



# LANCO INDUSTRIES LIMITED

Annual Report  
**2011-2012**

# 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 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

## Dy. CHIEF OPERATING OFFICER

Dr. Baskar Ramamurthy

## 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 20th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2012.

## FINANCIAL RESULTS:

Particulars	Rs. in Lakhs	
	2011-12	2010-11
Gross revenue from operations	<b>82,384.79</b>	75,129.73
Net revenue from operations	<b>78,700.02</b>	72,599.99
Other income	<b>842.12</b>	1,011.48
Total Revenue	<b>79,542.14</b>	73,611.47
Earning Before Interest, Depreciation, Taxation & Amortisation (EBITDA)	<b>7,368.64</b>	9,724.67
Finance Costs	<b>5,786.10</b>	2,268.54
Depreciation	<b>1,999.33</b>	1,871.61
Profit/(Loss) Before Taxation	<b>(416.79)</b>	5,584.52
Less: Tax including Deferred Tax	<b>(21.56)</b>	1,381.89
Profit/(Loss) After Taxation	<b>(395.23)</b>	4,202.63
Profit Brought Forward from Previous Year	<b>1,608.28</b>	1,657.94
Prior Period Adjustment – Taxation	<b>(58.90)</b>	(59.08)
Amount available for Appropriation	<b>1,154.15</b>	5,801.49
Appropriations are made as under:		
– General Reserve	–	3,500.00
– Proposed Dividend including tax thereon	–	693.21
Balance Carried Forward to Next Year	<b>1,154.15</b>	1,608.28

## DIVIDEND

In the absence of profits for the year and the need to conserve the funds for operations, your Directors express their inability to recommend any dividend for the year ended 31st March, 2012.

## REVIEW OF OPERATIONS

The Company achieved Gross operating revenue of Rs. 823.85 Crores during the year under review as against Rs. 751.30 Crores in the previous year, registering an increase of 9.66%.

The production of D.I. Pipes during the FY 2011-12 was higher by 8.70% when compared with the previous FY 2010-11.

The production of Mini Blast Furnace (MBF), producing liquid metal mainly for Ductile Iron Pipe Plant registered an increase of 23% at 1,80,026 MT for the FY 2011-12 compared to 1,46,285 MT in the FY 2010-11. Similarly the production of Low Ash Metallurgical Coke was higher in FY 2011-12 by 14.5% at 1,07,765 MT as against 94,092 MT in FY 2010-11 and the power generation in 12 MW – Waste Heat Recovery Based Captive Power Plant was higher in FY 2011-12 by 30.89% at 678 lakh units as against 518 lakh units in FY 2010-11.

Due to better demand, the production and sale of Cement during the year under review has seen a substantial rise, by about 47%.

Although, your Company has registered a moderate growth in the volumes during the FY 2011-12, the following external factors have affected the overall working of the Company.

Iron ore, which is one of the major inputs being used by your Company, has been sourced predominantly from National Mineral Development Corporation, from their mines at Hospet and Bellary to take advantage of logistical proximity, under long term contract arrangement with them. Pursuant to the order of the Apex Court, the contract with NMDC got annulled leaving the option of procuring the required Iron ore only through e-auction route. This has resulted in substantial rise of input cost of iron ore by about 25% and also non-availability of desired quality material when compared to the price and availability of material to similar units elsewhere in the country, thereby depriving level playing field to your Company.

Further, owing to demand-supply mismatch of electricity in the State, APSPDCL has imposed load/supply restrictions for all industrial units, starting from the 3rd quarter of the year under review, and your company being a continuous process industry these power restrictions has reduced the productivity, particularly of D.I. Pipe Plant, resulting in additional financial costs.

In spite of reasonable increase in the volumes of production by all the Divisions when compared to the earlier year 2010-11, for the reasons mentioned hereinabove and unprecedented depreciation of rupee against dollar have taken a toll on the profitability of your company during the year under review.

### **FUTURE PROSPECTS**

Project for installation of additional battery in Coke Oven Plant and installation of Boiler in 12 MW Captive Power Plant, executed by your Company during the last financial year, is in the final stages of its completion and is expected to be commissioned during 2nd quarter of FY 2012-13. With this, the capacity of coke oven plant will increase to 225,000 TPA and 12 MW Captive Power Plant is expected to increase to the extent of its installed capacity. Further, the project of installation of 132 KV Sub-Station to synchronize the power requirements of the company is also under progress and is likely to be completed in line with the erection of APTRANSCO's 220/132 KV Substation at Chindepalli, which is expected to be commissioned by September, 2012.

During the year under review, your Company has started executing its project for setting up of Sinter Plant. The installation and erection work is going on in full stream and it is also expected to be commissioned during 2nd quarter of FY 2012-13. After the commissioning of Sinter plant, requirement of high cost calibrated iron ore will come down by 75%, as it will be replaced by low cost iron ore fines. This will result in improved performance from the 3rd quarter of current year.

The above capital expenditure would provide a competitive edge to your company on account of reduction in production cost in the coming years.

While the intense competition in domestic market may continue to influence selling prices, the Company's major thrust on cost reduction measures and implementation of above mentioned backward integration projects will support in protecting the bottom-line of your Company.

### **CREDIT RATING**

Credit Analysis and Research Limited (CARE), a leading rating agency has reviewed and reaffirmed the long term rating as "CARE A+" (Single A plus). This rating is applicable to facilities having tenure of more than one year. CARE A+ rating indicates adequate safety for timely servicing of debt obligations and carry low credit risk.

The rating for short term facilities has been reviewed and reaffirmed as "CARE A1+" (A One Plus), the highest rating in the category and indicates a strong capacity for timely payment of short term debt obligations and carry lowest credit risk.

### **DIRECTORS**

Andhra Pradesh Industrial Development Corporation (APIDC), Hyderabad nominated Smt Nilam Sawhney, IAS on the Board of Directors of your Company with effect from 29th July, 2011 in place of Shri V. Nagi Reddy, IAS. Subsequently Shri K. Rajendra Prasad has been nominated by APIDC on the Board of Directors of your Company with effect from 27th April, 2012, in place of Smt Nilam Sawhney, IAS.

IDBI Bank nominated Shri A. Joseph Kumar on the Board of Directors of your Company with effect from 10th August, 2011 in place of Shri P.M. Suresh.

Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri V. Nagi Reddy, Shri P.M. Suresh and Smt Nilam Sawhney.

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

The present term of appointment of Shri Mayank Kejriwal as Managing Director of the Company shall expire on 29th April, 2012. The Board of Directors of the Company at its meeting held on 27th April, 2012 re-appointed Shri Mayank Kejriwal as Managing Director of the Company for a period of five years with effect from 30th April, 2012 at the same terms and conditions, subject to approval of the shareholders and other applicable provisions of the Companies Act, 1956.

## CORPORATE GOVERNANCE

Your Company has fully complied with the requirements of Clause 49 of the Listing Agreement regarding Corporate Governance. A report on Corporate Governance Practices, the Auditors' Certificate on compliance of mandatory requirements thereof and Management Discussion and Analysis are given as annexure to this report.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## EMPLOYEES

Board of Directors expresses its appreciation for sincere efforts made by the employees of your Company at all levels during the year 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, 2012 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

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 Central Govt. vide Order No. F/S2/26/CAB/2010 has made cost audit of the cost records compulsory for industries such as Cement, Steel, tyres & tubes, paper, aluminum etc., in respect of each of the financial year commencing on or after 1st April, 2011.

Accordingly, to comply with the order of the Central Govt., the Board of Directors of your Company appointed M/s. Narasimhamurthy & Co., Cost Accountants, Hyderabad as Cost Auditors for conducting the audit of cost accounts maintained by the Company for the financial year 2011-12.

## ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

Place: Chennai  
Date: 27th April, 2012

**G. Maruthi Rao**  
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, 2012.

### A. CONSERVATION OF ENERGY:

#### a. Energy Conservation Measures taken:

- The project for using Preliminary treated Sewage water of Tirupati Municipal Corporation for industrial purpose commissioned and ground water has been replaced to a greater extent.
- Variable Frequency drive introduced in Inoculants powder unit to conserve power as well as Inoculants powder in D.I. Pipe Plant.
- As a part of energy conservation measure, installed energy efficient motors, Variable Frequency Drives (VFDs) and Capacitors across the complex.

