</u></b>	<b><u>61,612.15</u></b>
<b>Profit Before Tax</b>		8,797.63	2,822.82
Provision for Tax – Current		1,984.16	318.20
MAT Credit Utilised / (Entitlement)		707.49	108.14
Provision for Deferred Tax		312.01	546.78
Provision for Fringe Benefit Tax		–	14.41
<b>Profit After Taxation</b>		<u>5,793.97</u>	<u>1,835.29</u>
Prior Period Adjustment-Taxation		67.99	–
Debenture Redemption Reserve written back		750.00	–
Balance brought forward from previous year		<u>1,143.80</u>	<u>1,242.48</u>
<b>Profit Available for Appropriation</b>		<b><u>7,755.76</u></b>	<b><u>3,077.77</u></b>
<b>APPROPRIATIONS</b>			
Transfer to Debenture Redemption Reserve		–	468.75
Transfer to General Reserve		5,400.00	1,000.00
Proposed Dividend		596.45	397.64
Tax on Dividend		101.37	67.58
Balance Carried to Balance Sheet		<u>1,657.94</u>	<u>1,143.80</u>
		<b><u>7,755.76</u></b>	<b><u>3,077.77</u></b>
Basic & Diluted Earning per Share (Rupees)		14.57	4.62
No. of Shares used in computing Basic & Diluted EPS		39,763,595	39,763,595

### Notes on Accounts 17

As per our report attached  
For K.R. Bapuji & Co.  
Firm Registration No. 000395S  
Chartered Accountants

K.R. Bapuji  
Partner  
Membership No. 21169  
Place: Chennai  
Date: 28th April, 2010

For and on behalf of the Board

L. Sridhar	Director
Mayank Kejriwal	Managing Director
G.D. Saini	Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	2009-10 (Rs. in Lakhs)	2008-09 (Rs. in Lakhs)
<b>A. Cash Flow from operating activities</b>		
Net Profit Before Tax	8,797.63	2,822.82
Adjustments for:		
Interest & Financial Charges	2,061.82	4,607.48
Depreciation	1,794.60	1,641.84
Provision For Doubtful debts & advances	750.00	–
Loss on Sale of Fixed Assets	0.18	4.22
(Profit) / Loss on sale of Investments	(10.25)	(21.27)
Operating Profit before working Capital changes	<u>13,393.98</u>	<u>9,055.09</u>
Adjustments for:		
(Increase) / decrease in Loans & Advances	(310.54)	(731.27)
(Increase) / decrease in Trade & Other Receivables	120.36	(3,151.85)
(Increase) / decrease in Inventories	2,916.99	(2,343.57)
Increase / (decrease) in Trade Payables	(3,157.89)	787.50
Cash Generated from Operations	<u>12,962.90</u>	<u>3,615.90</u>
Direct Taxes Paid	(2,691.65)	(440.76)
Prior period adjustment – Taxation	67.99	–
Cash from Operating Activities	<u>10,339.24</u>	<u>3,175.14</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(4,330.19)	(3,077.18)
Sale of Fixed assets	0.46	16.14
Income on Investments	10.25	21.27
Net Cash From Investing Activities	<u>(4,319.48)</u>	<u>(3,039.77)</u>
<b>C. Cash Flow from Financing Activities</b>		
Long Term Borrowings-Receipts / (Repayments)[Net]	(3,209.90)	(288.78)
Short Term Borrowings-Receipts / (Repayments)[Net]	(2,279.31)	8,291.13
Interest Paid	(2,099.18)	(4,542.33)
Dividend Paid	(397.64)	(397.64)
Tax on Dividend	(67.58)	(67.58)
Net Cash From Financing Activities	<u>(8,053.61)</u>	<u>2,994.80</u>
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	<u>(2,033.85)</u>	<u>3,130.17</u>
Cash & Cash Equivalent as at Beginning of Year	<u>3,550.27</u>	<u>420.10</u>
Cash & Cash Equivalent as at End of Year	<u>1,516.42</u>	<u>3,550.27</u>

As per our report attached  
For K.R. Bapuji & Co.  
Firm Registration No. 000395S  
Chartered Accountants

K.R. Bapuji  
Partner  
Membership No. 21169  
Place: Chennai  
Date: 28th April, 2010

For and on behalf of the Board

L. Sridhar  
Director  
Mayank Kejriwal  
Managing Director  
G.D. Saini  
Company Secretary

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31st Mar'10 (Rs. in Lakhs)	31st Mar'09 (Rs. in Lakhs)
<b>1. SHARE CAPITAL</b>		
Authorised Capital		
5,30,00,000 Equity Shares of Rs. 10/- each	<u>5,300.00</u>	<u>5,300.00</u>
Issued, Subscribed and Paid up Capital 3,97,63,595 Equity shares of Rs. 10 each fully Paid up. (Including 2,67,85,500 Equity shares allotted as fully paid up pursuant to the Scheme of Amalgamation without payment being received in cash)	<u>3,976.36</u>	<u>3,976.36</u>
<b>TOTAL</b>	<u><u>3,976.36</u></u>	<u><u>3,976.36</u></u>

### 2. RESERVES & SURPLUS

	Opening Balance	Additions During the Year	Transfer During the Year	As at 31st Mar' 2010
<b>A. Reserves</b>				
Capital Reserves:				
– Share forfeiture account	0.97			<b>0.97</b>
– State Subsidy	55.00			<b>55.00</b>
Debenture Redemption Reserve	750.00	–	750.00	–
General Reserve	6,600.00	5,400.00	–	<b>12,000.00</b>
	<u>7,405.97</u>	<u>5,400.00</u>	<u>750.00</u>	<b>12,055.97</b>
<b>B. Surplus</b>				
Profit & Loss Account	1,143.80	6,543.97	6,029.83	<b>1,657.94</b>
<b>TOTAL</b>	<u><u>8,549.77</u></u>	<u><u>11,943.97</u></u>	<u><u>6,779.83</u></u>	<u><u>13,713.91</u></u>

