



LANCO INDUSTRIES LIMITED

Annual Report 2012-2013

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 S.Y. Rajagopalan
Shri R.K. Khanna
Shri L. Madhusudhan Rao
Shri G. Bhaskara Rao
Shri L. Sridhar
Shri A. Joseph Kumar (Nominee of IDBI)
Shri K. Rajendra Prasad (Nominee of APIDC)

MANAGING DIRECTOR

Shri Mayank Kejriwal

**CHIEF FINANCIAL OFFICER
& 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
Yes 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 21st Annual Report and Audited Accounts of your Company for the year ended 31st March, 2013.

FINANCIAL RESULTS:

Particulars	Rs. in Lakhs	
	2012-13	2011-12
Gross revenue from operations	89,762.13	82,384.79
Net revenue from operations	86,388.93	78,700.02
Other income	1,002.43	842.12
Total Revenue	87,391.36	79,542.14
Earning Before Interest, Depreciation, Taxation & Amortisation (EBITDA)	6,127.57	7,368.64
Finance Costs	6,041.80	5,786.10
Depreciation	2,218.42	1,999.33
Profit/(Loss) Before Taxation	(2,132.65)	(416.79)
Less: Tax including Deferred Tax	(823.03)	(21.56)
Profit/(Loss) After Taxation	(1,309.62)	(395.23)
Profit Brought Forward from Previous Year	1,154.15	1,608.28
Prior Period Adjustment – Taxation	–	(58.90)
Balance Carried Forward to Next Year	(155.47)	1,154.15

DIVIDEND

In the absence of profits for the year, your Directors express their inability to recommend any dividend for the year ended 31st March, 2013.

REVIEW OF OPERATIONS

The Company achieved Gross operating revenue of Rs. 897.62 crores during the year under review as against Rs. 823.85 crores in the previous year, registering an increase of 8.95%.

The production of D. I. Pipes during the FY 2012-13 was higher by 7.70% at 1,57,753 MT when compared to 1,46,478 MT for the FY 2011-12.

The production of Mini Blast Furnace (MBF), producing liquid metal mainly for Ductile Iron Pipe Plant was marginally lower during the FY 2012-13 at 1,78,707 MT compared to 1,80,026 MT for the FY 2011-12. The production of Low Ash Metallurgical Coke was higher in FY 2012-13 by 16.2% at 1,25,239 MT as against 1,07,765 MT in FY 2011-12. However, the power generation in 12 MW – Waste Heat Recovery Based Captive Power Plant was slightly lower in FY 2012-13 at 642 lakh units as against 678 lakh units in FY 2011-12, due to shutdown of Power Plant for 25 days for synchronization of 3rd boiler and turbine overhauling.

Due to adverse power situation in the state, production of slag cement during the year under review was lower by 26.60% at 66,059 MT as against 90,000 MT in the FY 2011-12.

Procurement of calibrated iron ore through e-auction route at a higher cost continued till 3rd quarter of the year under review, resulting in significant increase in the input cost.

This apart, the power crisis in the State has further aggravated in the FY 2012-13, leading to shortage of power, on account of load/supply restrictions imposed by APSPDCL. This has forced your Company to purchase power from private power generation companies through Indian Energy Exchange (IEX) at a much higher cost compared to the cost of grid power. The power cost has been increased by about 28% in the State for HT Consumers from April, 2012.

Although, your Company has registered a moderate growth in the volumes of DI pipes during the FY 2012-13, due to higher cost of iron ore, power and interest, the profitability of the Company was adversely affected.

FUTURE PROSPECTS

Installation of 3rd battery in Coke Oven Plant and additional Boiler in 12 MW Captive Power Plant has been successfully

commissioned during the year under review. Accordingly, the capacity of Coke Oven Plant has increased from 1,50,000 TPA to 2,25,000 TPA. Moreover, the additional boiler has resulted in full utilization of the capacity of 12 MW Captive Power Plant.

Further, the Sinter Plant project started in the year 2011-12 has been successfully commissioned in the last quarter of the year under review. With sinter, the requirement of high cost calibrated iron ore has been replaced with low cost iron ore fines in the current inventory by more than 80% and reduced coke consumption. This has increased the capacity of MBF to 2,75,000 TPA. All these factors together lead to improved working in the last quarter of FY 2012-13.

The power cost has been increased by about 24% in the State for HT Consumers from April, 2013. Installation of 132 KVA Sub-Station to synchronize the power requirements of the company was delayed, due to slow progress of APTRANSCO's 220/132 KVA Substation. This is now expected to be commissioned by 2nd quarter of 2013-14, resulting to lower cost of power, besides improved quality.

Although there is intense competition in the domestic market, with the implementation of the above mentioned backward integration projects, your company's profitability will improve during the FY 2013-14, barring unforeseen circumstances.

DIRECTORS

Shri R.K. Khanna was appointed as an additional Director on the Board of Directors of the Company from 9th February, 2013. He will hold office upto the conclusion of ensuing Annual General Meeting. The Company has received a notice from a member of the Company to appoint Shri R.K.Khanna as a Director, liable to retire by rotation.

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

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. A report on Corporate Governance Practices, as stipulated under Clause 49 of the Listing Agreement, the Auditors' Certificate on compliance of mandatory requirements thereof form part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Please refer to the Management Discussion and Analysis section appearing elsewhere.

EMPLOYEES

Your Directors wish to place on record their appreciation for the committed services rendered by the employees of your Company at all levels during the year under review and for their co-operation in maintaining cordial relations.

There are no employees who are in receipt of remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended.

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:

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

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, 2013 and of the loss of the Company for the year ended on that date.

That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities: and

That the annual accounts have been prepared on a going concern basis.

AUDITORS' REPORT

Regarding Auditors' observation on use of short term funds for long term purposes, your Directors would like to inform that steps are being taken for converting short term loans into medium term loans.

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.

COST AUDITORS

The Company has appointed M/s.Narasimhamurthy & Co., Cost Accountants, Hyderabad, as Cost Auditors and the Central Government has approved the appointment of M/s. Narasimhamurthy & Co., for conducting the audit of cost accounts maintained by the Company for the financial year 2012-13.

ACKNOWLEDGEMENTS

Your Directors would like to express their appreciation for the assistance and co-operation received from the Financial Institutions, banks, Government authorities, customers, vendors and members during the year under review.

For and on behalf of the Board of Directors

Place: Chennai
Date: 6th May, 2013

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, 2013.

A. CONSERVATION OF ENERGY:

a. Energy Conservation Measures taken:

- Installed and commissioned one more Coke Oven Battery with waste heat recovery boiler, which augmented power generation of the Captive power plant by 4 MW.
- Installed and commissioned Sinter plant in MBF resulting in effective utilization of iron ore fines in place of Calibrated ore and also reduced coke consumption marginally.
- Upgraded the PLC system in DIP resulting in enhanced productivity.
- Installed economizer to minimise oil consumption in the boiler of DIP.
- During power holidays and peak hour power restrictions, reduced operation of DG Sets and purchased power from Exchange, to minimize diesel consumption.
- Provided automatic switch off circuit to air compressors.
- Installed VFDs for compressors to reduce the energy consumption.
- Installed steam traps at CPP to reduce the steam losses.

b. Additional investments & Proposals, if any, being implemented for reduction of consumption of energy:

- Revamping of Battery 2 to arrest heat losses, which will result in increased power generation.
 - Installing 132 KV power sub-station to improve the quality of power and to minimize power intermediates.
 - Installing coal based Gassifiers / Hot Air Generators to replace HSD/LDO in DIP and Cement Plants.
- Energy conservation is a continuous activity and it is the constant endeavor of the company to bring in awareness and encourage 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, consumption of energy in D I Pipe Plant has reduced significantly and upon implementation of proposed energy saving measures, the cost of energy is likely to come down further. Installation of additional waste heat recovery boiler in Captive Power Plant has resulted in increased power generation and commissioning of Sinter Plant has resulted in substituting precious and high cost Calibrated ore with abundant and low cost iron ore fines, thereby leading to lower cost of production.

B. TECHNOLOGY ABSORPTION:

Chinese Technology has been absorbed for the installation of Sinter Plant.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

Foreign Exchange Earning and outgo (Rs. in Lakhs):

	2012-13	2011-12
i) Foreign Exchange Earning	224.77	1,100.39
ii) Foreign Exchange Used	21,016.83	35,633.81

FORM-A

A. POWER & FUEL CONSUMPTION	2012-13	2011-12
1. Electricity:		
a. Purchased:		
Units (KWH)	3,44,63,393	2,02,34,240
Total amount (Rs.)	24,29,90,109	11,12,58,059
Rate / Unit (Rs / KWH)	7.05	5.50
b. Own Generation:		
i) Through Diesel Generator		
Units (KWH)	14,63,563	6,35,496
Units/ Ltr. of Diesel Oil	3.45	4.17
Cost / Unit (Rs. / KWH)	13.78	10.15
ii) Through Turbo Generator		
a) 2.5 MW CPP (MBF)		
Units (KWH)	1,32,12,500	1,44,23,400
Cost / Unit (Rs. / KWH)	0.22	0.20
b) 12 MW CPP (COP)		
Units (KWH)	6,42,20,200	6,77,67,099
Cost / Unit (Rs. / KWH)	0.23	0.26
2. Overall LDO/HSD consumption		
Consumption (KL)	4,772	4,556
Total amount (Rs.)	22,66,21,581	19,27,29,225
Cost/Ltr. (Rs.)	47.49	42.30
B. CONSUMPTION PER MT OF PRODUCTION		
Units of Electricity (KWH):		
Pig iron	165	152
D. I. Pipe	344	367
Cement	128	113
Coke	21	20

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company firmly believes that Corporate Governance is a set of systems and procedure to ensure accountability, transparency and fairness in the affairs of the Company to meet its stakeholders' aspirations and societal expectations. The Corporate Governance principles aim to provide stakeholders value and transparency to promote sustainable long-term success. The Company believes that adherence to business ethics and commitment to Corporate Governance will help the Company to achieve its goal of maximizing value for all its stakeholders and endeavours to not only match the standards but also strives to set a benchmark for Corporate Governance initiatives. The company's policy is reflected by the very values of transparency, professionalism and accountability. The company constantly strives towards betterment of these aspects and thereby perpetuate it into generating long term economic value for its shareholders, customers, employees, other associated persons and the society as a whole. The Board along with its Committee ensures at achieving not only the highest possible standards of legal and regulatory compliances, but also of effective management.