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

- Installing additional Coke Oven Battery & Boiler No. 3 to augment power generation of the existing Waste Heat Recovery based Captive Power Plant.
  - Revamping of Battery 2 to arrest heat losses, this results in increased power generation.
  - Installing 132 KV power sub-station to improve the quality of power and to minimize power intermediates.
  - Installing economizer to minimize furnace oil consumption in the boiler of DIP.
  - Up-gradation of PLC systems in spinning machines of DIP to enhance productivity.
  - Replacing the eddy current drive with VFD for cement kiln rotary gate.
  - Setting up of Sinter Plant in MBF for effective utilization of iron ore fines in place of calibrated ore.
- 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 MBF and D.I. 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 boiler in Captive Power Plant will enhance the captive power generation further and setting up of Sinter Plant will replace 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):

	2011-12	2010-11
i) Foreign Exchange Earning	1,100.39	—
ii) Foreign Exchange Used	35,633.81	34,071.01

### FORM-A

A. POWER & FUEL CONSUMPTION	2011-12	2010-11
1. Electricity		
a. Purchased		
Units (KWH)	2,02,34,240	3,47,52,480
Total amount (Rs.)	11,12,58,059	16,02,44,518
Rate / Unit (Rs / KWH)	5.50	4.51
b. Own Generation		
i) Through Diesel Generator		
Units (KWH)	6,35,496	12,08,970
Units/ Ltr. of Diesel Oil	4.17	3.62
Cost / Unit (Rs. / KWH)	10.15	10.90
ii) Through Turbo Generator		
a) 2.5 MW CPP (MBF)		
Units (KWH)	1,44,23,400	1,23,31,600
Cost / Unit (Rs. / KWH)	0.20	0.38
b) 12 MW CPP (COP)		
Units (KWH)	6,77,67,099	5,18,28,000
Cost / Unit (Rs. / KWH)	0.26	0.40
2. Overall LDO/HSD consumption		
Consumption (KL)	4,556.30	5,324.2
Total amount (Rs.)	19,27,29,225	21,02,10,443
Cost/Ltr. (Rs.)	42.30	39.48
B. CONSUMPTION PER MT OF PRODUCTION		
Units of Electricity (KWH):		
Pig iron	152	161
D. I. Pipe	367	383
Cement	113	108
Coke	20	24

# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

The Company's philosophy on Corporate Governance is founded upon a rich legacy of fair, ethical and transparent governance practices, many of which are in place before they were mandated by adopting highest standards of professionalism, honesty, integrity and ethical behavior. The Corporate Governance practices followed by the Company are compatible with the best practices. Through the Governance mechanism in the Company, the Board along with its Committee undertakes its fiduciary responsibilities to all its stakeholders by ensuring transparency, fair play and independence in its decision making.

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 Nine Directors as categorized below.

- One Executive Director
- Three 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, 2012 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 Gouri Shankar Rathi	Non-Executive	–	–	–
Shri S.Y. Rajagopalan	Non-Executive	1	–	–
Shri G. Bhaskara Rao	Non-Executive	9	1	3
Shri L. Madhusudhan Rao	Non-Executive	6	1	–
Shri L. Sridhar	Non-Executive	3	1	1
Shri A. Joseph Kumar (i)	Non-Executive – Independent	–	–	–
Shri P.M. Suresh (i)	Non-Executive – Independent	–	–	–
Smt. Nilam Sawhney, IAS (ii) (Equity Investor)	Non-Executive – Independent	–		
Shri V. Nagi Reddy (ii) (Equity Investor)	Non-Executive – Independent	–	–	–

i) IDBI Bank nominated Shri A. Joseph Kumar as its nominee in place of Shri P.M. Suresh with effect from 10th August, 2011.

ii) APIDC nominated Smt. Nilam Sawhney, IAS as its nominee in place of Shri V. Nagi Reddy, IAS with effect from 29th July, 2011.

\* 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 2011-12. The dates of the meetings are as follows:

7th May, 2011, 29th July, 2011, 25th August, 2011, 21st October, 2011 and 27th January, 2012.

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 2011-12:**

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 G. Bhaskara Rao	5	2	YES
Shri L. Madhusudhan Rao	5	0	NO
Shri L. Sridhar	5	4	YES
Shri P.M. Suresh	5	2	NO
Shri A. Joseph Kumar	5	3	YES
Shri V. Nagi Reddy	5	0	NO
Smt Nilam Sawhney	5	1	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, 2012 had four meetings on 7th May, 2011, 29th July, 2011, 21st October, 2011 and 27th January, 2012.

**The composition of the Audit Committee as on 31st March, 2012 and attendance during the year are as under:**

Sl. No.	Name of Directors	Position	Executive / Non-Executive / Independent	No. of meetings attended
1.	Shri G. Maruthi Rao	Chairman	Independent, Non-Executive	4
2.	Shri G. Bhaskara Rao	Member	Non-Executive	1
3.	Shri P.M. Suresh*	Member	Independent, Non-Executive	2
4.	Srhi A. Joseph Kumar*	Member	Independent, Non-Executive	2

\*IDBI Bank nominated Shri A. Joseph Kumar in place of Shri P.M. Suresh w.e.f. 10th August, 2011.

The Audit Committee met on 27th April, 2012 for considering finalization of accounts for the year ended 31st March, 2012.

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 25th August, 2011.

## Code of Conduct

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

## Prevention of Insider Trading Code

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

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

## Whistle Blower Policy

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

## 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 G. Bhaskara Rao	60,000
Shri L. Madhusudhan Rao	–
Shri L. Sridhar	80,000
Shri P.M. Suresh*	80,000
Shri A. Joseph Kumar*	1,00,000
Smt Nilam Sawhney	20,000
<b>Total</b>	<b>7,20,000</b>

\*IDBI Bank nominated Shri A. Joseph Kumar in place of Shri P.M. Suresh w.e.f. 10th August, 2011.

### Shareholdings of Non-Executive Directors As on 31st March '2012

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 2011-12:**

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	25	25	Nil
Non-Receipt of Securities	Nil	19	19	Nil
Non-Receipt of Annual Reports	Nil	4	4	Nil
Non-Receipt of fresh/new Shares	Nil	–	–	Nil
Total	Nil	48	48	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 the amendment made by SEBI to the provisions contained in the Listing Agreement with the Stock Exchanges, vide its Circular No. CIR/CFD/DIL/10/2010 dated 16th December, 2010, the Company is required to send notice(s) to the registered address of the shareholder, requesting for the correct particulars to dispatch undelivered share certificates. Accordingly, the Company has sent the Notices to such shareholders, whose shares are lying un-claimed as on 31st March, 2012. After completion of this process, the remaining un-claimed shares will be transferred into one folio in the name of "Unclaimed Suspense Account" and will be de-materialized.

## 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
28.08.2009	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
25.08.2010	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
25.08.2011	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.

Resolution increasing the limits for mortgage/charge on the assets of the Company U/S 293 (1) (a) of the Companies Act, 1956 was passed by Postal ballot.

## 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, 2012 in compliance with the revised Clause 49.V of the Listing Agreement(s) as amended.

## MEANS OF COMMUNICATION

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

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

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

## GENERAL SHAREHOLDERS' INFORMATION

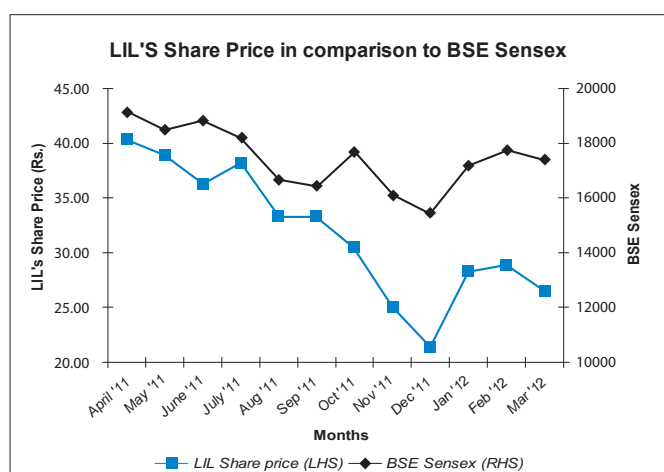
The following information would be useful to our shareholders:

Sl.No.	Information	
1.	Annual General Meeting	
	– Date and Time	27th August, 2012 at 11.30 AM
	– Venue	At Registered Office: Rachagunneri Village-517641 Srikalahasthi Mandal, A.P.
2.	Financial Calendar	Tentative Schedule
	Financial Reporting for the Quarter ended June 30, 2012	End July, 2012
	Financial Reporting for the Quarter ended September 30, 2012	End October, 2012
	Financial Reporting for the Quarter ended December 31, 2012	End January, 2013
	Financial Reporting for the Quarter ended March 31, 2013	End April, 2013
	Annual General Meeting for the year ending March 31, 2013	End August, 2013
3.	Book Closure Date (Both days inclusive)	21st August, 2012 to 27th August, 2012
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-11	45.75	39.10	499384	46.00	39.10	964492
May-11	40.80	35.65	692132	40.80	35.45	786155
Jun-11	38.15	35.50	170575	38.10	35.35	348911
Jul-11	38.20	36.00	168206	38.25	35.95	341559
Aug-11	38.80	31.95	253341	38.90	31.85	347110
Sep-11	36.35	33.30	117637	36.20	33.20	179359
Oct-11	34.30	29.25	149861	34.40	29.35	268277
Nov-11	29.95	23.90	78242	29.95	23.90	156125
Dec-11	25.40	19.25	87186	25.05	19.35	157137
Jan-12	30.95	20.85	456210	30.95	21.10	798996
Feb-12	30.70	26.75	572733	30.75	26.90	1337855
Mar-12	28.60	26.20	295042	28.70	26.25	714590