	Security as per note	31st Mar'10 (Rs. in Lakhs)	31st Mar'09 (Rs. in Lakhs)
<b>3. SECURED LOANS</b>			
Debentures:			
500 – G-Sec Linked Secured Redeemable Non-Convertible debentures of Rs.10 lakhs each, fully redeemed during the year	1	–	4,250.00
Term Loans from Banks:			
Rupee Loan	2	<b>8,974.68</b>	6,841.00
Foreign Currency Loans	3	–	845.33
Working Capital Facilities from Banks	4		
Rupee Loan		<b>7,356.93</b>	10,709.21
Foreign Currency Loan		<u>10,154.89</u>	<u>10,581.92</u>
<b>TOTAL</b>		<u><u>26,486.50</u></u>	<u><u>33,227.46</u></u>

**Security Notes:**

1. G-Sec Linked Privately Placed Secured Redeemable Non-Convertible Debentures were secured by a Joint Mortgage by deposit of title deeds in respect of certain immovable properties and by English Mortgage on certain immovable properties and hypothecation over movable assets of the Company (other than book debts) subject to prior charge of the Company's Bankers on specified movable assets for working capital requirements and by corporate guarantee of a group Company upto fifty percent of the outstanding amount. These debentures have been fully redeemed during the Year.
2. Rupee term loans from Banks are secured by way of first pari-passu charge on the movable & immovable properties of the Company both present and future subject to prior charge of the Company's Bankers on current assets for working capital requirements. A loan of Rs.4200/- Lakhs included in above is also secured by corporate guarantee of a group Company upto fifty percent of the outstanding amount.
3. Foreign Currency Loan from Banks was secured by way of joint mortgage by deposit of title deeds on certain immovable properties ranking pari-passu with existing lenders and hypothecation over movable assets of the Company (other than book debts) subject to prior charge of the Company's Bankers on specified movable assets for working capital requirements. These loans have been fully paid during the Year.
4. Working Capital facilities are secured by hypothecation of raw material, semi-finished goods and finished goods, consumables, stores and spares, book debts, both present and future of the Company.

	<b>31st Mar'10</b> <b>(Rs. in Lakhs)</b>	31st Mar'09 (Rs. in Lakhs)
<b>4. UNSECURED LOANS</b>		
Sales Tax Deferment (Payable within one year Rs. 901.50 Lakhs, Previous Year Rs. Nil)	<b>4,630.29</b>	4,878.54
Short Term Rupee Loan from a Bank: (Repayable within the year)	<b>1,500.00</b>	–
<b>TOTAL</b>	<b><u>6,130.29</u></b>	<b><u>4,878.54</u></b>

## 5. FIXED ASSETS

(Rs. in Lakhs)

Sl. No.	PARTICULARS NAME OF THE ASSET	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		Cost 1-Apr-09	Additions During the year	Deletions/ Sales During the year	Cost 31-Mar-10	As on 1-Apr-09	For The Year	Adjustments	Total 31-Mar-10	As on 31-Mar-10	As on 31-Mar-09
1	Land	1,483.78	-	-	1,483.78	-	-	-	-	1,483.78	1,483.78
2	Factory Buildings	5,392.71	154.56	-	5,547.27	1,283.11	182.86	-	1,465.97	4,081.30	4,109.60
3	Non-Factory Buildings	611.15	705.84	-	1,316.99	85.58	12.66	-	98.24	1,218.75	525.57
4	Plant & Machinery	27,682.03	330.68	-	28,012.71	7,771.09	1,366.25	-	9,137.34	18,875.37	19,910.94
5	Electrical Installation	2,546.34	76.67	-	2,623.01	1,013.92	122.10	-	1,136.02	1,486.99	1,532.42
6	Office Equipment	354.45	11.82	2.25	364.02	152.48	23.46	1.95	173.99	190.03	201.97
7	Furniture	153.49	3.85	-	157.34	94.12	10.07	-	104.19	53.15	59.37
8	Vehicles	519.75	30.93	0.67	550.01	309.53	39.73	0.33	348.93	201.08	210.22
9	Intangible Assets	231.16	-	-	231.16	25.05	37.47	-	62.52	168.64	206.11
	<b>TOTAL</b>	<b>38,974.86</b>	<b>1,314.35</b>	<b>2.92</b>	<b>40,286.29</b>	<b>10,734.88</b>	<b>1,794.60</b>	<b>2.28</b>	<b>12,527.20</b>	<b>27,759.09</b>	<b>28,239.98</b>
	Previous year figures	35,516.23	3,513.82	55.19	38,974.86	9,127.88	1,641.84	34.84	10,734.88	28,239.98	

31st Mar'10  
(Rs. in Lakhs)31st Mar'09  
(Rs. in Lakhs)

## 6. INVESTMENTS

**TOTAL**

-

-

-

-

Units of Mutual Funds purchased and sold during the year (Face value Rs. 10/- each except otherwise stated):

Particulars	Purchase		Sales
	Nos.	Value Rs. in lakhs	Nos.
ICICI Prudential Flexible Income Plan Regular (Units of Rs.100/- each)	74,863.15	75.00	74,863.15
HDFC Cash Management Fund - Saving Plan	94,365,543.75	10035.00	94,365,543.75
HDFC Cash Management Fund - Treasury Advantage Plan	127,543,619.66	12786.46	127,543,619.66
<b>TOTAL</b>	<b>221,984,026.56</b>	<b>22896.46</b>	<b>221,984,026.56</b>

31st Mar'10  
(Rs. in Lakhs)31st Mar'09  
(Rs. in Lakhs)

## 7. INVENTORIES

(Note 1 (F) of Schedule 17)