The Company is in full compliance with the requirements of Corporate Governance under Clause 49 of the Listing Agreement with the Indian Stock Exchanges, which cast upon the Board of Directors and the Audit Committee, onerous responsibilities to improve the Company's operating efficiencies and the risk management and internal control functions have been geared up to meet the progressive governance standards.

BOARD OF DIRECTORS

The Board of Directors and its Committee provide leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company.

Composition of Board

The Board currently comprises of Ten Directors as categorized below.

- One Executive Director
- Four Independent Non-Executive Directors.
- Five 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, 2013 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	8	–	2
Shri G. Maruthi Rao	Non-executive-Independent	–	–	–
Shri R.K. Khanna (ii)	Non-Executive-Independent	1	–	–
Shri Gouri Shankar Rathi	Non-executive	–	–	–
Shri S.Y. Rajagopalan	Non-Executive	1	–	–
Shri G. Bhaskara Rao	Non-executive	12	1	6
Shri L. Madhusudhan Rao	Non-executive	11	1	–
Shri L. Sridhar	Non-Executive	5	1	1
Shri A. Joseph Kumar	Non- Executive-Independent	–	–	–
Smt. Nilam Sawhney, IAS (i) Nominee of APIDC (Equity Investor)	Non- Executive-Independent	–	–	–
Shri K. Rajendra Prasad (i) Nominee of APIDC (Equity Investor)	Non- Executive-Independent	–	–	–

i) APIDC nominated Shri K. Rajendra Prasad as its nominee in place of Smt. Nilam Sawhney, IAS with effect from 27th April, 2012.

ii) Appointed as Additional Director on 9th February, 2013.

* 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 2012-13. The dates of the meetings are as follows:

27th April, 2012, 10th August, 2012, 27th August, 2012, 10th November, 2012, and 9th February, 2013.

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 2012-13:

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
Srhi S.Y. Rajagopalan	5	5	YES
Shri R.K. Khanna	5	0	NO
Shri G. Bhaskara Rao	5	1	NO
Shri L. Madhusudhan Rao	5	0	NO
Shri L. Sridhar	5	5	YES
Shri A. Joseph Kumar	5	4	NO
Shri K. Rajendra Prasad	5	3	YES

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 include 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, 2013 had four meetings on 27th April, 2012, 10th August, 2012, 10th November, 2012 and 9th February, 2013.

The composition of the Audit Committee as on 31st March, 2013 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 R.K. Khanna*	Chairman	Independent, Non-Executive	-
3.	Shri G. Bhaskara Rao	Member	Non-Executive	1
4.	Shri A. Joseph Kumar	Member	Independent, Non-Executive	4

Shri G. Maruthi Rao resigned from the Membership of the Audit Committee with effect from 9th February, 2013.

* Shri R.K. Khanna was appointed as Chairman in place of Shri G. Maruthi Rao with effect from 9th February, 2013

The Audit Committee met on 6th May, 2013 for considering finalization of accounts for the year ended 31st March, 2013.

The Managing Director, Chief Financial Officer & 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 27th August, 2012.

Code of Conduct

Code of Conduct for the Directors and Senior Management of the Company was adopted by the Board in its meeting held on 31st October, 2005. This Code has been laid down with a view to promote good corporate governance, exemplary personal conduct, fair competition, Corporate Social Responsibility, Safety, Health & Environmental performance, transparency and compliance of laws and regulations and this Code is applicable to all the Directors and Senior Managerial Personnel of the Company. This Code is also available on the website of the Company www.lancoindustries.com.

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.

REMUNERATION TO DIRECTORS

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.

Details of remuneration paid to Directors:

Name of the Directors	Sitting Fee (Rs.)
Shri Mayank Kejriwal	–
Shri G. Maruthi Rao	1,80,000
Shri Gouri Shankar Rathi	1,00,000
Shri S.Y. Rajagopalan	1,00,000
Shri R.K. Khanna	–
Shri G. Bhaskara Rao	40,000
Shri L. Madhusudhan Rao	–
Shri L. Sridhar	1,00,000
Shri A. Joseph Kumar	1,60,000
Shri K. Rajendra Prasad	60,000
Total	7,40,000

Shareholdings of Non-Executive Directors As on 31st March'2013

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

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, Vittal Rao Nagar, Madhapur, Hyderabad-500 081. KCPL reviews share transfers every fortnight.

d. Details of queries/ complaints received and resolved during the year 2012-13:

The total number of complaints received and resolved during the year was:

Nature of Complaints	Opening	Received During the year	Resolved	Pending Resolution
Non-Receipt of Dividend Warrants	Nil	6	6	Nil
Non-Receipt of Securities	Nil	4	4	Nil
Non-Receipt of Annual Reports	Nil	2	2	Nil
Non-Receipt of fresh/new Shares	Nil	–	–	Nil
Total	Nil	12	12	Nil

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.

e. Details of un-claimed shares:

Pursuant to Clause 5A of the listing agreement, three reminders were sent to shareholders, at their registered address in respect of Shares lying un-claimed with the Company. The Company is in the process of opening of Demat Suspense account and transferring all un-claimed shares to such account. As and when such shareholder(s) approach the Company, the Company will credit his/their shares lying in Demat Suspense account to his/ their demat account(s) or issue share certificate, as the case may be, after proper verification. Shareholders who have not claimed such Share Certificates can write to the Company at its Registered Office or to the Registrar for doing further needful.

COMPLIANCE OFFICER:

G.D. Saini, Company Secretary, Rachagunneri-517641, Srikalahasthi Mandal, Chittoor District, AP., Ph: 08578-286650-55, Fax: 08578-286657, E-mail: gdsaini@lancoindustries.com and investors@lancoindustries.com.

GENERAL BODY MEETINGS

Location and time for last three Annual General Meetings:

Date	Venue	Time
25.08.2010	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
25.08.2011	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
27.08.2012	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.

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 34 of Notes on 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 have furnished a Certificate to the Board for the year ended 31st March, 2013 in compliance with the revised Clause 49.V of the Listing Agreement(s) as amended.

MEANS OF COMMUNICATION

Information like quarterly / half yearly / annual financial results that have been announced from time to time is hosted on the Company's website www.lancoindustries.com and has also been submitted to the Stock Exchanges to enable them to publish on their websites and communicate to their members. The quarterly / half-yearly / annual financial results are published in English and vernacular daily news papers. The Company is electronically filing specific documents / statements on the corpfiling website viz., www.corpfiling.co.in and NSE's Neaps website www.connect2nse.com.

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

GENERAL SHAREHOLDERS' INFORMATION

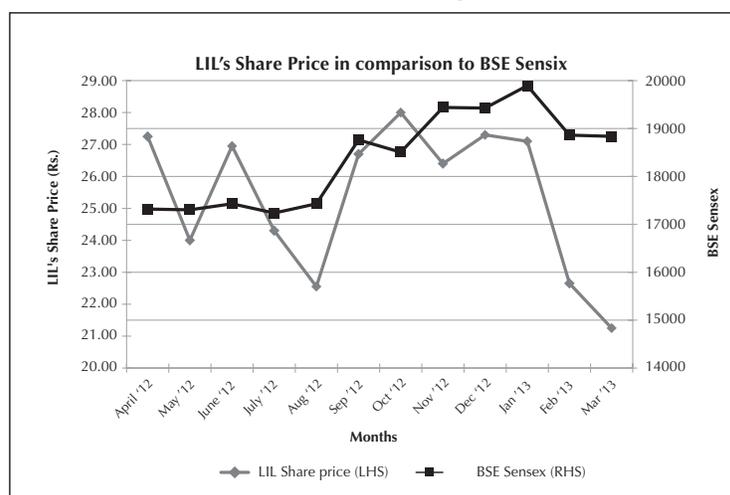
The following information would be useful to our shareholders:

Sl. No.	Information	
1	Annual General Meeting	
	– Date and Time	26th August, 2013 at 11.30 AM
	– Venue	At Registered Office: Rachagunneri Village-517641 Srikalahasthi Mandal, AP
2	Financial Calendar	Tentative Schedule
	Financial Reporting for the Quarter ended June 30, 2013	End July, 2013
	Financial Reporting for the Quarter ended September 30, 2013	End October, 2013
	Financial Reporting for the Quarter ended December 31, 2013	End January, 2014
	Financial Reporting for the Quarter ended March 31, 2014	End April, 2014
	Annual General Meeting for the year ending March 31, 2014	End August, 2014
3	Book Closure Date (Both days inclusive)	20th August, 2013 to 26th August, 2013
4	Listing Details:	
	– Equity Shares	Listed at Bombay Stock Exchange Ltd (BSE) & National Stock Exchange of India Ltd. (NSE)
5	Stock Code (BSE & NSE)	513605 & LANCOIN
6	Demat ISIN Number for NSDL & CDSL	
	– Equity Shares	INE943C01027
7	Corporate Identity Number	L74999AP1991PLC013391