## 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 Vittalrao 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)
2006-07	10	465.22
2007-08	10	465.22
2008-09	10	465.22
2009-10	15	697.82
2010-11	15	693.21

## 12. Distribution of Shareholding as on March 31, 2012:

Sl. No.	Category		Number of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
	From	To				
1.	1	5000	17658	89.74	2091361	5.26
2.	5001	10000	1005	5.11	851004	2.14
3.	10001	20000	467	2.37	732488	1.84
4.	20001	30000	183	0.93	472093	1.19
5.	30001	40000	69	0.35	250511	0.63
6.	40001	50000	77	0.39	366901	0.92
7.	50001	100000	101	0.51	777728	1.96
8.	100001	And above	119	0.60	34221509	86.06
	<b>Total</b>		<b>19679</b>	<b>100.00</b>	<b>39763595</b>	

## 13. Categories of Shareholding as on 31st March, 2012:

Sl. No.	Category	No. of shares held	Percentage of shareholding
<b>A.</b>	<b>PROMOTERS HOLDING</b>		
<b>1.</b>	Promoters		
	a) Indian Promoters		
	i) Electrosteel Castings Limited	19301218	48.54
	ii) Others	891960	2.24
	b) Foreign Promoters	—	—
<b>2.</b>	<b>Persons Acting in Concert</b>	—	—
	<b>Sub-Total</b>	<b>20193178</b>	<b>50.78</b>
<b>B.</b>	<b>NON-PROMOTERS HOLDING</b>		
<b>3.</b>	<b>Institutional Investors</b>		
	a) Mutual Funds and UTI	17325	0.04
	b) Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions)	254725	0.64
	c) FIs	9700	0.02
	<b>Sub-Total</b>	<b>281750</b>	<b>0.70</b>
<b>4.</b>	<b>Others</b>		
	a) Private Corporate Bodies	2057311	5.17
	b) Indian Public	15669409	39.41
	c) NRIs / OCBs	1551948	3.91
	d) Any other (Clearing Members)	9999	0.03
	<b>Sub-Total</b>	<b>19288667</b>	<b>48.52</b>
	<b>GRAND TOTAL</b>	<b>39763595</b>	<b>100.00</b>



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 77% of total equity share capital is held in dematerialized form with NSDL & CDSL as on 31st March, 2012.
15. Outstanding convertible Instruments:  
As on 31.3.2012, there are no outstanding convertible instruments.
16. Registered Office & Works:  
Rachagunneri-517641, Srikalahasthi Mandal, Chittoor District, A.P., India., Ph. No. 08578-286650 – 655 (6 Lines)
17. Members can contact us at our Registered Office:  
As stated above.
18. Status of Non-Mandatory requirements:
  - i) Audit Qualifications:  
There are no qualifications or adverse remarks in the Auditors' Report which require any clarification / explanation. 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](http://www.lancoindustries.com).
- 3) All Board Members and Senior Management Personnel have affirmed having complied with the said Code of Conduct, during the year ended 31st March, 2012.

For **Lanco Industries Limited**

Place: Chennai  
Date: 27th April, 2012

**Mayank Kejriwal**  
Managing Director

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To the Members of  
LANCO INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Lanco Industries Limited for the year ended on 31st March, 2012, as stipulated in clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

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

**K.R. BAPUJI**  
Partner  
Membership No. 021169

Place: Chennai  
Date: 27th April, 2012

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

In 2010, 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 D.I. 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 has been commissioned successfully. Further, the Company has taken up major capital expansion programme for setting up sinter plant, installation of additional battery in the Coke Oven Plant to increase the capacity of Coke Oven Plant from 150,000 TPA to 225,000 TPA. As a part of forward integration project, in order to utilize the waste heat being generated from the additional battery, the Company has started executing the project for installation of additional Waste Heat Recovery Boiler in 12 MW Captive Power Plant, by which the generation in the Power Plant is expected to increase to the extent of its installed capacity. Further, the Company has started implementing the project of installation of 132 KV Sub-Station to synchronize the power requirements of the company.

## VALUE ADDITION

We, at Lanco strongly believe in lean manufacturing process to facilitate creation of value addition in every stage of Company's operations starting from raw materials to finished product. Company's own Coke Oven Plant along with 12 MW Waste Heat Recovery Based Co-generating Captive Power Plant, installation of BF Gas fired Annealing Furnace and balancing equipment in D.I. Pipe plant and installation of Hot Blast Stoves in MBF have strengthened the value chain. Further, upon commissioning of Sinter Plant project, which is in erection stage, dependency and consumption of high cost calibrated iron ore is expected to come down to a greater extent, as it will be replaced by low cost iron ore fines.

## THE YEAR IN RETROSPECT

The volumes of production and sales of Company's products reflected a healthy growth during the year 2011-12. The gross operating revenue of the Company marginally increased from Rs. 751.30 Crores in FY 2010-11 to Rs. 823.85 Crores in FY 2011-12, registering a growth of 9.66%. However, due to un-precedented depreciation of rupee against US dollar and higher cost of inputs, the Company has incurred a net loss of Rs. 3.95 Crores during the year under review as against Rs. 42.03 Crores net profit achieved during FY 2010-11.

## INDUSTRY OUTLOOK

The accessibility to the improved water and sewerage infrastructure in the country being very limited and the continued emphasis being given by Govt. of India for water and sewerage infrastructure development in the country auger well for increased investments in D.I. Pipes space, which is expected to trigger reasonable demand for D.I. Pipes in the medium term.

However, the intense competition in domestic market and the increase in the input prices may likely to keep pressure on the revenues and profitability.

## BUSINESS

### Raw materials Management

Iron ore which is one of the major raw materials being used by the Company is predominantly sourced from National Mineral Development Corporation (NMDC) from their mines at Karnataka under long term contract arrangement. Pursuant to the order of the Apex Court in September'11 that sale of iron ore from Karnataka should happen only through e-auction, the long term contract with NMDC got cancelled, forcing the Company to procure iron ore through e-auction route at much higher prices compared to the contracted price of NMDC. Further, procurement cost of coking coal, which is being imported from Australia has also gone up, due to consistent depreciation of rupee against US Dollar. These factors have culminated into substantial rise of input cost in the year 2011-12, consequently, the ratio of raw material cost to turnover has gone up to 69% in the year 2011-12 as against 60% in the previous year, reflecting about 9% increase in input cost compared to FY 2010-11.

### Quality

We, at Lanco value the increased awareness of the customers over quality of the product and continual improvement. The Company has a dedicated Quality Control Team to ensure micro level review of the quality of all factors involved in production and consistently adhere to the stringent quality standards to meet the requirements of varied customers and enhance the brand image of the Company. Company's quality systems are accredited with ISO 9001:2008 by Det Norkey Veritas (DNV) and the Ductile Iron pipes manufactured by the Company are Kite Mark licensed as approved by BSI, UK.

### Safety, Health & Environment (SHE)

The company is committed to maintain highest standard of Safety, Health and Environment protection and is also determined to meet all statutory requirements and prevention of pollution. The Company has well structured SHE set up for managing SHE functions and issues of the organization. Greatest emphasis is given to safety measures for minimizing accidents and accidents are investigated and analysed for root cause so as to prevent its recurrence.

The Company has full-fledged Environmental Management Systems that have been certified as meeting the requirements of international standards of ISO 14001. These systems provide us with a framework for managing compliance and achieving continuous improvement. The Company through its extensive R & D activities has identified various solid wastes that could be used as productive inputs. The Company pursues the Policy of three R's – Recycle, Reduce and Reuse – for managing its waste. Many innovative projects under "Wealth from Waste" have been implemented for solid waste utilization. The main objective of the company is to ensure effective utilization of solid waste, thereby ensuring cleaner environment.

With an objective to preserve ground water resources, the unique project of using primarily treated sewerage water for industrial purposes conceived by the Company in 2008 has been commissioned successfully and sewerage water is being treated and used for various industrial applications in its Plant, which replaced usage of fresh water.

### Corporate Social Responsibility (CSR)

At LIL, it has been our strong endeavour to make Corporate Social Responsibility a key business process for sustainable development. We are committed to conduct our business in an accountable manner that creates a sustained positive implication on society. It is core corporate responsibility to practice corporate values through commitment to grow in a socially and environmentally responsible way, while meeting the interests of the stakeholders.

As a policy, we promote and encourage economic, social and educational development within the local communities, while also giving active support to local initiatives. Our social outreach programme covers the company-adopted village of Rachagunneri and other nearby villages through upliftment initiatives in the areas of income generation, health and medical care, education, general infrastructure development and relief.