Stores & Spares	3,344.87	2,882.46
Raw Materials	5,778.80	9,662.19
Work in process	1,396.49	998.48
Finished Goods and By-Products	999.33	893.35
<b>TOTAL</b>	<b>11,519.49</b>	<b>14,436.48</b>

	31st Mar'10 (Rs. in Lakhs)	31st Mar'09 (Rs. in Lakhs)
<b>8. SUNDRY DEBTORS-UNSECURED</b>		
Exceeding six months:		
– Considered Good	666.50	226.97
– Considered Doubtful	162.81	162.81
	<u>829.31</u>	<u>389.78</u>
Other Debts	11,179.30	11,739.19
	<u>12,008.61</u>	<u>12,128.97</u>
Less: Provision for doubtful debts	162.81	162.81
<b>TOTAL</b>	<u><u>11,845.80</u></u>	<u><u>11,966.16</u></u>
<b>9. CASH AND BANK BALANCES</b>		
Cash on hand	4.60	4.28
Balance with Scheduled Banks:		
– Current Accounts	1,293.31	3,446.48
– Deposit Accounts	201.43	86.61
– Unpaid Dividend Account	17.08	12.90
<b>TOTAL</b>	<u><u>1,516.42</u></u>	<u><u>3,550.27</u></u>
<b>10. LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for Value to be received – Unsecured [Net of Rs.4338 Lakhs, (Previous Year Rs. 4545.48) received from Associate Company]		
– Considered good	4,544.62	4936.86
– Considered Doubtful	750.00	–
Advance Income Tax (Net of Provision)	132.71	29.97
MAT Credit Entitlement	–	640.98
Balance with Excise authorities	904.14	413.12
	<u>6,331.47</u>	<u>6,020.93</u>
Less: Provision for Doubtful Advances	750.00	–
<b>TOTAL</b>	<u><u>5,581.47</u></u>	<u><u>6,020.93</u></u>
<b>11. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A. Current Liabilities</b>		
Sundry Creditors (Note 6 of Schedule 17)	5,919.98	9,343.88
Advances from Customers	867.71	665.07
Interest Accrued but not due	49.17	86.53
Unclaimed Dividend *	17.08	12.90
	<u>6,853.94</u>	<u>10,108.38</u>
<b>B. Provisions</b>		
Staff Benefit	368.92	309.73
Proposed Dividend	596.45	397.64
Tax there on	101.37	67.58
	<u>1,066.74</u>	<u>774.95</u>
<b>TOTAL</b>	<u><u>7,920.68</u></u>	<u><u>10,883.33</u></u>

\*The same is not due for payment to Investors Education and Protection Fund.

	Year ended 31st Mar'10 (Rs. in Lakhs)	Year ended 31st Mar'09 (Rs. in Lakhs)
<b>12. OTHER INCOME</b>		
Profit on Sale of Current Investments	10.25	21.27
Miscellaneous Income	61.68	188.91
<b>TOTAL</b>	<b>71.93</b>	<b>210.18</b>
<b>13. INCREASE / (DECREASE) IN STOCKS</b>		
Closing Stock		
Work in process	1,396.49	998.48
Finished Goods	999.33	893.35
	<u>2,395.82</u>	<u>1,891.83</u>
Less: Opening Stock		
Work in process	998.48	927.17
Finished Goods	893.35	1,211.48
	<u>1,891.83</u>	<u>2,138.65</u>
<b>TOTAL</b>	<b>503.99</b>	<b>(246.82)</b>
<b>14. RAW MATERIALS CONSUMED</b>		
Opening Stock	9,662.19	7,452.40
Add: Purchases	34,335.33	42,592.63
	<u>43,997.52</u>	<u>50,045.03</u>
Less: Cost of materials sold	640.58	607.33
	<u>43,356.94</u>	<u>49,437.70</u>
Less: Closing Stock	5,778.80	9,662.19
<b>TOTAL</b>	<b>37,578.14</b>	<b>39,775.51</b>

	Year ended 31st Mar'10 (Rs. in Lakhs)	Year ended 31st Mar'09 (Rs. in Lakhs)
<b>15. MANUFACTURING EXPENSES</b>		
Power & Fuel	1,598.63	1,034.68
Stores & Spares Consumed	8,368.23	8,026.71
Handling & Transport charges	999.40	1,030.32
Salaries, Wages, Bonus and Other Benefits	2,192.77	1,823.54
Contribution to Provident and Other Fund	196.26	150.34
Employees Welfare	201.87	168.87
Directors' Remuneration (Note No. 4 of Schedule-17)	206.40	7.20
Rent	35.05	31.93
Rates & Taxes (including Wealth Tax Rs. 0.42 Lakhs, Previous year 0.30 Lakhs)	71.19	88.00
Insurance	153.54	109.47
Freight, Packing, Forwarding & LD Charges	639.04	62.31
Commission to Selling Agents	910.83	929.39
(Profit)/Loss on sale of fixed Assets	0.18	4.22
Repairs & Maintenance:		
– Plant & Machinery	1,289.27	556.10
– Buildings	91.18	57.78
– Others	0.66	8.09
Provision for doubtful debts & advances	823.50	–
Auditors' Remuneration:		
– Audit fee	2.75	2.75
– Tax Audit	1.25	1.25
– Certification fee	0.66	0.30
– Out of Pocket Expenses	0.07	0.28
Bad debts written off	73.50	69.21
Less: Transferred from Bad Debts Provision	(73.50)	(69.21)
Donations	61.58	2.73
Miscellaneous Expenses	916.80	883.73
<b>TOTAL</b>	<b>18,761.11</b>	<b>14,979.99</b>
<b>16. INTEREST &amp; FINANCIAL CHARGES</b>		
Interest on Debentures	235.04	533.98
Interest on Term loans	1,097.75	721.47
Interest on Working Capital	937.43	2,510.19
Financial Charges	255.79	288.17
(Gain)/Loss on Foreign Exchange	(183.10)	714.10
Sub-Total	2,342.91	4,767.91
Less: Interest Earned	281.09	160.43
(TDS Rs. 4.27 Lakhs, Previous Year Rs. 4.24 Lakhs)		
<b>TOTAL</b>	<b>2,061.82</b>	<b>4,607.48</b>

## 17. NOTES ON ACCOUNTS

### 1. Significant Accounting Policies

#### A) General

The financial statements are prepared under the historical cost convention in accordance with the provisions of the Companies Act, 1956 and materially comply with the mandatory Accounting Standards issued by The Institute of Chartered Accountants of India except to the extent disclosed in the following notes.