8. Stock Market Data:

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Apr-12	28.70	26.55	192083	28.70	26.45	368580
May-12	28.00	23.75	137473	28.05	24.10	297772
Jun-12	27.35	22.50	280097	27.40	22.55	558586
Jul-12	28.35	24.30	172054	28.40	24.20	449197
Aug-12	25.60	20.45	782969	25.60	20.45	641289
Sep-12	26.70	22.15	451011	26.80	22.20	750440
Oct-12	28.80	26.75	275930	28.80	26.90	734741
Nov-12	28.25	25.35	489372	28.25	25.30	758863
Dec-12	28.35	26.60	458965	28.35	26.60	1014711
Jan-13	28.30	26.70	228456	28.25	26.70	736447
Feb-13	26.90	22.65	142321	26.95	22.40	367102
Mar-13	23.40	20.05	214909	23.40	20.00	362113

Share Price Performance of Lanco Industries Ltd in comparison to BSE Sensex



9.	Registrar & Share Transfer Agents:	Karvy Computershare Private Ltd, Plot No. 17-24, Beside Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad-500 081.
10.	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.

11. Dividend History for the last 5 years is as under:

Financial Year	Dividend Rate (%)	Amount including Dividend Tax (Rs. Lakhs)
2007-08	10	465.22
2008-09	10	465.22
2009-10	15	697.82
2010-11	15	693.21
2011-12	–	–

12. Distribution of Shareholding as on March 31, 2013

Sl. No.	Category		Number of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
	From	To				
1	1	5000	16340	90.19	1890017	4.75
2	5001	10000	873	4.82	735756	1.85
3	10001	20000	420	2.32	654580	1.65
4	20001	30000	155	0.86	398750	1.00
5	30001	40000	77	0.42	277246	0.70
6	40001	50000	60	0.33	284452	0.71
7	50001	100000	90	0.50	685496	1.72
8	100001	And above	102	0.56	34837298	87.62
	Total		18117	100.00	39763595	100.00

13. Categories of Shareholding as on 31st March, 2013

Sl. No.	Category	No. of shares held	Percentage of shareholding
A.	PROMOTERS HOLDING		
1.	Promoters		
	a) Indian Promoters		
	i) Electrosteel Castings Limited	19301218	48.54
	ii) Others	891960	2.24
	b) Foreign Promoters	–	–
2.	Persons Acting in Concert	–	–
	Sub-Total	20193178	50.78
B.	NON-PROMOTERS HOLDING		
3	Institutional Investors		
	a) Mutual Funds and UTI	3625	0.01
	b) Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions)	268425	0.67
	c) FIs	9700	0.02
	Sub-Total	281750	0.70
4	Others		
	a) Private Corporate Bodies	1879643	4.73
	b) Indian Public	15849613	39.86
	c) NRIs / OCBs	1529077	3.85
	d) Any other (Clearing Members)	30334	0.08
	Sub-Total	19288667	48.52
	GRAND TOTAL	39763595	100.00

14. Dematerialization of Shares and Liquidity:
Since the Company has entered into an agreement with both the depositories namely NSDL and CDSL for dematerialization 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. About 82.45% of total equity share capital is held in dematerialized form with NSDL & CDSL as on 31st March, 2013.
15. Outstanding convertible Instruments:
As on 31.3.2013, there are no outstanding convertible instruments.
16. Registered Office & Works:
Rachagunneri -517641, Srikalahasthi Mandal, Chittoor District, A.P., India., Ph. No: 08578-286650 – 655 (6Lines)
17. Members can contact us at our Registered Office:
As stated above.
18. Status of Non-Mandatory requirements:
- i) Audit Qualifications:
Regarding Auditors' observation on use of short term funds for long term purposes, steps are being taken for converting short term loans into medium term loans. The Notes to Accounts forming part of the financial statements are self-explanatory and needs no further explanation.
 - 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.
19. Reconciliation of Share Capital Audit:
As stipulated by Securities and Exchange Board of India (SEBI), a qualified practicing Company Secretary carries out the Reconciliation of Share Capital 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. No discrepancies were noticed during these audits.

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

This is to certify 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.
- 3) All Board Members and Senior Management Personnel have affirmed having complied with the said Code of Conduct, during the year ended 31st March, 2013.

For **Lanco Industries Limited**

Place: Chennai
Date: 6th May, 2013

Mayank Kejriwal
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members,
LANCO INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by **Lanco Industries Limited** for the year ended on 31st March, 2013, 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 has been limited to a review of the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said Clause. 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 and based on the representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We 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.**
Chartered Accountants
Firm Registration No. 000395S

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 6th May, 2013

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 DI.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, capacity of Mini Blast Furnace (MBF) for production of Liquid Metal/Pig Iron was enhanced from 150,000 TPA to 225,000 TPA and also the capacity of DI Pipes was enhanced from 180,000 TPA to 225,000 TPA.

In 2011, the Company's admired project to use primarily treated sewerage water of Tirupati Municipal Corporation for industrial purpose was commissioned successfully.

In 2012, capacity of Coke Oven Plant was enhanced from 150,000 TPA to 225,000 TPA by installing 3rd Coke oven battery. Moreover, installation of additional boiler in the 12 MW Captive Power Plant was also successfully commissioned, resulting in full utilization of capacity of the Power Plant. Further, the project for installation of Sinter Plant has been successfully commissioned in the last quarter of the year under review, whereby, usage of lump ore in MBF has been substituted with iron ore fines to the extent of 90%, besides leading to increase in the capacity of MBF to 2,75,000 TPA.

VALUE ADDITION

We, at Lanco strongly believe that creation of value addition in every element of Company's operations is a key driver for Company's overall growth. Expansion of Company's own Coke Oven Plant along with installation of additional boiler in 12 MW Waste Heat Recovery Based Co-generating Captive Power Plant and installation of Sinter Plant have further reinforced the value chain in terms of cost reduction. Installation of additional boiler and completion of Sinter plant resulted in full utilization of capacity of the 12 MW Captive Power Plant and requirement of calibrated iron ore has come down drastically, as the same has been replaced with iron ore fines.

THE YEAR IN RETROSPECT (2012-13 Vs. 2011-12)

The volumes of production and sales of Company's products reflected a healthy growth during the year 2012-13.

Product	Production (MT)		Despatches (MT)	
	2012-13	2011-12	2012-13	2011-12
Molten Metal/Pig Iron*	1,78,707	1,80,026	1,79,451	1,80,814
D. I. Pipes	1,57,753	1,46,478	1,59,358	1,44,901
Cement**	66,059	90,000	65,286	89,421

* Despatches include 1,66,055 MT (Previous year 1,58,514 MT) used for captive consumption.

** Despatches include 17,283 MT (Previous year 11,437 MT) used for captive consumption.

1,25,239 MT coke was produced in the Coke Oven Plant for captive consumption during 2012-13 vis-à-vis 1,07,765 MT in 2011-12.

The 12 MW Waste Heat Recovery Based Co-Generating Captive Power Plant of the Company generated 642 lakh units of power compared to 678 lakh units in FY 2011-12.

The gross operating revenue of the Company increased from Rs. 823.85 Crs. in FY 2011-12 to Rs. 897.62 Crs. in FY 2012-13, registering a growth of 8.95%. However, due to higher power and finance costs with no commensurate increase in selling prices, the Company has incurred a net loss of Rs. 13.09 crores during the year under review as against Rs. 3.95 Crs net loss incurred in FY 2011-12.

INDUSTRY OUTLOOK

Ductile Iron Pipes being preferred pipe category for water supply and irrigation projects and the continued emphasis given by Govt. of India on improving the water supply and sewerage infrastructure, with sanitation coverage as low as 25% for rural masses in the Country, the fortunes for domestic DI Pipe industry remain positive and healthy over the longer term.

However, intense competition on the back of creation of excess capacities in domestic market, rising input prices and finance costs may impact the order book and profitability.

BUSINESS**Raw materials Management**

Company continued to procure iron ore through E-auction route till 3rd quarter of FY 2012-13 at much higher price compared to contracted price. The Sinter Plant of the Company has come into operation in the 4th quarter of the year under review, whereby dependence on lump ore has been reduced significantly, as the same is replaced with iron ore fines. As iron ore constitute major portion in the overall raw material components of the Company, the cost of raw material has come down from the last quarter of the FY 2012-13. Accordingly, the ratio of raw material cost to turnover has come down in the last quarter of the year under review and the same trend is expected to continue in future also.

Quality

At Lanco, we continually strive to improve the quality of the products and services we supply and it is our endeavour to supply in strict accordance with our contractual, statutory and regulatory requirements. We maintain high quality standards across all the manufacturing Divisions from raw material stage to the finishing stage and the entire life cycle of the product is managed and monitored by an expert Quality Control Team. We believe in commitment to our customers and providing them efficient services and quality products. We have strong track record of On-Time Deliveries and high customer satisfaction ratio, which has helped us to enhance our image and reputation further in the market.