### Information Technology

We strongly believe that Information Technology is a vital and integral part of our business and plays a very significant role in adapting to the new business process. In order to establish an effective analytical reporting system, SAP Business Intelligence has been implemented and being practiced in the organization. All the key decision makers in the Company are being intensively trained to make best use of this system and take advantage of the same, while analyzing various business performances.

The Company has been continuously working on making the organization well connected to bring all the business processes across the organization under one gamut called SAP. It has been the constant endeavour of the Company to stay focused to adopt latest developments in information technology from time to time and integrate the same for achieving the goals of the organization.

### OPPORTUNITIES & THREATS

Major thrust being given by Govt. of India for water and sewerage infrastructure development 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 input prices are likely to put pressure on the margins.

Creation of backward integration facilities like Sinter Plant, expansion of Coke Oven Plant and the Company's continued focus on cost reduction and productivity improvement initiatives is expected to result in improved operational efficiencies, which helps the Company in facing the challenges.

### OUTLOOK

It has been the constant endeavour of the Company to give greatest emphasis to cost control measures and continuous developments in productivity improvement & operational efficiency. The backward integration projects, for capacity expansion of Coke Oven Plant and setting up of Sinter Plant for value addition in terms of reduced calibrated iron ore consumption, which are in the final stages of commissioning are expected to reduce the overall cost of production and protect the bottom-line of the Company. Besides these developments, the modest demand for D.I. pipes in the domestic market is expected to trigger positive growth for the Company.

### HUMAN RESOURCES

We, at LIL strongly believe that people development emerge as a strategic driver of the Company's business and aligning of people policies and people management framework will serve the larger business goals of the organization.

Long term development of human capital and strategic employment of retention tools remained at the core of the Company's strategy in India. Greatest emphasis is given to prepare top talent from middle management to take on higher responsibilities and leadership positions in the organization. Similarly, merit oriented compensation packages, job enrichment and development through special training interventions helped the Company to retain top talent. The Company has been taking various initiatives to improve employee productivity and efficiency by providing enriched jobs, career opportunities for growth and incentives.

It has been the constant endeavour of the Company to promote value addition and productivity improvement and there has been overwhelming response from the employees in contributing kaizens, which helped achieving continual development and operational excellence.



## RISKS AND CONCERN

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

## INTERNAL CONTRSOL SYSTEM AND ITS ADEQUECY

The Company’s philosophy towards control systems is mindful of leveraging resources towards optimisation while ensuring the protection of its assets. The Company deploys a robust system of internal controls that facilitates the accurate and timely compilation of financial statements and management reports; ensures regulatory and statutory compliance; and safeguards investors’ interest by ensuring highest level of governance and periodic communication with investors. The internal auditors of the Company submit quarterly audit reports to the Audit Committee.

The Audit Committee reviews the effectiveness of the internal control system in the Company and also invites the senior management/functional directors to provide an update on their functions from time to time. 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 is always alert on recognizing the risks involved in its business and has been committed to implement sound risk management strategies to reinforce its risk management competency. The Company's risk management structure ensures conformity with the requirements of amended Clause 49 of the Listing Agreement.

## **ECONOMIC RISK**

Due to high level of un-predictability in the prices of major raw materials used by the Company, it is open to the risk of narrowed margin.

To defy this risk, the Company has been initiating various actions from time to time like long term contracts for supply of raw materials to ensure that impact of price volatility is minimized. Further, in order to reduce the dependence on procurement of major raw materials from outside sources, the Company has already initiated various backward integration projects like installation of additional battery at its Coke Oven Plant and setting up of Sinter plant to replace usage of high cost calibrated ore with iron ore fines to a greater extent. In addition to this, it has been the endeavour of the Company to stay focused on various cost cutting measures to shield the margin.

## **COMPETITOR RISK**

Increased competition from other players in the domestic market may affect the order book position of the Company in the short term. To mitigate this risk, the Company remains committed on its sustained efforts to retain its market share by maintaining consistent quality, optimization of available resources and expanding its market presence.

Besides, the increased importance being given by the Govt. of India for water and sewerage infrastructure investments is expected to auger well in triggering growth for the D.I. Pipes market in the country.

## **ENVIRONMENT RISK**

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

The company has well established Environmental Management System in place, certified by ISO 14001:2004, which ensures addressing environmental concerns through allocation of resources and ongoing evaluation of practices, procedures and processes. Further, the company is regularly focused on continual improvement of its Environmental Management System and committed to suitably attend to the implications of its process on the environment.

## **INDUSTRIAL RISK**

The Company, being labour concentrated, is open to the threat of labour un-rest and instability.

The Company believes that human resource is key for its growth and continuously stay focused on initiating various welfare measures, which helps in keeping the morale and motivation of its people high so as to attract and retain the employees for a longer duration. The Company has been maintaining harmonious and cordial labour relations and there have been no loss of man-days production disturbance on this account.

## **FOREIGN EXCHANGE RISK**

Considering overseas procurement of raw materials, the Company is exposed to un-expected movements of exchange rates, which results in foreign exchange risk, due to high volatility in exchange rates.

To mitigate this risk, the Company frequently reviews its foreign exchange exposure and adopts comprehensive risk management system and hedges its foreign exchange exposure by implementing strategy of selective and systematic hedging of instruments forward contract, options etc.,

## **PAYMENT RISK**

The Company is exposed to the risk of payment, as it has to offer credit to its major customers, being Govt. managed undertakings like Water and Sewerage Boards, Municipal Corporations etc,

The Company regularly reviews its debtors' position and takes appropriate actions for the recovery of receivables. Besides, the strict evaluation process adopted by the Company for assessing credit worthiness of its customers and the strategy of covering majority of supplies through Letters of Credit and Bank Guarantee has minimized the risk of default.

# AUDITORS' REPORT

To

The members of

LANCO INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **LANCO INDUSTRIES LIMITED** ("the Company") as at 31st March, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and Summary of significant accounting policies and other explanatory information annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 and on the basis of such examination of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of the audit, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) on the basis of written representations received from the Directors of the company as on 31st March, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Other Notes (Note No. 1 to 43) give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
    - ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
    - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

**K.R. BAPUJI**  
Partner  
Membership No. 021169

Place: Chennai  
Date: 27th April, 2012

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

(Referred to in paragraph 3 of our report of even date)

- i) a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management during the year as per a detailed program drawn for the said purpose, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) 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) 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 CARO 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) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- b) In our opinion and according to the information and explanations given to us, there were no transactions made in pursuance of contracts or arrangements referred to in v(a) above and exceeding the value of Rupees five Lakhs with any such party.
- vi) The company has not accepted any deposits from public covered under Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and Rules framed there under.
- 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) 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, 2012 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, 2012 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* 40.51* 259.59*	2002-03 1999-00 1999-00	Sales Tax Appellate Tribunal, A.P. -do- -do-
Central Sales Tax Act, 1956	Sales tax	158.70*	2000-01	Sales Tax Appellate Tribunal, A.P.
Income tax Act, 1961	Income tax	10.87 1.85	2003-04 2004-05	A.P. High Court -do-
Central Excise Act, 1944	Central Excise & Interest	8.26	2007-08	CESTAT, Bangalore.

\* Stay of collection granted for the demands.

- x) The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks. 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 CARO 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 CARO 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) Based on the information and explanations given to us and on an overall examination of the cash flow statement and the Balance Sheet of the Company, in our opinion, the funds raised by the Company on short term basis have prima facie not been used for long term investment.
- xviii) The Company has not made any preferential allotment of shares during the year.
- xix) During the year, the Company has not made any issue of debentures. Accordingly, clause (xix) of paragraph 4 of CARO 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 CARO 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: 27th April, 2012

## BALANCE SHEET AS AT 31ST MARCH, 2012

	Note No.	31st Mar '12 (Rs. in Lakhs)	31st Mar '11 (Rs. in Lakhs)
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. Shareholders' funds</b>			
a) Share capital	2	3,976.36	3,976.36
b) Reserves and surplus	3	16,710.12	17,164.25
		<b>20,686.48</b>	21,140.61
<b>2. Non-current liabilities</b>			
a) Long-term borrowings	4	12,958.72	7,711.96
b) Deferred tax liabilities (Net)	5	3,593.25	3,614.82
c) Other long-term liabilities	6	5,317.27	4,876.18
d) Long-term provisions	7	116.68	118.72
		<b>21,985.92</b>	16,321.68
<b>3. Current liabilities</b>			
a) Short-term borrowings	8	32,112.87	23,953.27
b) Trade payables	9	12,210.20	12,906.57
c) Other current liabilities	10	6,892.52	6,369.95
d) Short-term provisions	11	223.06	1,171.62
		<b>51,438.65</b>	44,401.41
		<b>94,111.05</b>	81,863.70
<b>B. ASSETS</b>			
<b>4. Non-current assets</b>			
a) Fixed assets	12		
i) Tangible assets		31,009.03	29,978.99
ii) Intangible assets		140.18	186.64
iii) Capital work-in-progress		6,313.89	2,667.67
		<b>37,463.10</b>	32,833.30
b) Long-term loans and advances	13	7,032.01	7,375.97
		<b>44,495.11</b>	40,209.27
<b>5. Current assets</b>			
a) Inventories	14	31,877.00	23,883.37
b) Trade receivables	15	12,237.19	13,725.85
c) Cash and Bank Balances	16	1,024.00	1,917.51
d) Short-term loans and advances	17	2,076.02	914.64
e) Other Current assets	18	2,401.73	1,213.06
		<b>49,615.94</b>	41,654.43
		<b>94,111.05</b>	81,863.70
<b>Significant Accounting Policies &amp; Notes on Accounts</b>	1		