#### B) Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the Balance Sheet date and the reported amounts of income and expenses during the year.

Contingencies are recorded when it is probable that a liability will be incurred and the amounts can reasonably be estimated. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

#### C) Fixed Assets and Depreciation

##### 1) Tangible Assets

##### i) Gross Block

- a) Fixed Assets are stated at cost of acquisition inclusive of inland freight, duties and taxes and incidental expenses related to acquisition with due adjustments for Cenvat / Vat credits.
- b) Capital Work-in-progress includes Machinery to be installed, Construction & Erection Materials and Advances and unallocated pre-operative expenses etc.

##### ii) Depreciation

- a) Depreciation is provided on fixed assets used during the year under Straight Line Method at the rates specified in the Schedule XIV of the Companies Act, 1956.
- b) Assets acquired and costing Rs.5000/- or less are being depreciated fully in the year of addition/ acquisition.

##### 2) Intangible Assets

Intangible assets are stated at cost of acquisition less accumulated amortization. This includes computer software packages (ERP and others). Amortization are done on straight line basis at the rates specified in the Schedule XIV of the Companies Act, 1956.

#### D) Sales

Sales include excise duty, wherever applicable and rebate, discounts, claims, expenses incurred on consignment sales etc., are excluded there from. Sales on consignment and expenses there against are being accounted for on receipt of account sales from the respective consignee.

#### E) Investments

Long Term Investments are stated at cost less permanent diminution, if any, in value. Current Investments are carried at lower of cost or fair value.

#### F) Inventories

- i) Inventories are valued at lower of the cost or net realizable value. Cost in respect of raw materials, Stores and Spares have been calculated on weighted average basis, which includes expenses incidental to procurement of the same.
- ii) By-Products are valued at net realizable value.
- iii) Cost in respect of finished goods includes manufacturing expenses, factory and administrative overheads and excise duty.
- iv) Cost in respect of work-in-progress represents, cost incurred upto the stage of completion.

**G) Revenue Recognition**

All expenses and income to the extent considered payable and receivable respectively unless specifically stated to be otherwise are accounted for on mercantile basis

**H) Foreign Currency Transactions**

Foreign currency assets and liabilities are translated at exchange rates prevailing at the year end. The loss or gain thereon and also on exchange differences on settlement of the foreign currency transactions during the year are adjusted to the Profit and Loss Account. The difference between the forward rate and exchange rate at the date of transaction is recognized as income or expense over the life of the contracts.

**I) Retirement Benefits**

- i) Provident & Family Pension Fund: In accordance with the provisions of the Employee Provident Funds and Miscellaneous Provisions Act, 1952, eligible employees of the company are entitled to receive benefits with respect to provident fund, a defined contribution plan in which both the Company and employee contribute monthly to Provident Fund Scheme by the Central Government at a determined rate and the Company's contribution is charged off to the Profit & Loss Account.
- ii) Leave Encashment Benefits: Leave encashment benefits payable to employees while in service, retirement and death while in service or on termination of employment with respect to accumulated leaves outstanding at the year end are accounted for on basis of actuarial valuation at the balance sheet date. The present value of such obligation is determined by the projected unit credit method as at the balance sheet date through which the obligations are settled. The resultant actuarial gain or loss on change in present value of defined benefit obligation or change in return of the plan assets is recognized as an income or expense in the Profit and Loss Account.
- iii) Gratuity: Contributions under the scheme for defined benefit under the Payment of Gratuity Act, 1972, is determined on the basis of actuarial valuation and are funded to Life Insurance Corporation of India and recognized as year's expenditure.

**J) Miscellaneous Expenses**

Preliminary Expenses and expenditure in connection with issue of shares are being written off over a period of ten years or earlier.

**K) Borrowing Costs**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

**L) Contingent Liabilities**

Contingent liabilities are generally not provided for and are disclosed by way of notes to the accounts.

**M) Segment Reporting**

The accounting policies adopted for segment reporting are in line with the accounting policies adopted in financial statements.

**N) Export Benefits**

Export benefits arising on account of entitlement for duty free imports are accounted for through import of materials. Such benefits under Duty Entitlement Pass Books are accounted for on accrual basis.

**O) Government Grants & Other Claims**

Revenue grants including subsidy/rebates, refunds, claims etc., are credited to Profit and Loss Account under 'Other Income' or deducted from the related expenses. Grants relating to fixed assets are credited to Capital Reserve Account or adjusted in the cost of such assets as the case may be, as and when the ultimate realizability of such grants etc., are established/ realized.

**P) Income Tax**

Provision for Tax is made for both current and deferred taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent periods are recognized using tax rates and tax laws, which have been enacted or substantively enacted.

**Q) Derivative Instruments**

Derivative transactions of Interest and Foreign Currency Swap and Option contracts are accounted for on their settlement and accordingly the gains / losses arising there from are recognized in the Profit & Loss Account as and when the settlement takes place in accordance with the terms of respective contracts.