We strictly adhere to international quality standards and inspection procedures and as a mark of quality assurance and our commitment to total customer satisfaction, we are accredited with ISO 9001:2000 certification and the Ductile Iron Pipes manufactured by the Company are Kite Mark licensed as approved by BSI, UK.

Safety, Health & Environment

The Company has a top driven, effective and vibrant Safety, Health & Environment (SHE) System in place and the top management's commitment for safety, prevention of pollution and protection of environment is evident from the Corporate Safety & Environment Policy statement.

All operational hazards are identified and associated risks are evaluated, quantified and brought to acceptable level through relevant work procedure & management plans. Emergency preparedness and Crisis management is part of the system. To imbibe SHE culture among employees, various programmes are undertaken across the organization. Safety awareness campaign is organized every year on the occasion of National Safety Day and various safety related competitions are conducted to promote safety awareness across all levels of employees in the organization. Highest importance is given for implementation of safety measures to curtail accidents and accidents are duly examined and immediate corrective actions are initiated to check its recurrence.

The Company's well defined Environmental Management System (EMS) certified by ISO 14001, helps in identifying, monitoring and controlling the environmental aspects of its activities, besides preventing and minimizing the impacts on the environment. Apart from compliance with industry standards and legal requirements, the System also supports the continuous improvement of efficiency in use of resources, pollution prevention and reduction.

Corporate Social Responsibility (CSR)

We strongly believe that the primary purpose of a business is to improve the quality of life of people, by volunteering resources, to the extent we can reasonably afford to sustain and improve healthy and prosperous environment and to improve the quality of life of the employees and the communities we serve.

It has been our constant endeavour to collectively focus on the various areas of corporate sustainability that impact people, environment and the society at large. It has been our Philosophy to consider Society as our prime stakeholder and we are committed to making a positive contribution in a number of ways.

As a policy, we promote and encourage economic, social and educational development within the communities we operate, while also giving active support to local initiatives. Our social programme covers adoption of nearby villages for education and infrastructure development, upliftment initiatives, health & medical care and relief activities.

Information Technology

The Company firmly believes that in the world of globalization, information technology (IT) plays an important role in the effective management and running of a company.

The entire Organization's transaction system is working successfully on SAP since 2008 and the Company has benefited enormously in terms of brining transparency, improved operational efficiency, apart from other intangible benefits. The use of information technology within organization is standard and continues to modernize and develop to set a competitive edge.

OPPORTUNITIES & THREATS

Govt. of India's continued thrust for water & sewerage infrastructure development and sanitation across the country is expected to trigger decent growth for Ductile Iron Pipes in the domestic market. However, significant increase in the competition and consistent increase in the cost of inputs are likely to put pressure on the margins.

Commissioning of backward integration facilities like Sinter Plant, installation of 3rd coke oven battery along with additional boiler helped in bringing down the cost of production and the Company's continued thrust on productivity improvement initiatives are expected to result in improved performance, which minimizes the margin risk.

OUTLOOK

Commissioning of backward integration projects as aforesaid has added value in terms of increased power generation and reduced consumption of calibrated iron ore, thereby leading to reduction in overall cost of production. Besides these developments, the growing demand for DI pipes in the domestic market is likely to auger well for the positive growth of the Company.

HUMAN RESOURCES

The Company strongly believes that creating a value and knowledge based organization by inculcating a culture of learning, innovation and team work and aligning business priorities with aspiration of employees lead to a development of an empowered, responsive and competent human capital." We recognize people as the primary source of our competitiveness, and continue to focus on people development by leveraging technology and developing a continuously learning human resource base to unleash their potential and fulfill their aspirations.

Greater emphasis is given to attract, develop and retain talents in the organization by focusing on developing talent pool through increased emphasis on learning and skill upgradation via in-house & external training, multi skilling and job rotations. Implementation of SAP across the Company has been a strong motivator, as it has opened up an opportunity for learning.

The Company has been able to regularly promote value addition in every sphere of its activity and there has been positive response from the employees across all levels for productivity improvement through contribution in the form of Kaizens and Small Group Activities, which helps in achieving continuous improvement in the operational efficiency.

RISKS AND CONCERN

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

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has a well established internal audit function which facilitates continuous monitoring of the efficacy of the internal controls with an objective to provide to the Audit Committee and the Board of Directors, an independent view and reasonable assurance on the adequacy and effectiveness of the organization’s risk management, control and governance processes. The Audit function also assesses opportunities for improvement in business processes, systems and controls; provides recommendations, designed to add value to the organization and follows up on the implementation of corrective actions and improvements in business processes after review by the Audit Committee and Senior Management.

During the year, the Audit Committee met regularly to review the reports submitted by the Internal Auditors. All significant audit observations and follow-up actions thereon were reported to the Audit Committee. The Audit Committee also met the Company’s Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed by the Company. The Audit Committee’s observations and suggestions were acted upon by the Management. A CEO and CFO Certificate forming part of the Corporate Governance Report confirm the existence of effective internal control systems and procedures in the Company. Company’s Internal Assurance Group also conducts periodic assurance reviews to assess the adequacy of internal control systems and reports to the Audit Committee of the Board.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis and Directors’ Report describing the Company’s objectives, projections, estimates, expectations may constitute a “forward-looking statement” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates, changes in the Government Regulations, tax laws and other statutes and other incidental factors.

RISK MANAGEMENT

The Company's Risk Management and Control Systems are considered to be in line with the risk profile of the Company and aims to ensure that the risks of the Company are identified and managed effectively. The Risk Management and Control Systems of the Company are subject to continuous review and adaptations in order to remain in balance with its growing business size and the changes in its risk profile.

ECONOMIC RISK

Due to high volatility in the prices of prime raw materials used by the Company, it is open to the risk of thinner margins. To combat this risk, the Company has been continuously focusing on proactive actions like tying up long terms contracts for supply of major raw materials to reduce the implications on account of price variations. Further, in order to ease the reliance on external sources, the Company has been continuously focusing on expanding its backward integration projects and in this process, installed additional battery in Coke Oven Plant to adequately cater to its current and future requirement of coke. This apart, Sinter Plant was set up by the Company, which helped in substituting high cost calibrated iron ore with iron ore fines to a major extent. It has been the constant endeavour of the Company to lay continuous emphasis on various cost cutting measures to protect the margins.

COMPETITOR RISK

Increased competition in the domestic market may have an effect on the capacity utilization and profitability of the Company. However, the Company believes that competition is healthy for the industry and to mitigate this risk, the Company remains committed on its continued efforts for optimization of resources, cost control and expanding the markets.

Besides, the Water and Sewerage infrastructure development has been the thrust area of Central and State Govts. in India, which helps in growth of DI Pipes market in the country.

ENVIRONMENT RISK

By virtue of its manufacturing process, the Company is open to the risk of environment pollution.

The Company believes that environment protection is its significant priority, as it equates to operational efficiency and it has been practicing the highest standard of environmental management systems. The Company has a well defined Environmental Management System in place, certified by ISO 14001:2004, which ensures identification and assessment of environmental issues that need to be managed. Further, the Company lays regular emphasis on continual improvement of its Environmental Management System and is committed to reduce the repercussions of its process on the environment.

INDUSTRIAL RISK

The Company, being labour intensive, is exposed to labour turbulence and insecurity.

The Company strongly believes that human resource is its backbone and plays a vital role in Company's growth. The Company has been adopting effective Human Resource Management practices namely employee empowerment, training & development, creating conducive working environment, which augur well to retain the employees for a longer period. Besides this, continuous focus on implementation of good IR practices helped in maintaining cordial labour relations and there have been no production disruptions on this account.

FOREIGN EXCHANGE RISK

Due to volatile and un-predictable foreign exchange movements, the Company is exposed to foreign exchange risk.

The Company has effective Risk Management Policy in place, which will be reviewed by the Forex Management Committee periodically and the Committee recommends the strategy to be adopted for effective management of risks associated with fluctuations in foreign exchange. The Forex Management Committee evaluates the significant risk exposures of the Company and assesses Management's actions to mitigate foreign exchange risk in a timely manner.

PAYMENT RISK

As the Company's major customers being Govt. Bodies like Water Boards, Municipal Corporations etc., it is likely to offer extended credits and by virtue of this, it is exposed to payment risk.

The Company constantly reviews its debtors and takes appropriate steps for timely recovery of dues from its customers. Further, the stringent criteria adopted by the Company for evaluating the creditworthiness of its customers helps the Company to minimize the risk of delayed payment and non-realization of receivables.

INDEPENDENT AUDITORS' REPORT

To
The members of
LANCO INDUSTRIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **LANCO INDUSTRIES LIMITED** ("the Company") which comprise of the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with 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, 2013;
- ii) in the case of the Statement of Profit and Loss, of the loss 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.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the **Annexure** a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:
- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books; the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account; in our opinion,
 - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred in sub-section (3C) of Section 211 of the Act;
 - d) on the basis of written representations received from the directors of the Company as on 31st March, 2013 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 6th May, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date.