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

For and on behalf of the Board

K.R. Bapuji  
Partner  
Membership No. 021169  
Place: Chennai  
Date: 27th April, 2012

G. Maruthi Rao	Director
Mayank Kejriwal	Managing Director
G.D. Saini	Company Secretary



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	Note No.	31st Mar '12 Rs. in Lakhs	31st Mar '11 Rs. in Lakhs
<b>1. Revenue from operations (Gross)</b>	19	<b>82,384.79</b>	75,129.73
Less: Excise duty		<b>3,684.77</b>	2,529.74
Revenue from operations (net)		<b>78,700.02</b>	72,599.99
<b>2. Other Income</b>	20	<b>842.12</b>	1,011.48
<b>3. Total revenue (1+2)</b>		<b>79,542.14</b>	73,611.47
<b>4. Expenses</b>			
a) Cost of materials consumed	21	<b>55,758.21</b>	40,392.83
b) Purchases of traded goods	22	<b>705.66</b>	2,869.91
c) Changes in inventories of finished goods & work-in-progress	23	<b>(4,016.45)</b>	46.96
d) Employee benefits expense	24	<b>3,605.42</b>	3,328.60
e) Finance costs	25	<b>5,786.10</b>	2,268.54
f) Depreciation and amortisation expenses	12	<b>1,999.33</b>	1,871.61
g) Other expenses	26	<b>16,120.66</b>	17,248.50
<b>Total expenses</b>		<b>79,958.93</b>	68,026.95
<b>5. Profit / (Loss) before tax (3 – 4)</b>		<b>(416.79)</b>	5,584.52
<b>6. Tax expenses:</b>			
a) Current tax		–	1,202.82
b) Deferred tax		<b>(21.56)</b>	179.07
<b>7. Profit / (Loss) for the year (5 – 6)</b>		<b>(395.23)</b>	4,202.63
Earnings per share (of Rs. 10/- each):			
a) Basic		<b>(0.99)</b>	10.57
b) Diluted		<b>(0.99)</b>	10.57

### Significant Accounting Policies & Notes on Accounts

1

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

K.R. Bapuji  
Partner  
Membership No. 021169  
Place: Chennai  
Date: 27th April, 2012

For and on behalf of the Board

G. Maruthi Rao	Director
Mayank Kejriwal	Managing Director
G.D. Saini	Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	31st Mar '12 Rs. in Lakhs	31st Mar '11 Rs. in Lakhs
<b>A. Cash Flow from operating activities</b>		
Net Profit Before Tax	(416.79)	5,584.52
Adjustments for:		
Interest & Financial Charges	5,786.10	2,268.54
Depreciation	1,999.33	1,871.61
(Profit)/Loss on Sale of Fixed Assets	0.09	341.33
(Profit) / Loss on Sale of Investments	(50.04)	(53.24)
Operating Profit before working Capital changes	<u>7,318.69</u>	<u>4,428.24</u>
Adjustments for:		
(Increase)/ decrease in Long Term Loans & Advances	343.96	1,145.50
(Increase)/ decrease in Short Term Loans & Advances	(1,161.38)	-
(Increase)/ decrease in Other Current Assets	(1,164.65)	(1,004.11)
(Increase)/ decrease in Trade & Other Receivables	1,488.65	(1,880.05)
(Increase)/ decrease in Inventories	(7,993.63)	(12,363.87)
Increase/ (decrease) in Long Term Liabilities & Provisions	439.06	-
Increase/ (decrease) in Current Liabilities	(611.31)	8,801.92
Cash Generated from Operations	<u>(1,340.61)</u>	<u>(5,300.61)</u>
Direct Taxes Paid	-	4,712.15
Prior Period Adjustment -Taxation	(58.90)	(1,058.60)
Cash from Operating Activities	<u>(1,399.51)</u>	<u>(59.08)</u>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(6,634.54)	(5,042.55)
Sale of Fixed Assets	5.33	379.95
Income on Investments	50.04	53.24
Net Cash From Investing Activities	<u>(6,579.17)</u>	<u>(4,609.36)</u>
<b>C. Cash Flow from Financing Activities</b>		
Long Term Borrowings-Receipts/(Repayments) [Net]	5,246.76	(1,317.83)
Short Term Borrowings-Receipts/(Repayments) [Net]	8,159.60	5,451.05
Interest Paid	(5,603.96)	(2,206.87)
Dividend Paid	(596.45)	(596.45)
Tax on Dividend	(96.76)	(101.37)
Net Cash from Financing Activities	<u>7,109.19</u>	<u>1,228.53</u>
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	<u>(869.49)</u>	<u>213.64</u>
Cash & Cash Equivalents as at Beginning of Year	<u>1,730.07</u>	<u>1,516.43</u>
Cash & Cash Equivalents as at End of Year	<u>860.58</u>	<u>1,730.07</u>
Component of Cash & Cash Equivalents		
Cash on Hand	4.58	4.90
Balances with Banks		
in Current Account	832.75	1,703.62
in Unpaid Dividend	23.25	21.55
	<u>860.58</u>	<u>1,730.07</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: 27th April, 2012

G. Maruthi Rao                      Director  
Mayank Kejriwal                    Managing Director  
G.D. Saini                              Company Secretary

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

### 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 of India 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.

During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act, 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on the presentation and disclosures made in the financial statements.

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

**J) Miscellaneous Expenses:**

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

**K) Borrowing Costs:**

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

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 Profit & Loss Account as and when the settlement takes place in accordance with the terms of respective contracts.

Note No.	31st Mar '12		31st Mar '11	
	No. of Shares In Lakhs	Rs. in Lakhs	No. of Shares In Lakhs	Rs. in Lakhs
<b>2. SHARE CAPITAL</b>				
Authorized Shares				
Equity Shares of Rs. 10/- each	<u>530.00</u>	<u>5300.00</u>	<u>530.00</u>	<u>5,300.00</u>
<b>Issued, Subscribed and Paid up Shares</b>				
Equity Shares of Rs. 10/- each	<u>397.63</u>	<u>3,976.36</u>	<u>397.63</u>	<u>3,976.36</u>
<b>TOTAL</b>	<u>397.63</u>	<u>3,976.36</u>	<u>397.63</u>	<u>3,976.36</u>
<b>Reconciliation of Shares outstanding at the beginning and at the end of the reporting period</b>				
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 31.03.2012. (31st March 2011:Rs. 1.50 )

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	<b>193.01</b>	<b>48.54</b>	193.01	48.54
Shri L. Madhusudhan Rao	<b>22.85</b>	<b>5.75</b>	22.85	5.75
Shri G. Bhaskara Rao	<b>22.85</b>	<b>5.75</b>	22.85	5.75
Shri L. Sridhar	<b>22.83</b>	<b>5.74</b>	22.83	5.74
Shri L. Rajagopal	<b>22.84</b>	<b>5.75</b>	22.84	5.75



3. RESERVES AND SURPLUS	31st Mar '12		31st Mar '11	
	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		12,000.00	
Add: Transferred from Surplus	–		3,500.00	
Closing Balance		15,500.00		15,500.00
c) Surplus				
Opening Balance	1,608.28		1,657.94	
Add/(Less): Profit/(Loss) during the year	(395.23)		4,202.63	
Less: Transfer to General Reserve	–		(3,500.00)	
Prior period Adjustment – Taxation	(58.90)		(59.08)	
Proposed Dividend	–		(596.45)	
Tax on Dividend	–		(96.76)	
Closing Balance		1,154.15		1,608.28
<b>TOTAL</b>		<b>16,710.12</b>		<b>17,164.25</b>

4. LONG TERM BORROWINGS	Non Current	Current	Non Current	Current
<b>Secured – from Banks</b>				
Rupee Term loans	3,250.00	2,625.00	5,875.00	2,250.00
External Commercial Borrowing	9,156.60	–	–	–
<b>Unsecured</b>				
Sales tax Deferment	552.12	1,284.84	1,836.96	1,508.52
	12,958.72	3,909.84	7,711.96	3,758.52
<b>Less: Amount shown under other current liabilities (Note No. 10)</b>	–	3,909.84	–	3,758.52
<b>TOTAL</b>	<b>12,958.72</b>	<b>–</b>	<b>7,711.96</b>	<b>–</b>

Terms of Repayment and rate of interest:

Rupee Term Loan of Rs. 3125 Lakhs is repayable in 10 Quarterly instalments of Rs. 312.50 Lakhs each and it carries an interest @ 11.09% p.a. payable monthly.