**2. Contingent Liabilities not provided for**

	<b>2009-10</b> <b>(Rs. in Lakhs)</b>	2008-09 (Rs. in Lakhs)
a) Guarantees given by banks on behalf of the Company	<b>1,269.29</b>	1,214.16
b) Bills discounted with banks	–	591.58
c) Various demands raised, which in the opinion of the management are not tenable and are pending with various forums / authorities:		
i) Sales Tax	<b>826.28</b>	713.41
ii) Excise Custom Duty & Service Tax	<b>103.50</b>	4,313.00
iii) Income Tax	<b>59.76</b>	3.07

**3. Estimated amount of Capital contracts not provided for (net of advances)**

<b>2,055.00</b>	385.88
-----------------	--------

**4. Directors' Remuneration**

– Commission to Managing Director	<b>200.00</b>	–
– Directors' Sitting Fees	<b>6.40</b>	7.20

**Computation of Commission payable to Managing Director**

	<b>Year ended 31.03.2010</b>	
	<b>(Rs. in Lakhs)</b>	<b>(Rs. in Lakhs)</b>
Profit before tax	–	<b>8,797.63</b>
Add: Directors' Remuneration	<b>206.40</b>	
Loss on sale of fixed assets	<b>0.18</b>	
Wealth Tax paid	<b>0.42</b>	
		<b>207.00</b>
		<b>9,004.63</b>
Less: Profit on sale of investments		<b>10.25</b>
Net Profit for the purposes of Directors' Commission		<b>8,994.38</b>
Commission @ 3% i.e., Rs. 269.83 lakhs subject to a ceiling of Rs. 200 lakhs		<b>200.00</b>

The commission of Rs. 200 lakhs payable to Mr. Mayank Kejriwal, Managing Director is subject to the approval of the shareholders in the Annual General Meeting of the Company. Pursuant to Section 198 and other applicable provisions of the Companies Act, 1956, necessary steps are being taken for approval by the shareholders in the ensuing Annual General Meeting of the Company.

5. In the opinion of the Management, Current Assets and Loans & Advances have the value at which these are stated in the Balance Sheet, if, realized in the ordinary course of business, unless otherwise stated and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.
6. Disclosure of Sundry Creditors under current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" (the Act). There are no delays in payment made to such suppliers and there are no overdue amounts outstanding as at the Balance Sheet date. Based on the above, the relevant disclosure u/s 22 of Act are as follows:

	Rs. in lakhs
Principal amount outstanding at the end of the year	Nil
Interest amount due at the end of the year	Nil
Interest Paid to suppliers	Nil

7. Interest during construction and pre-operative expenses allocated to Fixed Assets added during the year is as follows:

	2009-10 (Rs. in Lakhs)	2008-09 (Rs. in Lakhs)
Interest	51.20	131.75
Salaries, Wages, Gratuity & other Benefits	38.38	27.13
Bank Charges	-	64.00

8. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

(Rs. in Lakhs)

<b>Defined Contribution Plan:</b>	31.3.2010		31.3.2009	
Employer's Contribution to Provident Fund	126.28		105.45	
	Benefits			
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
<b>Present Value of Obligations:</b>				
Balance as at the beginning of the year	169.57	169.76	124.33	137.93
Service Cost	27.94	32.74	22.01	27.29
Interest Cost	13.56	13.40	9.95	10.57
Benefits Paid	-4.69	-4.59	-9.81	-11.53
Actuarial (Gain) / Loss	15.45	3.48	23.09	5.50
Balance as at the closing of the year	221.83	214.79	169.57	169.76
<b>Fair Value of Plan of Assets:</b>				
Balance as at the beginning of the year	149.61	-	121.06	-
Expected Return of Plan Assets	17.62	-	13.08	-
Actuarial (Gain) / Loss	-	-	-	-
Contributions	47.88	4.59	25.28	11.53
Benefits Paid	-4.69	-4.59	-9.81	-11.53
Balance as at the closing of the year	210.42	-	149.61	-

<b>Reconciliation of fair value of assets and obligations:</b>				
Fair Value of Plan of Assets	<b>210.42</b>	–	149.61	–
Present Value of Obligations	<b>221.83</b>	<b>214.79</b>	169.56	169.76
Amount recognized in Balance Sheet	<b>11.41</b>	<b>214.79</b>	19.95	169.76
<b>Expenses recognized during the year:</b>				
Current Service Cost	<b>27.94</b>	<b>32.74</b>	22.01	27.29
Interest Cost	<b>13.56</b>	<b>13.40</b>	9.95	10.57
Expected Return of Plan Assets	<b>-17.62</b>	–	-13.08	–
Actuarial (Gain) / Loss	<b>15.45</b>	<b>3.48</b>	23.09	5.50
Net Cost	<b>39.33</b>	<b>49.62</b>	41.97	43.36
<b>Investment Details:</b>				
Funds Managed by the Insurer	<b>100%</b>	<b>0%</b>	100%	0%
Others	<b>0%</b>	<b>0%</b>	0%	0%
Total	<b>100%</b>	<b>0%</b>	100%	0%
<b>Actuarial Assumptions:</b>				
Mortality Table (LIC)	<b>1994-96 (ultimate)</b>		1994-96 (ultimate)	
Discount Rate (per annum)	<b>8%</b>	<b>8%</b>	8%	8%
Expected Return of Plan Assets (per annum)	<b>8%</b>	<b>0%</b>	8%	0%
Rate of escalation in salary (per annum)	<b>7%</b>	<b>15%</b>	7%	15%

9. Balances of Sundry Debtors / Creditors are subject to confirmation and reconciliation, if any.

#### 10. Segment Reporting

The Company's main business is manufacturing and selling pipes. In addition, the Company is also manufacturing & selling cement, Producing power & LAM Coke for captive use, which does not qualify as a reportable segment as per Accounting Standard –17 on segment reporting issued by the Institute of Chartered Accountants of India. Accordingly, in the opinion of the management, Pipes is the only reportable segment.