- i) In respect of its fixed Assets
 - 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) The fixed assets disposed off during the year do not constitute a substantial part of the fixed assets, and therefore, there is no affect on the going concern status of the Company.
- ii) In respect of its inventories
 - a) As explained to us, the management has conducted physical verification of inventories during the year, except the materials in transit and 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 its inventories and no material discrepancies were noticed on physical verification.
- iii) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to /from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii)(a) to (iii)(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.
- v) In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - 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 the public. Therefore, the provisions clause (vi) of paragraph 4 of the Order are not applicable to the Company.
- 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 its 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) In respect of statutory dues
 - 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, 2013 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, 2013 are as follows:

Name of the statute	Nature of dues	Amount (Rs. In lakhs)	Period to which the amount relates	Forum where the dispute is pending
APGST Act, 1957	Sales tax	67.52*	1999-00	Sales Tax Appellate Tribunal, A.P.
-do-	-do-	40.51*	1999-00	-do-
-do-	-do-	259.59*	2002-03	-do-
AP VAT Act, 2005	Interest on tax	39.30	2012-13	ADC(CT)
Central Sales Tax Act, 1956	Sales tax	158.70*	2000-01	Sales Tax Appellate Tribunal, A.P.
-do-	-do-	41.60	2000-01	A.P. High Court
Income Tax Act, 1961	Income tax	10.87	2003-04	A.P. High Court
-do-	-do-	1.85	2004-05	-do-
Central Excise Act, 1944	Central Excise & Interest	8.26	2007-08	CESTAT, Bangalore

*Stay of collection granted for the demands.

- x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth but 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. The Company did not have outstanding dues to 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.
- 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.
- 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) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that the Company has used short term funds to the extent of Rs. 3655.11 lakhs for long term investment towards capital works.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) During the year, the Company has not made any issue of debentures. Accordingly, clause (xix) of paragraph 4 of the Order is not applicable.
- 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.
- xxi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

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

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 6th May, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

	31Mar '13 (Rs.In Lakhs)	31Mar '12 (Rs.In Lakhs)
A. Cash Flow from operating activities		
Net Profit Before Tax	(2,132.65)	(416.79)
Adjustments for:		
Interest & Financial Charges	6,041.80	5,786.10
Depreciation	2,218.42	1,999.33
(Profit)/Loss on Sale of Fixed Assets	1.71	0.09
(Profit) / Loss on sale of Investments	(0.25)	(50.04)
Operating Profit before working Capital changes	<u>6,129.03</u>	<u>7,735.48</u>
Adjustments for:		
(Increase)/ decrease in Long term Loans & Advances	511.81	343.96
(Increase)/ decrease in short Term Loans & Advances	690.77	(1,161.38)
(Increase)/ decrease in Other Current assets	(1,050.47)	(1,164.65)
(Increase)/decrease in Trade & Other Receivables	294.48	1,488.65
(Increase)/decrease in Inventories	11,050.89	(7,993.63)
Increase/(decrease) in Long term liabilities & provisions	2,116.29	439.06
Increase/(decrease) in current liabilities	(1,227.54)	(611.31)
	<u>12,386.23</u>	<u>(8,659.30)</u>
Cash Generated from Operations	18,515.26	(1,340.61)
Direct Taxes Paid	-	-
Prior period adjustment – Taxation	-	(58.90)
Cash from Operating Activities	<u>18,515.26</u>	<u>(1,399.51)</u>
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(10,599.33)	(6,634.54)
Sale of Fixed Assets	3.29	5.33
Income on Investments	0.25	50.04
Net Cash From Investing Activities	<u>(10,595.79)</u>	<u>(6,579.17)</u>
C. Cash Flow from Financing Activities		
Long Term Borrowings-Receipts/(Repayments)[Net]	2,106.86	5,246.76
Short Term Borrowings-Receipts/(Repayments)[Net]	(4,442.05)	8,159.60
Interest Paid	(6,013.20)	(5,603.96)
Dividend Paid	-	(596.45)
Tax on Dividend	-	(96.76)
Net Cash From Financing Activities	<u>(8,348.39)</u>	<u>7,109.19</u>
Net Increase/(Decrease) in cash & Cash Equivalents(A+B+C)	(428.92)	(869.49)
Cash & Cash Equivalent as at Beginning of Year	860.58	1,730.07
Cash & Cash Equivalent as at End of Year	<u>431.66</u>	<u>860.58</u>
Components of Cash & Cash Equivalents		
Cash on Hand	3.59	4.58
Balances with Banks		
In Current Account	407.32	832.75
In Unpaid Dividend	20.75	23.25
	<u>431.66</u>	<u>860.58</u>

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

For and on behalf of the Board

K.R. Bapuji
Partner
Membership No. 021169
Place: Chennai
Date: 6th May, 2013

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2013**Corporate Information**

Lanco Industries Limited (the company), incorporated under the Companies Act, 1956, in the year 1991, is engaged in the manufacture and supply of Ductile Iron Pipe as its core business with its domicile presence in the State of Andhra Pradesh, India. The company is a leading Public Utility Services company predominantly catering to the needs of Water Infrastructure Development. The company also produces Low Ash Metallurgical Coke and Power for captive consumption in its integrated complex. It also manufactures and supply Pig Iron and Cement, in the process. The company's shares are listed on the National Stock Exchange Limited and the Bombay Stock Exchange Limited and the shares are traded regularly.

1. Significant Accounting Policies:**A) Basis of Preparation:**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in India (GAAP) under the historical cost convention on the accrual basis except as disclosed in the notes and materially comply with the mandatory Accounting Standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI) and the Institute of Chartered Accountants of India except to the extent disclosed in the following notes. The accounting policies adopted in preparation of financial statements are consistent with those of previous year except for change in accounting policy initially adopted or a revision to the existing accounting policy that requires a change as against the one hitherto in use.

B) Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts 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, 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 unallocated preoperative expenses etc.

ii) Depreciation:

- a) Leasehold land is amortized on straight-line method over the period of the lease.
- b) 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.
- c) From accounting year commencing on or after 1.4.2011, the company adjusts exchange difference arising on translation / settlement of long-term foreign currency monetary items by reinstating the liabilities as at balance sheet date pertaining to acquisition of a depreciable asset to the cost of the asset and depreciates the same at the applicable rate in respect of such asset.

2) Intangible Assets:

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

D) 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.

E) 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 based on account sales from the respective consignee.

F) 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.

G) 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.
 - a) By-Products are valued at net realizable value.
 - b) Cost in respect of finished goods includes manufacturing expenses, factory and administrative overheads and excise duty.
 - c) Cost in respect of work in progress represents, cost incurred upto the stage of completion.

H) Foreign Currency Transactions:

Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of the transaction. Foreign currency assets and liabilities are retranslated at exchange rates prevailing at the reporting date.

The loss or gain thereon and also on exchange differences on settlement of the foreign currency transactions during the year are adjusted to the Statement of Profit and Loss. 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. For accounting period commencing from 1.4.2011, the exchange differences arising on long term foreign currency monetary items related to acquisition of fixed assets are capitalized and depreciated at the applicable rate in respect of such asset. For this purpose, the company treats a foreign monetary item as long term foreign currency monetary item if it has a term of more than 12 months at the date of its origination.

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 Statement of Profit & Loss.
- 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 Statement of Profit and Loss.
- 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.

In accordance with Accounting Standard 16 borrowing cost includes interest, amortization of ancillary cost incurred with the arrangement of borrowing and exchange differences arising from foreign currency borrowing to the extent they are regarded as an adjustment to the interest cost.

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 (DEPB) are accounted for on accrual basis.

O) Government Grants & Other Claims:

Revenue grants including subsidy / rebates, refunds, claims etc. are credited to Statement of 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 Statement of Profit & Loss as and when the settlement takes place in accordance with the terms of respective contracts.

Note No.	31st Mar '13		31st Mar '12	
	No. of Shares In Lakhs	Rs. in Lakhs	No. of Shares In Lakhs	Rs. in Lakhs
2. SHARE CAPITAL				
Authorized Shares				
Equity Shares of Rs. 10/- each	<u>530.00</u>	<u>5,300.00</u>	<u>530.00</u>	<u>5,300.00</u>
Issued, Subscribed and Paid up Shares				
Equity Shares of Rs. 10/- each	<u>397.63</u>	<u>3,976.36</u>	<u>397.63</u>	<u>3,976.36</u>
TOTAL	<u>397.63</u>	<u>3,976.36</u>	<u>397.63</u>	<u>3,976.36</u>
Reconciliation of Shares outstanding at the beginning and at the end of the reporting period				
Opening number of Shares Outstanding	<u>397.63</u>	<u>3,976.36</u>	<u>397.63</u>	<u>3,976.36</u>
Closing number of Shares Outstanding	<u>397.63</u>	<u>3,976.36</u>	<u>397.63</u>	<u>3,976.36</u>

Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

No dividend has been recognized as distribution to equity shareholders for the year ended 31.03.2013 (31st March 2012: Rs. Nil).

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of shareholders holding more than 5% shares in the company

Particulars	No. of Shares in Lakhs	% holding	No of Shares in Lakhs	% holding
Equity shares with voting rights				
M/s. Electrosteel Castings Ltd	193.01	48.54	193.01	48.54
Shri L. Madhusudhan Rao	22.85	5.75	22.85	5.75
Shri G. Bhaskara Rao	22.85	5.75	22.85	5.75
Shri L. Sridhar	22.83	5.74	22.83	5.74
Shri L. Rajagopal	22.84	5.75	22.84	5.75

3. RESERVES AND SURPLUS	31st Mar '13		31st Mar '12	
	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
a) Capital Reserve				
Opening Balance		55.97		55.97
b) General Reserve				
Opening Balance		15,500.00		15,500.00
c) Surplus				
Opening Balance	1,154.16		1,608.28	
Add/(Less): Profit/(Loss) during the year	(1,309.62)		(395.23)	
Less: Prior period Adjustment – Taxation	–		(58.90)	
Closing Balance		(155.46)		1,154.15
TOTAL		15,400.51		16,710.12
4. LONG TERM BORROWINGS	Non Current	Current	Non Current	Current
Secured – from Banks				
Rupee Term loans	1,375.00	1,875.00	3,250.00	2,625.00
External Commercial Borrowing	13,629.30	1,574.70	9,156.60	–
Unsecured				
Sales tax Deferment	61.28	491.41	552.12	1,284.84
	15,065.58	3,941.11	12,958.72	3,909.84
Less: Amount shown under other current liabilities (Note No. 10)	–	3,941.11	–	3,909.84
TOTAL	15,065.58	–	12,958.72	–

Terms of Repayment and rate of interest:

Rupee Term Loan of Rs. 1875 Lakhs is repayable in 6 Quarterly installments of Rs. 312.50 lakhs each and it carries an interest @ 11.82% p.a. payable monthly.