Rupee Term Loan of Rs. 1500 Lakhs repayable in 16 Quarterly instalments of Rs. 93.75 Lakhs each and it carries an interest @ 12.50% p.a. payable monthly.

Rupee Term Loan of Rs. 1250 Lakhs repayable in 5 Quarterly instalments of Rs. 250 Lakhs each and it carries an interest @ 12.25% p.a. payable monthly.

Foreign Currency loan of US\$ 180 Lakhs (Rs. 9156.60 Lakhs) is repayable in 15 half yearly instalments of US\$ 12 Lakhs starting from 15/09/2013 and carries an interest at LIBOR plus 4.3% p.a payable half yearly

Sales tax Deferment – Rs. 490.84 Lakhs in 2013-14 & 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 '12 Rs. in Lakhs	31st Mar '11 Rs. in Lakhs
<b>5. DEFERRED TAX LIABILITIES (NET)</b>		
Deferred Tax Liability		
Fixed Asset – Impact of Difference between tax depreciation and depreciation charged in the financial statement	4,564.22	3,901.36
<b>Gross Deferred Tax Liability</b>	<b>4,564.22</b>	<b>3,901.36</b>
Deferred Tax Asset		
Impact of Expenditure charged to statement of Profit & Loss but allowed only on actual payment for tax purpose	104.39	115.53
Provision for Doubtful debts and advances	502.15	171.01
Unabsorbed Depreciation carried forward	364.43	–
<b>Gross Deferred Tax Asset</b>	<b>970.97</b>	<b>286.54</b>
Net Deferred Tax Liability	<b>3,593.25</b>	<b>3,614.82</b>
<b>6. OTHER LONG TERM LIABILITIES</b>		
Foreign Currency Loan	102.17	509.59
Other Payables	1,017.10	161.59
Advances from related party	4,134.00	4,158.00
Deposits from Customers	64.00	47.00
<b>TOTAL</b>	<b>5,317.27</b>	<b>4,876.18</b>
<b>7. LONG TERM PROVISIONS</b>		
For Employee Benefits ( Refer Note No. 31 )		
– Unavailed Leave	116.68	118.72
<b>TOTAL</b>	<b>116.68</b>	<b>118.72</b>
<b>8. SHORT TERM BORROWINGS – FROM BANKS</b>		
<b>Secured</b>		
Working Capital Loans – from Banks		
Rupee Loan	13,870.33	7,455.71
Foreign Currency Loan	15,742.54	13,997.56
<b>Unsecured</b>		
Commercial paper	2,500.00	2,500.00
<b>TOTAL</b>	<b>32,112.87</b>	<b>23,953.27</b>
<b>Nature of Security and rate of interest</b>		
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.		
<b>9. TRADE PAYABLES</b>		
Trade payables	12,210.20	12,906.57
<b>TOTAL</b>	<b>12,210.20</b>	<b>12,906.57</b>
(Refer Note No. 34 for amount due to related parties)		

**10. Other Current Liabilities**

	31st Mar '12 Rs. in Lakhs	31st Mar '11 Rs. in Lakhs
Current maturities of long-term borrowings (Refer Note No. 4)	3,909.84	3,758.52
Interest accrued but not due on borrowings	385.60	203.45
Unpaid dividends	23.25	21.55
Others		
– Creditors for capital goods	499.00	276.38
– Statutory Dues	538.94	532.38
– Amount due to Employees and Others	263.23	235.04
– Advance from Customers	379.90	487.98
– Retention Money	86.44	49.44
– Outstanding Expenses	806.32	805.21
<b>TOTAL</b>	<b>6,892.52</b>	<b>6,369.95</b>

**11. Short Term Provisions**

Employee Benefits	223.06	334.19
Taxation	–	144.22
Proposed Dividend	–	596.45
Tax There on	–	96.76
<b>TOTAL</b>	<b>223.06</b>	<b>1,171.62</b>

**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-11	Additions	Sales/ Adjustment	As at 31-Mar-12	Upto 31-Mar-11	For the year	Sales/ Adjustment	Upto 31-Mar-12	As at 31-Mar-12	As at 31-Mar-11
1	a) Land	1,483.78	–	–	1,483.78	–	–	–	–	1,483.78	1,483.78
	b) Leasehold Land	93.67	–	–	93.67	1.30	3.12	–	4.42	89.25	92.37
2	a) Factory Buildings	5,547.27	–	–	5,547.27	1,651.25	185.28	–	1,836.53	3,710.74	3,896.02
	b) Non Factory Buildings	1,342.46	–	–	1,342.46	119.82	21.87	–	141.69	1,200.77	1,222.64
3	Plant & Equipment (*)	30,539.30	2,896.55	10.13	33,425.72	9,115.14	1,545.02	6.70	10,653.46	22,772.26	21,424.16
4	Electrical Installation	2,644.26	12.60	–	2,656.86	1,261.05	126.27	–	1,387.32	1,269.54	1,383.21
5	Office Equipments	431.28	52.14	0.17	483.25	194.71	26.98	0.12	221.57	261.68	236.57
6	Furniture	165.86	4.75	–	170.61	111.07	6.53	–	117.60	53.01	54.79
7	Vehicles	563.71	22.29	6.79	579.21	378.26	37.81	4.86	411.21	168.00	185.45
	<b>TOTAL</b>	<b>42,811.59</b>	<b>2,988.33</b>	<b>17.09</b>	<b>45,782.83</b>	<b>12,832.60</b>	<b>1,952.88</b>	<b>11.68</b>	<b>14,773.80</b>	<b>31,009.03</b>	<b>29,978.99</b>
	Previous Year figures	40,055.13	4,943.93	2,187.47	42,811.59	12,464.68	1,834.11	1,466.19	12,832.60	29,978.99	

## 12. ii) Intangible Assets

Sl. No.	NAME OF THE ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01-Apr-11	Additions	Sales/ Adjustment	As at 31-Mar-12	Upto 31-Mar-11	For the year	Sales/ Adjustment	Upto 31-Mar-12	As at 31-Mar-12	As at 31-Mar-11
1	Computer Software	286.66	–	–	286.66	100.02	46.46	–	146.48	140.18	186.64
	Previous Year figures	231.16	55.50	–	286.66	62.52	37.50	–	100.02	186.64	

\*(Refer Note No. 30 for Borrowing Cost and Foreign Exchange Fluctuation Difference Capitalised)

	31st Mar '12 Rs. in Lakhs	31st Mar '11 Rs. in Lakhs
<b>13. LONG TERM LOANS AND ADVANCES (Unsecured)</b>		
<b>13.1 Capital Advances</b>		
– Considered Good	513.35	816.67
<b>13.2 Security Deposits</b>		
– Considered Good	6,518.66	6,559.30
– Considered Doubtful	752.41	752.41
	7,271.07	7,311.71
Less: Provision for Doubtful security deposits	752.41	752.41
	6,518.66	6,559.30
<b>TOTAL</b>	<b>7,032.01</b>	<b>7,375.97</b>
<b>14. INVENTORIES (Valued at lower of Cost and Net Realisable Value)</b>		
Raw Materials	17,445.61	13,360.95
Raw Materials in Transit	1,387.20	3,966.38
Work-in-Progress	979.16	812.66
Finished Goods	5,386.15	1,536.20
Stores & Spares	6,626.08	4,144.67
Stores & Spares in Transit	52.80	62.51
<b>TOTAL</b>	<b>31,877.00</b>	<b>23,883.37</b>
<b>15. TRADE RECEIVABLES (Unsecured)</b>		
Exceeding Six Months		
– Considered Good	2,373.09	616.39
– Considered Doubtful	773.85	514.83
	3,146.94	1,131.22
Less: Provision for doubtful Receivables	773.85	514.83
	2,373.09	616.39
Other Receivables considered good (Refer Note No. 34 for amount due from related parties)	9,864.10	13,109.46
<b>TOTAL</b>	<b>12,237.19</b>	<b>13,725.85</b>
<b>16. CASH AND BANK BALANCES</b>		
<b>16.1 Cash and Cash Equivalents</b>		
Cash on Hand	4.58	4.90
Balances with Banks		
In Current Account	832.75	1,703.62
In Unpaid Dividend Account	23.25	21.55
	860.58	1,730.07
<b>16.2 Others</b>		
Margin Money	28.74	18.42
Deposit with bank with 3 – 12 months maturity	39.87	70.78
Deposit with bank more than 12 months maturity	94.81	98.24
<b>TOTAL</b>	<b>1,024.00</b>	<b>1,917.51</b>

Fixed deposits with scheduled banks include fixed deposit of Rs. 134.68 Lakhs (Previous Year Rs. 164.02 Lakhs) lodged with Government Departments and Customers.