#### 11. Disclosure of Related Parties / Related Party Transactions

Name of the Related Parties with whom transactions were carried out during the year and description of relationship:

a) Associate Company:

M/s Electrosteel Castings Limited

b) Key Management Personnel & their relatives (KMP):

Shri Mayank Kejriwal, Managing Director

c) Enterprise where KMP / relatives of KMP have significant influence or control

Lanco Hills Technology Park Private Limited+

## Disclosure of Related Party Transactions (Rs. in Lakhs):

Sl. No.	Nature of Transactions	Associate Company	Key Management Personnel	KMP have control
1.	Sale of Goods	4781.96	Nil	0.33
2.	Trade Receivables	347.57	Nil	Nil
3.	Purchase of Goods	1843.69	Nil	Nil
4.	Interest received (net)	36.33	Nil	Nil
5.	Paid for other services	18.89	Nil	Nil
6.	Deposit received & outstanding	4338.00	Nil	Nil
7.	Remuneration – Mr. Mayank Kejriwal	Nil	200.00	Nil

+ Shri L. Madhusudhan Rao, Shri L. Sridhar and Shri G. Bhaskara Rao the Directors of the Company are interested in Lanco Hills Technology Park Private Limited.

## 12. Break-up of deferred tax assets and deferred tax liabilities:

(Rs. in Lakhs)

Particulars	Opening as on 01.04.2009	(Charge) or Credit During the year	Closing as on 31.03.2010
Deferred Tax Assets	357.85	52.50	<b>410.35</b>
Deferred Tax Liabilities	(3481.58)	(364.51)	<b>(3846.09)</b>
Net Deferred Tax Assets / (Liabilities)	(3123.73)	(312.01)	<b>(3435.74)</b>

13. As stipulated in AS-28, the Company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing business are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly, the management is of the view that no impairment provision is called for in these accounts.

14. Fixed deposits with scheduled banks are lodged with Government Departments, Customers and Banks.

## 15. a) Category wise outstanding derivatives contracts entered for hedging as on 31st March 2010

Sl. No.	Category	Currency	Current Year		Previous Year		Underlying Purpose
			No. of Deals	Amount In US\$	No. of Deals	Amount In US\$	
1	Forward	USD/INR	5	40,49,915	7	1,65,89,689	Buyers Credit
2	Option	USD/INR	1	10,00,000	2	40,00,000	Buyers Credit

## b) Un-hedged foreign Currency Exposures as on 31st March 2010

Sl. No.	Nature	Currency	Current Year	Previous Year
1	ECB	USD	Nil	16,66,667
2	Imports	USD	Nil	1,94,114
3	Buyers Credit & interest	USD	1,63,76,568	5,67,924
4	Capital Goods & Interest	USD	11,50,350	Nil

**16. Information in respect of goods produced / manufactured (in MT)**

ITEMS	2009-10		2008-09	
	Installed Capacity \$	Production	Installed Capacity	Production
D.I. Spun Pipes	1,80,000	1,49,604	1,80,000	1,23,422
Pig Iron *	1,50,000	1,58,503	1,50,000	1,48,433
Cement +	90,000	68,476	90,000	86,812
Coke **	1,50,000	1,02,862	1,50,000	1,13,052

\$ As certified by the Management.

\* includes 1,54,897 M.T. (Previous year 1,36,137 M.T.) used for captive consumption.

+ Includes 13,963 M.T. (Previous Year 10,087 M.T.) used for Captive Consumption.

\*\* For captive consumption.

Licensed Capacity is not applicable in terms of Government of India's Notification No. S.O. 477 (E) dated 25th July 1991.

**17. Turnover, Closing and Opening Stocks**

Product	Year	Turnover		Closing Stock		Opening Stock	
		MT	Rs. Lakhs	MT	Rs. Lakhs	MT	Rs. Lakhs
D.I. Spun Pipes	2009-10	149805	63,772.68	1835	540.39	2036	720.59
	2008-09	123345	53,143.92	2036	720.59	1959	573.38
Pig Iron & Molten Metal	2009-10	157220*	455.91	1416	195.07	133	15.75
	2008-09	149970*	3994.73	133	15.75	1670	289.90
Cement	2009-10	68704+	1873.82	324	6.75	552	12.63
	2008-09	87008+	2816.52	552	12.63	748	13.09
Scrap & By Products	2009-10	-	2,820.78	-	257.12	-	144.38
	2008-09	-	5,909.86	-	144.38	-	335.11
Others	2009-10	-	2,128.66\$	-	-	-	-
	2008-09	-	2,181.92\$	-	-	-	-
<b>Total</b>	2009-10	-	71,051.85	-	999.33	-	893.35
	2008-09	-	68,046.95	-	893.35	-	1,211.48

\* Includes 1,54,897 M.T. (Previous Year 1,36,137 MT) used for Captive Consumption.

+ Includes 13,963 M.T. (Previous Year 10,087 MT) used for Captive Consumption.

\$ Includes sale of purchased coal Rs. 329.12 lakhs (4470 M.T.) and others Rs. 311.46 lakhs {Previous Year Coke: Rs. 595.80 lakhs (2369 MT), Others Rs. 39.12 lakhs}.

**18. Raw Materials Consumed**

	2009-10		2008-09	
	MT	Rs. in Lakhs	MT	Rs. in Lakhs
Coke	3,370	808.43	7,524	1,539.67
Iron Ore	2,96,882	9,487.43	3,02,064	10,076.04
Coking Coal	1,85,155	20,253.94	1,72,456	20,720.35
Others	-	7,028.34	-	7,439.45
<b>Total</b>		37,578.14		39,775.51



## SCHEDULE-VI

## PART-IV

## BALANCE SHEET ABSTRACT AND COMPANY BUSINESS PROFILE

## I. Registration Details

Registration No. 