Rupee Term Loan of Rs. 1125 Lakhs repayable in 12 Quarterly installments of Rs. 93.75 lakhs each and it carries an interest @ 13.50% p.a. payable monthly.

Rupee Term Loan of Rs. 250 Lakhs repayable in 1 Quarterly installments of Rs. 250 lakhs each and it carries an interest @ 11.75% p.a. payable monthly.

Foreign Currency loan of US\$ 180 Lakhs (Rs. 9774 Lakhs) is repayable in 15 half yearly installments of US\$ 12 Lakhs starting from 15/09/2013 and carries an interest at LIBOR plus 4.3% p.a payable half yearly.

Foreign Currency loan of US\$ 100 Lakhs (Rs. 5430 Lakhs) is repayable in 8 half yearly installments of US\$ 5 lakhs on 22/11/2013, US\$10 lakhs each on 22/5/2014, 22/11/2014, 22/5/2015, US\$ 15 lakhs each on 22/11/2015, 22/5/2016, 22/11/2016 and US\$ 20 lakhs on 22/5/2017 and carries an interest at LIBOR plus 3.927% p.a payable half yearly.

Sales tax Deferment – Rs. 61.28 Lakhs in 2014-15 and is interest free.

Nature of security:

Rupee term loans and Foreign Currency loan from Banks are secured by way of first pari-passu charge on the movable & immovable Fixed Assets of the company both present and future.

	31st Mar '13 Rs. in Lakhs	31st Mar '12 Rs. in Lakhs
5. DEFERRED TAX LIABILITIES (NET):		
Deferred Tax Liability		
Fixed Asset – Impact of Difference between tax depreciation and depreciation charged in the financial statement	5,110.88	4,564.22
Gross Deferred Tax Liability	5,110.88	4,564.22
Deferred Tax Asset		
Impact of Expenditure charged to statement of Profit & Loss but allowed only on actual payment for tax purpose	112.44	104.39
Provision for Doubtful debts and advances	366.86	502.15
Unabsorbed Depreciation carried forward	1,861.36	364.43
Gross Deferred Tax Asset	2,340.66	970.97
Net Deferred Tax Liability	2,770.22	3,593.25
6. OTHER LONG TERM LIABILITIES		
Acceptances in foriegn currency	2,009.64	102.17
Other Payables	1,211.55	1,017.10
Advances from related party	4,134.00	4,134.00
Deposits from Customers	48.37	64.00
TOTAL	7,403.56	5,317.27
7. LONG TERM PROVISIONS		
For Employee Benefits (Refer Note No – 31)		
– Unavailed Leave	146.68	116.68
TOTAL	146.68	116.68
8. SHORT TERM BORROWINGS – FROM BANKS		
Secured		
Working Capital Loans – from Banks		
Rupee Loan	13,852.09	13,870.33
Foreign Currency Loan	13,818.73	15,742.54
Unsecured		
Commercial paper	–	2,500.00
TOTAL	27,670.82	32,112.87
Nature of Security and rate of interest		
Working Capital facilities availed from banks are secured by hypothecation of raw materials, semi finished goods and finished goods, consumables, stores and spares, book debts, both present and future of the company and rank pari-passu among themselves and the rate of interest ranges from 10% to 12.5% p.a and are payable on demand.		
9. TRADE PAYABLES		
Trade payables	10,479.90	12,210.20
TOTAL	10,479.90	12,210.20
(Refer Note No. 34 for amount due to related parties)		

	31st Mar '13 Rs. in Lakhs	31st Mar '12 Rs. in Lakhs
10. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Refer Note No. 4)	3,941.12	3,909.84
Interest accrued but not due on borrowings	357.00	385.60
Unpaid dividends	20.75	23.25
Others		
– Creditors for capital goods	478.95	499.00
– Statutory Dues	556.87	538.94
– Amount due to Employees and Others	280.72	263.23
– Advance from Customers	680.56	379.90
– Retention Money	190.35	86.44
– Outstanding Expenses	866.42	806.32
TOTAL	7,372.74	6,892.52
11. SHORT TERM PROVISIONS		
Employee Benefits	274.20	223.06
TOTAL	274.20	223.06

12. FIXED ASSETS

12. i) Tangible Assets

(Rs. in Lakhs)

Sl. No.	DESCRIPTION NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01-Apr-12	Additions	Sales/ Adjustment	As at 31-Mar-13	Upto 31-Mar-12	For the year	Sales/ Adjustment	Upto 31-Mar-13	As at 31-Mar-13	As at 31-Mar-12
1	a) Land	1,483.78	–	–	1,483.78	–	–	–	–	1,483.78	1,483.78
	b) Leasehold Land	93.67	–	–	93.67	4.42	3.11	–	7.53	86.14	89.25
2	a) Factory Building	5,547.27	1,303.35	–	6,850.62	1,836.53	188.97	–	2,025.50	4,825.12	3,710.74
	b) Non Factory Building	1,342.46	–	–	1,342.46	141.69	21.89	–	163.58	1,178.88	1,200.77
3	Plant & Machinery	33,425.72	13,873.35	–	47,299.07	10,653.45	1,756.94	–	12,410.39	34,888.68	22,772.26
4	Electrical Installation	2,656.86	3.15	–	2,660.01	1,387.32	126.49	–	1,513.81	1,146.20	1,269.54
5	Office Equipment	483.25	9.19	2.39	490.05	221.57	28.44	0.58	249.43	240.63	261.68
6	Furniture	170.61	0.74	–	171.35	117.60	6.40	–	124.00	47.35	53.01
7	Vehicles	579.21	5.88	11.78	573.31	411.22	37.76	8.60	440.38	132.93	168.00
	TOTAL	45,782.83	15,195.66	14.17	60,964.32	14,773.80	2,170.01	9.18	16,934.62	44,029.70	31,009.03
	Previous Year figures	42,811.59	2,988.33	17.09	45,782.83	12,832.60	1,952.88	11.68	14,773.80	31,009.03	

12. ii) Intangible Assets

Sl. No.	NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01-Apr-12	Additions	Sales/ Adjustment	As at 31-Mar-13	Upto 31-Mar-12	For the year	Sales/ Adjustment	Upto 31-Mar-13	As at 31-Mar-13	As at 31-Mar-12
1	Computer Software	286.66	15.91	–	302.57	146.48	48.41	–	194.89	107.68	140.18
	Previous Year figures	286.66	–	–	286.66	100.02	46.46	–	146.48	140.18	

	31st Mar '13 Rs. in Lakhs	31st Mar '12 Rs. in Lakhs
13. LONG TERM LOANS AND ADVANCES (Unsecured)		
13.1 Capital Advances		
– Considered good	0.64	513.35
13.2 Security Deposits		
– Considered good	6,519.56	6,518.66
– Doubtful	752.41	752.41
	<u>7,271.97</u>	<u>7,271.07</u>
Less: Provision for Doubtful security deposits	752.41	752.41
	<u>6,519.56</u>	<u>6,518.66</u>
TOTAL	<u>6,520.20</u>	<u>7,032.01</u>
14. INVENTORIES (Valued at lower of Cost and Net Realisable Value)		
Raw Materials	11,076.31	17,445.61
Raw Materials in Transit	73.43	1,387.20
Work-in-Progress	1,000.80	979.16
Finished Goods	4,497.98	5,386.15
Stores & Spares	4,177.58	6,626.08
Stores & Spares in Transit	–	52.80
TOTAL	<u>20,826.10</u>	<u>31,877.00</u>
15. TRADE RECEIVABLES (Unsecured)		
Exceeding Six Months		
– Considered good	1,776.71	2,373.09
– Doubtful	559.18	773.85
	<u>2,335.89</u>	<u>3,146.94</u>
Less: Provision for doubtful Receivables	559.18	773.85
	<u>1,776.71</u>	<u>2,373.09</u>
Other Receivables considered good (Refer Note No. 34 for amount due from related parties)	10,166.00	9,864.10
TOTAL	<u>11,942.71</u>	<u>12,237.19</u>
16. CASH AND BANK BALANCES		
16.1 Cash and Cash Equivalents		
Cash on Hand	3.59	4.58
Balances with Banks		
in current account	407.32	832.75
in Unpaid Dividend	20.75	23.25
	<u>431.66</u>	<u>860.58</u>
16.2 Others		
Margin Money	29.53	28.74
Deposit with bank with 3 – 12 months maturity	541.27	39.87
Deposit with bank more than 12 months maturity	18.16	94.81
TOTAL	<u>1,020.62</u>	<u>1,024.00</u>

Fixed deposits with banks include fixed deposit of Rs. 59.43 (Previous year Rs. 134.68 lakhs) lodged with Govt. departments and customers.