	31st Mar '12 Rs. in Lakhs	31st Mar '11 Rs. in Lakhs
<b>17. SHORT TERM LOANS AND ADVANCES (Unsecured)</b>		
– Considered good	2,076.02	914.65
(Refer Note No. 42(ii) for advances to employees)		
<b>TOTAL</b>	<b>2,076.02</b>	<b>914.65</b>
<b>18. OTHER CURRENT ASSETS</b>		
Balance with Government Authorities	1,592.06	913.81
Tax Refunds Receivable	289.59	67.19
Interest Receivable	48.26	72.24
Prepaid Expenses	471.82	159.82
<b>TOTAL</b>	<b>2,401.73</b>	<b>1,213.06</b>
<b>19. REVENUE FROM OPERATIONS</b>		
19.1 Sale of Manufactured Products		
– D I Spun Pipes	62,225.17	62,306.88
– Pig Iron	6,675.15	1,931.69
– Cement	2,952.65	1,541.93
– Other Products	8,059.50	6,364.96
19.2 Sale of Traded Products		
– Coal	–	2,756.36
– Coke	681.39	
– Others	24.27	113.55
19.3 Other Operating Revenue		
– Sales Tax Subsidy	814.96	114.36
– Carbon Credit	951.70	–
<b>TOTAL</b>	<b>82,384.79</b>	<b>75,129.73</b>
(Refer Note No. 34 for sales to related parties)		
<b>20. OTHER INCOME</b>		
Interest Income	622.28	290.47
Net Gain / (Loss) on Sale of Investments	50.04	53.24
Net Gain / (Loss) on Foreign Currency Transactions	0.00	510.71
Miscellaneous Income	169.80	157.06
<b>TOTAL</b>	<b>842.12</b>	<b>1,011.48</b>
<b>21. COST OF MATERIALS CONSUMED</b>		
Opening Stock	13,360.95	5,778.80
Add: Purchases	59,842.87	47,974.98
	73,203.82	53,753.78
Less: Closing Stock	17,445.61	13,360.95
Cost of materials consumed	55,758.21	40,392.83
(Refer Note No. 34 for Purchases from related parties)		

	31st Mar '12		31st Mar '11	
	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
Details of Raw Materials consumed				
Coking Coal		25,956.57		18,333.69
Iron Ore		21,844.51		13,892.48
Others		7,957.13		8,166.66
<b>TOTAL</b>		<b>55,758.21</b>		<b>40,392.83</b>
Details of Raw Material Inventory				
Coking Coal		12,646.06		8,886.12
Iron Ore		1,296.26		2,984.62
Others		3,503.29		1,490.21
<b>TOTAL</b>		<b>17,445.61</b>		<b>13,360.95</b>
<b>22. DETAILS OF TRADED GOODS PURCHASED</b>				
Coal		—		2,756.36
Coke		681.39		—
Others		24.27		113.55
<b>TOTAL</b>		<b>705.66</b>		<b>2,869.91</b>
<b>23. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS</b>				
Opening Stock				
Work in process	812.66		1,396.49	
Finished Goods	1,536.20	2,348.86	999.33	2,395.82
Closing Stock				
Work in process	979.16		812.66	
Finished Goods	5,386.15	6,365.31	1,536.20	2,348.86
<b>TOTAL</b>		<b>(4,016.45)</b>		<b>46.96</b>
<b>Details of Inventory</b>				
<b>Work in Progress</b>				
D.I. Pipes		585.35		244.57
Scrap		356.66		564.25
Others		37.15		3.84
<b>TOTAL</b>		<b>979.16</b>		<b>812.66</b>
<b>Finished Goods and By-Products</b>				
D.I Pipes		1,216.12		535.96
Pig Iron		393.29		503.36
Iron ore Fines		3,677.59		287.55
Others		99.15		209.33
<b>TOTAL</b>		<b>5386.15</b>		<b>1,536.20</b>

	31st Mar '12		31st Mar '11	
	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
<b>24. EMPLOYEE BENEFIT EXPENSE</b>				
Salaries, Wages, Bonus and Other Benefits		2,922.34		2,729.84
Contribution to Provident and Other Fund		232.37		245.74
Employees Welfare		450.71		353.02
<b>TOTAL</b>		<b>3,605.42</b>		<b>3,328.60</b>
(Refer Note No. 30 for amount Capitalised )				
<b>25. FINANCE COST</b>				
Interest Expenses		3,327.92		2,081.57
Other Finance Cost		365.99		186.97
Loss on Exchange difference to the extent considered as finance cost		2,092.19		-
<b>TOTAL</b>		<b>5,786.10</b>		<b>2,268.54</b>
(Refer Note No. 30 for amount Capitalised )				
<b>26. OTHER EXPENSES</b>				
Power & Fuel		3,312.03		3,920.06
Consumption of Stores & Spares		7,133.07		6,942.34
Handling & Transport charges		1,570.18		1,383.94
Directors' Remuneration		7.20		186.20
Rent		47.93		41.68
Professional and Consultancy		118.25		164.17
Rates & Taxes (including Wealth Tax Rs. 0.44 Lakhs Previous year 0.37 Lakhs)		85.71		108.49
Insurance		123.58		135.03
Freight, Packing, Forwarding & LD Charges		562.68		362.68
Commission to Selling Agents		994.18		945.07
Loss on Sale/Discard of Fixed Assets (net)		0.09		341.33
Repairs & Maintenance:				
– Plant & Machinery		723.48		1,176.62
– Buildings		183.98		129.63
– Others		1.68		0.71
Provision for doubtful receivables & advances		260.14		530.19
Auditors' Remuneration:				
– Audit fee		3.50		2.75
– Tax Audit		1.50		1.25
– Certification fee		1.15		0.92
– Out of Pocket Expenses		0.44		0.14
Bad debts written off	1.12		178.17	
Less: Transferred from Bad Debts Provision	(1.12)	-	(178.17)	-
Donations		0.10		50.55
Miscellaneous Expenses		989.79		824.75
<b>TOTAL</b>		<b>16,120.66</b>		<b>17,248.50</b>



**27. Contingent Liabilities not provided for:**

	<b>2011-12 Rs. in Lakhs</b>	2010-11 Rs. in Lakhs
a) Guarantees given by banks on behalf of the Company	<b>1205.49</b>	1774.03
b) Bills discounted with banks	<b>2772.12</b>	5689.14
c) Outstanding Letter of Credits	<b>1044.37</b>	369.72
d) Various demands raised, which in the opinion of the management are not tenable and are pending with various forums / authorities:		
i) Sales Tax	<b>1319.84</b>	1278.24
ii) Excise, Custom Duty & Service Tax	<b>496.29</b>	649.22
iii) Income Tax	<b>37.72</b>	59.76

**27. 1. Commitments not provided for:**

	<b>2011-12 Rs. in Lakhs</b>	2010-11 Rs. in Lakhs
Estimated amount of Capital contracts not provided for	<b>3935.59</b>	6662.44
Export Obligations to be fulfilled	<b>562.53</b>	1310.06

**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:

	<b>Rs. in Lakhs</b>
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.** 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. Consequent upon this adoption of new amendment rules, the Fixed Assets – Rs. 514.23 Lakhs and Capital work-in-progress – Rs. 608.37 Lakhs is higher and charge to the Statement of Profit and Loss is lower to that extent.

During the year the Company has capitalized the following expenses of revenue nature to the cost of fixed assets/ capital work-in-progress as per the accounting standard. Consequently, the expenses disclosed under the respective notes are net of amounts capitalized by the Company.