1	3	3	9	1
---	---	---	---	---

 State Code 

0	1
---	---

  
 Balance Sheet Date 

3	1
---	---

0	3
---	---

2	0	1	0
---	---	---	---

  
 Date Month Year

## II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Bonus Issue

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Right Issue

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Private Placement

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

## III. Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)

Total Liabilities

			5	3	7	4	2	8	0
--	--	--	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital

			3	9	7	6	3	6
--	--	--	---	---	---	---	---	---

Secured Loans

			2	6	4	8	6	5	0
--	--	--	---	---	---	---	---	---	---

Deferred Tax Liability (Net)

			3	4	3	5	7	4
--	--	--	---	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

			3	1	2	0	0	3	0
--	--	--	---	---	---	---	---	---	---

Net Current Assets

			2	2	5	4	2	5	0
--	--	--	---	---	---	---	---	---	---

Total Assets

			5	3	7	4	2	8	0
--	--	--	---	---	---	---	---	---	---

Reserves &amp; Surplus

			1	3	7	1	3	9	1
--	--	--	---	---	---	---	---	---	---

Unsecured Loans

			6	1	3	0	2	9
--	--	--	---	---	---	---	---	---

Investments

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Misc. Expenditure

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

Profit &amp; Loss Account

										N	I	L
--	--	--	--	--	--	--	--	--	--	---	---	---

## IV. Performance of the Company (Amount in Rs. Thousands)

Turnover (Gross Revenue)

			7	1	1	2	3	7	8
--	--	--	---	---	---	---	---	---	---

Profit / Loss before Tax

+ / -

<input checked="" type="checkbox"/>			8	7	9	7	6	3
-------------------------------------	--	--	---	---	---	---	---	---

(Please tick appropriate box (+) for Profit, (-) for Loss)

Earning per share in Rs.

			1	4	.	5	7
--	--	--	---	---	---	---	---

Total Expenditure

			6	2	3	2	6	1	5
--	--	--	---	---	---	---	---	---	---

Profit / Loss after Tax

+ / -

<input checked="" type="checkbox"/>			5	7	9	3	9	7
-------------------------------------	--	--	---	---	---	---	---	---

Dividends Rate %

										1	5
--	--	--	--	--	--	--	--	--	--	---	---

## V. Generic Name of principal product / Service of Company (as per monetary terms);

Item Code No.: (ITC Code)

			7	3	0	3	.	0	0
--	--	--	---	---	---	---	---	---	---

			2	5	0	2	.	2	9
--	--	--	---	---	---	---	---	---	---

Production Description

	D	.	I	.	P	I	P	E	S
--	---	---	---	---	---	---	---	---	---

			C	E	M	E	N	T
--	--	--	---	---	---	---	---	---

For and on behalf of the Board

L. Sridhar

Director

Mayank Kejriwal

Managing Director

G.D. Saini

Company Secretary

## LANCO INDUSTRIES LIMITED

Regd. Office: Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P. India

### NOTICE

NOTICE is hereby given that Eighteenth Annual General Meeting of Lanco Industries Limited will be held at the Registered Office of the Company at Rachagunneri, Srikalahasthi Mandal, Chittoor District, Andhra Pradesh on Wednesday, the 25th day of August, 2010 at 11.30 A.M. to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010 and Profit & Loss Account for the year ended as on that date, together with the Auditors' Report and Directors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri L.Madhusudhan Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri G.Bhaskara Rao who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and fix their remuneration and for this purpose to consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"Resolved that M/s K.R. Bapuji & Co., Chartered Accountants (Registration No. 000395S), Hyderabad be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting of the Company at a remuneration to be decided mutually between the Board of Directors and the Auditors including reimbursement of out of pocket expenses".

#### AS SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
"Resolved that in partial modifications of the earlier resolution passed by the members of the Company on 27th August, 2007 and in accordance with the provisions of Sections 198, 269, 309, 310 & 311 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any statutory amendments or re-enactment thereof, and subject to such other approvals, as may be necessary, approval of the Company be and is hereby accorded for payment of remuneration to Shri Mayank Kejriwal, Managing Director of the Company during the remaining period of his tenure with effect from the Financial Year 2009-10.

**Commission:** Commission not exceeding 3% on the net profits of the Company computed in the manner prescribed under Sections 349 & 350 of the Companies Act, 1956 for the relevant Financial Year subject to a maximum limit to be decided by the Board every year and subject to the overall ceiling stipulated in Sections 198 & 309 of the Companies Act, 1956 read with Schedule XIII."

By Order of the Board  
For **Lanco Industries Limited**

Place: Chennai  
Dated: 28th April, 2010

**G.D. Saini**  
Sr. General Manager – Finance  
& Company Secretary

**Notes:**

1. The relative Explanatory Statement setting out material facts pursuant to Section 173 (2) of the Companies Act, 1956, relating to Item No. 6 is annexed hereto.
2. The information required to be provided under the Listing Agreement entered into with Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed is annexed to this Notice.
3. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, instead of himself / herself. The proxy, so appointed, need not be a member of the Company. In order to be effective, the proxy form(s) duly completed and signed should reach the registered office of the Company at least 48 hours before the commencement of the meeting.
4. The dividend, if declared, will be paid to those members whose names appear on the Register of Members of the Company as on 25th August, 2010.
5. The register of members and transfer books of the Company will remain closed from 19th August, 2010 to 25th August, 2010 (both days inclusive).
6. Members are requested to notify any change in their addresses to the Company.
7. Members desiring to seek any information / clarification on the annual accounts are requested to write to the Company at least 7 days before the Annual General Meeting.
8. Pursuant to the provisions of Section 205 A of the Companies Act, 1956, as amended, dividend for the financial year ended 31st March, 2004, on remaining unpaid for a period of 7 years will be transferred to the Investor Education and Protection Fund established by the Central Government by 30th August, 2011. Shareholders who have not encashed the dividend warrants so far for the financial year ended on 31st March, 2004 are requested to make their claim to the Company at Lanco Industries Limited, Rachagunneri – 517 641, Srikalahasthi Mandal, Chittoor Dist. AP before 20th August, 2011. It may also be noted that once the unclaimed dividend is transferred to the fund as above, no claim shall lie in respect thereof.