	31st Mar '13 Rs. in Lakhs	31st Mar '12 Rs. in Lakhs
17. SHORT TERM LOANS AND ADVANCES (Unsecured)		
– Considered good (Refer Note no. 42(ii) for advances to employees)	1,385.25	2,076.02
TOTAL	<u>1,385.25</u>	<u>2,076.02</u>
18. OTHER CURRENT ASSETS		
Balance with Government Authorities	1,854.44	1,592.06
Tax Refunds Receivable	657.55	289.59
Interest Receivable	89.78	48.26
Prepaid Expenses	424.90	471.82
TOTAL	<u>3,026.67</u>	<u>2,401.73</u>
19. REVENUE FROM OPERATIONS		
19.1 Sale of Manufactured Products		
– D I Spun Pipes	71,170.63	62,225.17
– Pig Iron	4,249.65	6,675.15
– Cement	1,998.05	2,952.65
– Other Products	10,675.73	8,059.50
19.2 Sale of Traded Products		
– Coal	1,023.37	–
– Coke	–	681.39
– Others	–	24.27
19.3 Other Operating Revenue		
– Sales Tax Subsidy	419.93	814.96
– Carbon Credit	224.77	951.70
TOTAL	<u>89,762.13</u>	<u>82,384.79</u>
(Refer Note No. 34 for sales to related parties)		
20. OTHER INCOME		
Interest Income	873.92	622.28
Net Gain / (Loss) on Sale of Investments	0.25	50.04
Miscellaneous Income	128.26	169.80
TOTAL	<u>1,002.43</u>	<u>842.12</u>
21. COST OF MATERIALS CONSUMED	56,871.04	55,758.21
Details of Raw Materials consumed		
Coking Coal	24,640.69	25,956.57
Iron Ore	20,032.44	21,844.51
CRC / MS Scrap	6,633.93	4,293.94
Others	5,563.98	3,663.19
TOTAL	<u>56,871.04</u>	<u>55,758.21</u>

	31st Mar '13		31st Mar '12	
	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
22. DETAILS OF TRADED GOODS PURCHASED				
Coal		1,036.10		-
Coke		-		681.39
Others		2.27		24.27
TOTAL		1,038.37		705.66
23. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS				
Opening Stock				
Work in process	979.16		812.66	
Finished Goods	5,386.15	6,365.31	1,536.20	2,348.86
Closing Stock				
Work in process	1,000.80		979.16	
Finished Goods	4,497.98	5,498.78	5,386.15	6,365.31
TOTAL		866.53		(4,016.45)
Details of Inventory				
Work in Progress				
D.I. Pipes		439.65		585.35
Scrap		261.97		356.66
Others		299.18		37.15
TOTAL		1,000.80		979.16
Finished Goods and By-Products				
D.I. Pipes		560.30		1,216.12
Pig Iron		173.70		393.29
Iron ore Fines		3,574.27		3,677.59
Others		189.71		99.15
TOTAL		4,497.98		5,386.15
24. EMPLOYEE BENEFIT EXPENSE				
Salaries, Wages, Bonus and Other Benefits		3,122.34		2,922.34
Contribution to Provident and Other Fund		211.80		232.37
Employees Welfare		464.80		450.71
TOTAL		3,798.94		3,605.42
(Refer Note No. 30 for amount Capitalised)				
25. FINANCE COST				
Interest Expenses		5,285.10		3,327.92
Other Finance Cost		297.90		365.99
Loss on Exchange difference to the extent considered as finance cost		458.80		2,092.19
TOTAL		6,041.80		5,786.10
(Refer Note No. 30 for amount Capitalised)				

	31st Mar '13		31st Mar '12	
	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
26. OTHER EXPENSES				
Power & Fuel		5,171.23		3,312.03
Consumption of Stores & Spares		8,001.59		7,133.07
Handling & Transport charges		1,685.10		1,570.18
Directors' Remuneration		7.40		7.20
Rent		54.77		47.93
Professional and consultancy		176.06		118.25
Rates & Taxes (including Wealth Tax Rs.0.35 Lakhs Previous year 0.44 lakhs)		117.02		85.71
Insurance		123.93		123.58
Freight, Packing, Forwarding & LD Charges		334.48		562.68
Commission to Selling Agents		963.38		994.18
Loss on sale/discard of fixed Assets (net)		1.71		0.09
Repairs & Maintenance:				
– Plant & Machinery		639.90		723.48
– Buildings		90.85		183.98
– Others		3.30		1.68
Provision for doubtful receivables & advances		331.15		260.14
Auditors' Remuneration:				
– Audit fee		3.50		3.50
– Tax Audit		1.50		1.50
– Certification fee		1.50		1.15
– Out of Pocket Expenses		0.49		0.44
Bad debts written off	545.82		1.12	
Less: Transferred from Bad Debts Provision	545.82	–	(1.12)	–
Donations		–		0.10
Miscellaneous Expenses		980.05		989.79
TOTAL		18,688.91		16,120.66

27. Contingent Liabilities not provided for:

	2012-13 Rs. in Lakhs	2011-12 Rs. in Lakhs
a) Guarantees given by banks on behalf of the Company	1,031.67	1,205.49
b) Bills discounted with banks	7,984.53	2,772.12
c) Outstanding Letter of Credits	–	1,044.37
d) Various demands raised, which in the opinion of the management are not tenable and are pending with various forums / authorities :		
i) Sales Tax	1,364.76	1,319.84
ii) Excise, Custom Duty & Service Tax	395.68	496.29
iii) Income Tax	37.72	37.72

27.1. Commitments not provided for:

	2012-13 Rs. in lakhs	2011-12 Rs. in lakhs
Estimated amount of Capital contracts not provided for	237.67	3,935.59
Export Obligations to be fulfilled	39.07	562.53

28. 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.

29. Disclosure of Trade Payables under current/Non 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 is no overdue amount 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

30. (A) Pursuant to the Companies (Accounting Standards) Amendment Rules, 2011 vide GSR 914(E) dated 29th December, 2011, the Company has exercised the option of adjusting the cost of assets, for the exchange differences arising on long term foreign currency monetary items, in respect of accounting periods commencing from 1st April, 2011, which were hitherto recognized as income or expenses in the period in which they arose. As a result, such exchange differences so far as they relate to the acquisition of depreciable capital assets have been adjusted with the cost of such assets, to be depreciated over the balance useful life of the respective assets. Consequently, the Fixed Assets – Rs. 496.24 (Previous year Rs. 514.23 lakhs) and Capital work-in-progress – Rs. 28.29 lakhs (Previous year Rs. 608.38 lakhs) is higher and charge to the Statement of Profit and Loss is lower to that extent:

(B) During the year the company has capitalized the following interest during construction and Pre-operative expenses, allocating them to respective Fixed Assets, consequently the expenses disclosed under the respective heads are net of amounts capitalized by the company:

Particulars	2012-13 Rs. in lakhs		2011-12 Rs. in lakhs	
	Fixed Assets	Capital work in Progress	Fixed Assets	Capital work in Progress
Interest and Finance Charges	728.46	116.45	94.42	503.81
Salaries, Wages, Gratuity & other Benefits	99.88	4.47	4.08	77.54

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

	31.3.2013		31.3.2012	
Defined Contribution Plan:	Rs. in Lakhs		Rs. in Lakhs	
Employers Contribution to Provident Fund	172.55		176.70	
	Benefits		Benefits	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
Present Value of Obligations:				
Balance as at the beginning of the year	374.85	235.50	315.80	260.04
Service Cost	51.57	39.32	48.67	33.76
Interest Cost	29.99	18.80	25.26	19.32
Benefits Paid	-18.04	-33.87	-23.48	-37.06
Actuarial (Gain)/Loss	-6.59	33.60	8.58	-40.57
Balance as at the closing of the year	431.78	293.35	374.85	235.50
Fair Value of Plan Assets:				
Balance as at the beginning of the year	370.52	-	260.70	-
Expected Return of Plan Assets	35.71	-	29.51	-
Actuarial (Gain)/Loss	0	-	0	-
Contributions	30.91	33.87	103.77	37.08
Benefits Paid	-18.04	-33.87	-23.48	-37.06
Balance as at the closing of the year	419.10	-	370.52	-
Reconciliation of fair value of assets and obligations:				
Fair Value of Plan Assets	419.10	-	370.50	-
Present Value of Obligations	431.78	293.35	374.85	235.50
Amount recognized in Balance Sheet	12.68	293.35	4.35	235.50
Expenses recognized during the year:				
Current Service Cost	51.57	39.32	48.67	33.76
Interest Cost	29.99	18.80	25.26	19.32
Expected Return of Plan Assets	-35.71	-	-29.51	-
Actuarial (Gain)/Loss	-6.59	33.60	8.58	-40.57
Net Cost	39.26	91.72	53.00	12.51
Investment Details:				
Funds Managed by the Insurer	100%	0%	100%	0%
Others	0%	0%	0%	0%
Total	100%	0%	100%	0%

Actuarial Assumptions:				
Mortality Table (LIC)	1994-96 (ultimate)	1994-96 (ultimate)	1994-96 (ultimate)	1994-96 (ultimate)
Discount Rate (per annum)	8%	8%	8%	8%
Expected Return of Plan Assets (per annum)	8%	0%	8%	0%
Rate of escalation in salary (per annum)	7%	15%	7%	15%

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

33. Segment Reporting:

The Company's main business is manufacturing and selling pipes. In addition, the Company is also manufacturing & selling Cement and producing Pig Iron and 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.

34. 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 other directors have significant influence or control:**
1) Lanco Infratech Limited*

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

Sl. No.	Nature of Transaction	Year	Associate Company	Key Management Personnel	Enterprise where other Directors have control
1	Sale of goods	2012-13	6165.31	–	83.33
		2011-12	5428.44	–	–
2	Trade Receivables	2012-13	22.26	–	–
		2011-12	362.21	–	–
3	Purchases	2012-13	1135.45	–	–
		2011-12	1996.32	–	–
4	Trade Payables	2012-13	26.06	–	–
		2011-12	14.30	–	–
5	Loan Taken & Repaid	2012-13	2000.00	–	–
		2011-12	–	–	–
6	Interest Paid	2012-13	3.18	–	–
		2011-12	–	–	–
7	Reimbursement of exp	2012-13	3.34	–	–
		2011-12	13.38	–	–
8	Deposit received & Outstanding	2012-13	4134.00	–	–
		2011-12	4134.00	–	–

*Shri. L. Madhusudhana Rao, Shri L. Sridhar and Shri G. Bhaskara Rao directors of the Company are interested in Lanco Infratech Limited.

35. 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.

36. The Company has operating lease arrangement for office accommodation etc. with tenure extending upto one year. Expenditure incurred on account of rent during the year amounting to Rs. 57.37 Lakhs (Previous year Rs. 47.93 Lakhs) is recognized in the Statement of Profit and Loss.

37. a) **Category wise outstanding derivatives contracts entered for hedging as on 31st March 2013:**

in Lakhs

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	18	330.07	25	340.00	Buyers Credit and Imports
2	Forward	USD/INR	6	35.00	–	–	External Commercial Borrowing
3	Swap	USD	4	180.00	–	–	Interest

b) **Un-hedged foreign Currency Exposures as on 31st March 2013:**

in Lakhs

Sl. No.	Nature	Currency	Current Year	Previous Year
1	Imports	USD	32.12	138.52
2	Buyers Credit & Interest	USD	15.00	–
		Euro	7.14	–
3	External Commercial Borrowing & Interest	USD	251.39	177.14

38. **Value of Imported & Indigenous Raw Materials, Spare Parts, Components Consumed:**

	2012-13		2011-12	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Imported	28152.59	43.40	28265.99	44.95
Indigenous	36720.03	56.60	34625.29	55.05
Total	64872.62	100.00	62891.28	100.00

39. **CIF Value of Imports:**

	2012-13 Rs. in Lakhs	2011-12 Rs. in Lakhs
Raw Materials	15756.12	32885.06
Stores & Spares	1164.36	1382.37
Capital Goods	1804.37	1647.44

40. **Expenditure in Foreign Currency:**

	2012-13 Rs. in Lakhs	2011-12 Rs. in Lakhs
a) Interest & Finance Charges	1270.31	402.51
b) Traveling Expenses	0.33	6.72
c) Legal & Professional Charges	77.42	12.16
d) Payment of Dividend on Equity Shares in Foreign Currency		
– No. of Non-Resident shareholders	–	16
– No. of shares held	–	89002
– Dividend (Rs. in Lakhs)	–	1.34

41. Earnings in Foreign Currency:

	2012-13 Rs. in Lakhs	2011-12 Rs. in Lakhs
Sale of Carbon Credits	224.77	951.70
Compensation Received	–	148.69

42. Disclosure of loans and advances as per the requirement of Clause 32 of the listing agreement with the Stock Exchanges in India.

- i) The Company does not have any subsidiary and has not given any loans and advances in the nature of loans to its associates.
- ii) Interest free loans as per general rules of the Company have been given to its employees. Aggregate amount of such advances and loans outstanding at the year end is Rs. 10.76 lakhs (Previous year Rs. 12.00 lakhs).

43. Previous year figures

The Previous Year's Figures have been re-grouped / re-arranged wherever necessary.

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

K.R. Bapuji
Partner
Membership No. 021169
Place: Chennai
Date: 6th May, 2013

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-517641, Srikalahasthi Mandal, Chittoor District, A.P. India

NOTICE

NOTICE is hereby given that Twenty First 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 Monday, the 26th day of August, 2013 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, 2013 and Profit & Loss Account for the year ended as on that date, together with the Auditors' Report and Directors' Report thereon.
2. To appoint a Director in place of Shri G. Bhsakara Rao who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Gouri Shankar Rathi who retires by rotation and being eligible, offers himself for re-appointment.
4. 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:

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

"RESOLVED THAT Shri R.K. Khanna, who was appointed as Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company and who holds office until the date of this Annual General Meeting of the Company and in respect of whom the Company has received a notice in writing from a member with requisite deposit under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director and who is eligible for reappointment, be and is hereby appointed as Director of the Company, liable to retire by rotation."

Place: Chennai
Dated: 6th May, 2013

By Order of the Board
For **Lanco Industries Limited**
G.D. Saini
Chief Financial Officer &
Company Secretary

Notes:

1. 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.
2. An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to the Special Business set out in the Notice is annexed hereto.
3. The register of members and the Share Transfer Books of the Company shall remain closed from 20th August, 2013 to 26th August, 2013 (both days inclusive).
4. Members are requested to furnish their Bank Account details, change of address etc., to the Registrar and Share Transfer Agents in respect of shares held in physical form. If the shares are held in electronic form, then the said particulars should be furnished to their respective Depository Participants (DPs).
5. Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the meeting so that the required information can be made available at the meeting. Members/Proxies attending the meeting are requested to bring their copy of the Annual Report for reference at the meeting as also the Attendance Slip duly filled in for attending the meeting.
6. Equity Shares of the Company fall under the category of compulsory demat trading by all investors. Considering the advantages of scripless trading, shareholders are requested to consider dematerialization of their shareholding so as to avoid inconvenience.
7. Members who have not received their dividend paid by the Company in respect of earlier years are requested to check with the Company's Registrar & Transfer Agent – Karvy Computershare Pvt. Ltd., Plot No. 17-24, Beside Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081. Members are requested to note that in terms of Section 205 C of the Companies Act, 1956, any dividend unpaid / unclaimed for a period of 7 years from the date when it first became due for payment is required to be transferred to the Central Government to the credit of the Investor Education & Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.
8. Shareholders are requested to give us their valuable suggestions for improvement of our investor services.

ANNEXURE TO THE NOTICE**Explanatory Statement under Section 173 (2) of the Companies Act, 1956:****Item No. 5**

Shri R.K. Khanna was appointed as Director of the Company on 9th February, 2013, pursuant to Section 260 of the Companies Act 1956, read with Article 96 of the Articles of Association of the Company. Shri R.K. Khanna holds the office of Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for appointment as Director. The Company has received a notice in writing from a member along with a deposit of Rs. 500 proposing the candidature of Shri R.K. Khanna for the office of Director, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

A Brief profile of Shri R.K. Khanna is provided at the end of the notice. Keeping in view of experience and expertise of Shri R.K. Khanna, his appointment as Director of the Company is recommended.

No Director of the Company, except Shri R.K. Khanna is concerned with or interested in the resolution.

The Board recommends the resolution for the approval of the members.

By Order of the Board
For **Lanco Industries Limited**
G.D. Saini
Chief Financial Officer &
Company Secretary

Place: Chennai.
Dated: 6th May, 2013

Intimation 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 R.K. Khanna	Shri G. Bhaskara Rao	Shri Gouri Shankar Rathi
Date of Birth	19th October, 1952	1st June, 1954	9th January, 1950
Date of Appointment	9th February, 2013	1st November, 1991	8th June, 2005
Qualifications	Graduate in Management, Finance, Certificate in Infrastructure & Housing Finance from USA	M.E.	B.Com (Hons.), FCS, LLB
Special Expertise	Expertise in Financial Management & Infrastructure development.	Techno-Economic Expert.	Expertise in general Administrative management and Marketing.
Directorship in other Public Limited Companies.	Shivshahi Punaravasan Prkalp Limited, Mumbai	1) Aeolipile Engineering and Manufacturing Limited, 2) Fourneyron Engineering and Manufacturing Limited, 3) Lanco Infratech Limited, 4) Lanco Kanpur Highways Limited, 5) Lanco Power Ltd., 6) Lanco Group Limited, 7) Lanco Hydro Power Ltd., 8) Lanco Anpara Power Ltd., 9) Lanco Babandh Power Ltd., 10) Lanco Thermal Power Limited, 11) Lanco Vidarbha Thermal Power Limited, 12) Lanco Tanjore Power Company Limited	–
Membership in other Board Committees: 1) Audit Committee	–	Chairman: 1) Lanco Group Limited Member: 1) Lanco Infratech Limited, 2) Lanco Babandh Power Limited, 3) Lanco Vidharbha Thermal Power Limited, 4) Lanco Kanpur Highways Limited, 5) Lanco Power Limited, 6) Lanco Thermal Power Limited	–
2) Remuneration Committee	–	–	–
3) 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 Tweny First Annual General Meeting of the Company to be held on Monday, the 26th day of August, 2013 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 2013.

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 Twenty First 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 Monday, the 26th day of August, 2013.

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.

Ongoing Green Belt Development At The Plant



BOOK POST



If undelivered, please return to :
Lanco Industries Limited
Rachagunneri – 517 641
Srikalahasthi Mandal
Chittoor Dist. AP