**ANNEXURE TO THE NOTICE****Explanatory Statement under Section 173 (2) of the Companies Act, 1956:**

As required by Section 173(2) of the Companies Act, 1956, the following explanatory statement sets out material facts relating to the Special Business of the accompanying Notice dated 28th April, 2010.

**Item No. 6**

Shri Mayank Kejriwal, aged 56 years was appointed as Managing Director of the Company for a period of 5 years effective from 30th April, 2007. He is also the Joint Managing Director of M/s. Electrosteel Castings Limited. Initially, to enable the Company to generate revenue, he was not taking any remuneration from the Company. However, it is now considered to be appropriate that a commission not exceeding 3% on net profits of the Company computed in the manner provided under sections 349 & 350 of the Companies Act, 1956 subject to a maximum amount to be decided by the Board every year, be fixed as his remuneration from the financial year 2009-10 till the period of his tenure.

Under the able leadership of Shri Mayank Kejriwal, the Company has attained new heights and achieved its best ever financial performance during the Financial Year 2009-10. Shri Mayank Kejriwal has rich experience of the industry and he is also the Joint Managing Director of M/s. Electrosteel Castings Limited. In the meeting held on 28th April, 2010, your Directors have approved the remuneration payable to him as above for the Financial Year 2009-10 and remaining period of his tenure pursuant to provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

The remuneration payable to Shri Mayank Kejriwal requires the approval of the members. Shri Mayank Kerjiwal holds Directorship in various limited Companies viz., Electrosteel Castings Limited, Electrosteel Thermal Power Limited, Elcast Finance Limited, Escal Finance Services Limited, Electrosteel Thermal Coal Limited, Murari Investment and Trading Co. Ltd., Cellour Vyapaar Ltd., Electrocast Sales India Ltd., Malay Commercial Company Ltd., G.K. Investments Ltd., Uttam Commercial Company Ltd. and Axis Steels Ltd.

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

The above may also be considered as disclosure required under Section 302 of the Companies Act, 1956.

By Order of the Board  
For **Lanco Industries Limited**

Place: Chennai  
Dated: 28th April, 2010

**G.D. Saini**  
Sr. General Manager – Finance  
& Company Secretary

**Information required to be furnished as per the listing agreement:**

As required under the listing agreement, the particulars of Directors who are proposed to be appointed / re-appointed are given below:

Name of Director(s)	Shri L. Madhusudhan Rao	Shri G. Bhaskara Rao
Date of Birth	8th January, 1966	1st June, 1954
Date of Appointment	1st November, 1991	1st November, 1991
Qualifications	M.Tech. & M.S.	M.E.
Special Expertise	Techno-Economic Expert.	Techno-Economic Expert.
Directorship in other Public Limited Companies.	(1) Lanco Infratech Ltd. (2) Aban Power Company Ltd. (3) Udupi Power Corporation Ltd. (4) Lanco Power Trading Ltd. (5) Lanco Net Ltd. (6) Lanco Amarkantak Power Ltd. (7) Lanco Anpara Power Ltd.	(1) Lanco Infratech Ltd. (2) Udupi Power Corporation Ltd. (3) Aban Power Company Ltd. (4) Lanco Amarkantak Power Ltd. (5) Lanco Group Ltd. (6) Lanco Power Trading Ltd. (7) Lanco Anpara Power Ltd. (8) Lanco Babandh Power Ltd.
Audit Committee	Member: Lanco Amarkantak Power Limited	Chairman: (1) Lanco Anpara Power Ltd. (2) Lanco Amarkantak Power Limited (3) Lanco Group Limited Member: Lanco Infratech Ltd.
Remuneration Committee	–	–
Shareholders / Grievances Committee	–	–

# LANCO INDUSTRIES LIMITED

Regd. Office: Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P. India.

## PROXY FORM

Proxy No.

Folio No.

No. of Shares

Client ID No.

DP ID No.

I/We ..... of.....

being a member/members of Lanco Industries Limited hereby appoint.....of

.....or failing him.....of.....as my/our

proxy to attend and vote for me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Wednesday, the 25th day of August, 2010 at 11.30 A.M. at the Registered Office of the Company at Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P., India and at any adjournment thereof.

Signed this ..... day of ..... 2010.

Signature .....

Affix Rs. 1  
Revenue  
Stamp

### Notes:

- 1) Proxy Form should be signed across the stamp as per specimen signature(s) registered with the Company.
- 2) In order to be effective, Proxy Form must reach the Company's Registered Office not less than 48 hours before the meeting.

Cut Here

# LANCO INDUSTRIES LIMITED

Regd. Office: Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P. India.

## ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the meeting VENUE.

I hereby record my presence at the Eighteenth Annual General Meeting of the Company at the Registered Office of the Company at Rachagunneri-517641, Srikalahasthi Mandal, Chittoor District, A.P. India at 11.30 AM on Wednesday, the 25th day of August, 2010.

NAME OF THE MEMBER(S) IN BLOCK LETTERS:

FOLIO NO. / DP ID NO. – CLIENT ID NO.:

NO. OF SHARES:

SIGNATURE OF THE MEMBER(S) OR PROXY:

### Notes:

- 1) Interested Joint Members may obtain attendance slips from the Registered Office of the Company.
- 2) Members / Joint Members / Proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance.





Shri G S Rathi, Director of the Company, handing over the cheque to Shri Konijeti Rosaiah, Hon'ble Chief Minister of Andhra Pradesh for Cyclone Relief Fund



Neighbouring villagers at the free eye camp organised by the company at its plant on 26th January 2010



Regd. Office & Works:  
Rachagunneri-517 641, Srikalahasthi Mandal  
Chittoor District, Andhra Pradesh