Particulars	2011-12 Rs. in Lakhs		2010-11 Rs. in Lakhs	
	Fixed Assets	Capital work in progress	Fixed Assets	Capital work in progress
Interest and Finance Charges	94.42	503.81	61.61	67.76
Salaries, Wages, Gratuity & other Benefits	4.08	77.54	11.99	–

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

	31.3.2012		31.3.2011	
Defined Contribution Plan:	Rs. in Lakhs		Rs. in Lakhs	
Employers Contribution to Provident Fund	176.70		173.60	
	Benefits		Benefits	
	Gratuity (Funded)	Leave (Unfunded)	Gratuity (Funded)	Leave (Unfunded)
<b>Present Value of Obligations:</b>				
Balance as at the beginning of the year	315.80	260.04	221.83	214.79
Service Cost	48.67	33.76	32.98	36.66
Interest Cost	25.26	19.32	17.74	16.47
Benefits Paid	-23.48	-37.06	-16.42	-17.81
Actuarial (Gain)/Loss	8.58	-40.57	59.67	9.93
Balance as at the closing of the year	374.85	235.50	315.80	260.04
<b>Fair Value of Plan Assets:</b>				
Balance as at the beginning of the year	260.70	–	210.42	–
Expected Return of Plan Assets	29.51	–	22.32	–
Actuarial (Gain)/Loss	0	–	0	–
Contributions	103.77	37.08	44.38	17.81
Benefits Paid	-23.48	-37.06	-16.42	-17.81
Balance as at the closing of the year	370.52	–	260.70	0.00
<b>Reconciliation of fair value of assets and obligations:</b>				
Fair Value of Plan Assets	370.50	–	260.70	–
Present Value of Obligations	374.85	235.50	315.80	260.04
Amount recognized in Balance Sheet	4.35	235.50	55.10	260.04
<b>Expenses recognized during the year:</b>				
Current Service Cost	48.67	33.76	32.98	36.66
Interest Cost	25.26	19.32	17.74	16.47
Expected Return of Plan Assets	-29.51	–	-22.32	–
Actuarial (Gain)/Loss	8.58	-40.57	59.67	9.93
Net Cost	53.00	12.51	88.07	63.06
<b>Investment Details:</b>				
Funds Managed by the Insurer	100%	0%	100%	0%
Others	0%	0%	0%	0%
Total	100%	0%	100%	0%

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

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 KMP have significant influence or control:**  
Lanco Infratech Limited and Lanco Hills Technology Park Private Limited\*

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

Sl. No.	Nature of Transaction	Year	Associate Company	Key Management Personnel	KMP have control
1.	Sale of goods	2011-12	<b>5428.44</b>	–	–
		2010-11	8222.06	–	4.24
2.	Trade Receivables	2011-12	<b>362.21</b>	–	–
		2010-11	80.78	–	–
3.	Purchases	2011-12	<b>1996.32</b>	–	–
		2010-11	6853.15	–	–
4.	Trade Payables	2011-12	<b>1430.30</b>	–	–
		2010-11	1466.34	–	–
5.	Deposit received & Outstanding	2011-12	<b>4134.00</b>	–	–
		2010-11	4158.00	–	–
6.	Remuneration – Shri Mayank Kejriwal	2011-12	–	–	–
		2010-11	–	180.00	–

\*Shri. L. Madhusudhana Rao, Shri L. Sridhar and Shri G. Bhaskara Rao directors of the Company are interested in Lanco Infratech Limited and Lanco Hills Technology Park Private 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 2 years. Expenditure incurred on account of rent during the year amounting to Rs. 47.93 Lakhs (Previous year Rs. 41.68 Lakhs) is recognized in the Statement of Profit and Loss Accountant.

37. a) **Category wise outstanding derivatives contracts entered for hedging as on 31st March 2012:**

US\$ in Lakhs

Sl. No.	Category	Currency	2011-12		2010-11		Underlying Purpose
			No. of Deals	Amount In US\$	No. of Deals	Amount In US\$	
1.	Forward	USD/INR	25	340.00	7	156.32	Buyers Credit and Imports

b) **Un-hedged foreign Currency Exposures as on 31st March 2012:**

US\$ in Lakhs

Sl. No.	Nature	Currency	2011-12	2010-11
1.	Imports	USD	138.52	150.74
2.	Buyers Credit & Interest	USD	–	170.76
3.	External Commercial Borrowing & Interest	USD	182.14	–

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

	2011-12		2010-11	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Imported	28265.99	44.95	21255.80	44.85
Indigenous	34625.29	55.05	26109.37	55.15
Total	62891.28	100.00	47335.17	100.00

39. **CIF Value of Imports:**

	2011-12 Rs. in Lakhs	2010-11 Rs. in Lakhs
Raw Materials	32885.06	28977.88
Stores & Spares	1382.37	1886.85
Capital Goods	1647.44	206.13

40. **Expenditure in Foreign Currency:**

	2011-12 Rs. in Lakhs	2010-11 Rs. in Lakhs
a) Interest & Finance Charges	402.51	186.97
b) Traveling Expenses	6.72	0.00
c) Legal & Professional Charges	12.16	21.18
d) Payment of Dividend on Equity Shares in Foreign Currency		
– No. of Non-Resident shareholders	16	18
– No. of shares held	89002	220794
– Dividend (Rs.in Lakhs)	1.34	3.31

**41. Earnings in Foreign Currency:**

	<b>2011-12 Rs. in Lakhs</b>	2010-11 Rs. in Lakhs
Sale of Carbon Credits	<b>951.70</b>	–
Compensation Received	<b>148.69</b>	–

**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. 12.00 Lakhs (Previous year Rs. 22.77 Lakhs).

**43. Previous year figures**

Till the year ended 31st March, 2011 the company was using pre-revised Schedule VI to the companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31st March, 2012 the revised Schedule VI notified under the companies Act 1956, has become applicable to the company, accordingly previous year's figures have been re-grouped / re-arranged wherever necessary.

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

K.R. Bapuji  
Partner  
Membership No. 021169  
Place: Chennai  
Date: 27th April, 2012

For and on behalf of the Board

G. Maruthi Rao	Director
Mayank Kejriwal	Managing Director
G.D. Saini	Company Secretary

## LANCO INDUSTRIES LIMITED

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

### NOTICE

NOTICE is hereby given that Twentieth 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 27th day of August, 2012 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, 2012 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 L. Sridhar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri L. Madhusudhan Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint 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 in accordance with the provisions of Sections 198, 269, 309, 310 & 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, or any statutory amendment or re-enactment thereof, and subject to such other approvals, as may be necessary, approval of the Company be and is hereby accorded to the re-appointment of Shri Mayank Kejriwal as Managing Director of the Company for a period of five years commencing from 30th April, 2012."

"RESOLVED FURTHER that Shri Mayank Kejriwal shall be paid a remuneration by way of commission not exceeding 3% on the net profits of the Company computed in the manner prescribed under Sections 349 & 350 of the Companies Act, 1956 for the relevant financial year subject to a maximum limit to be decided by the Board every year and subject to the overall ceiling stipulated in Sections 198 & 309 of the Companies Act, 1956 read with Schedule XIII."

"RESOLVED FURTHER that the Board be and hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

Place: Chennai  
Dated: 27th April, 2012

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 21st August, 2012 to 27th August, 2012 (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 Computer Share 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:

At the 15th Annual General Meeting of the Company held on 30th April, 2007, Shri Mayank Kejriwal was appointed as the Managing Director of the Company with effect from 30th April, 2007 for a period of five years. The present term of appointment of Shri Mayank Kejriwal shall expire on 29th April, 2012. In view of his extensive knowledge of Company's operations and rich experience and expertise in managing the affairs of the Company and the significant contributions made by him for the growth of the Company, the Board of Directors of the Company in its meeting held on 27th April, 2012 re-appointed Shri Mayank Kejriwal as the Managing Director of the Company for a further period of five years commencing from 30th April, 2012 and also approved the remuneration payable to him as set out in resolution No. 5 above pursuant to provisions of Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956.

The re-appointment of Shri Mayank Kejriwal as Managing Director of the Company and the remunerations payable to him requires the approval of the members of the Company. Shri Mayank Kejriwal is also the Joint Managing Director of Electrosteel Castings Limited and holds Directorship in various limited Companies viz., Electrosteel Castings Limited, Electrosteel Thermal Power Limited, Escal Finance Services Limited, Electrosteel Thermal Coal Limited, Murari Investment and Trading Co.Ltd., Electrocast Sales India Ltd., Malay Commercial Enterprises Ltd., Global Exports Limited.

None of the Directors of the Company except Shri Mayank Kejriwal is in any way concerned or interested in this resolution.

The Board recommends the resolution set forth at Item No. 5 of the Notice for the approval of the members.

Place: Chennai  
Dated: 27th April, 2012

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

### 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 L. Sridhar	Shri L. Madhusudhan Rao
Date of Birth	14th June 1968	8th January, 1966
Date of Appointment	29th May, 2003	1st November, 1991
Qualifications	BE (Civil) & M.S.	M.Tech. & M.S.
Special Expertise	Expert in Construction Management	Techno-Economic Expert
Directorship in other Public Limited Companies.	1) Lanco Infratech Limited 2) Lanco Kondapalli Power Limited 3) Lanco Net Limited	1) Lanco Infratech Limited 2) Lanco Amarkantak Power Limited 3) Lanco Kondapalli Power Limited 4) Lanco Net Limited 5) Mirach Power Limited 6) Diwakar Solar Projects Limited
Audit Committee	Member: Lanco Kondapalli Power Limited	Chairman: Diwakar Solar Projects Limited
Remuneration Committee	—	—
Shareholders / Grievances Committee	Chairman: Lanco Infratech Limited	—

[illegible]

## 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 Twentieth Annual General Meeting of the Company to be held on Monday, the 27th day of August, 2012 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 ..... 2012.

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 Twentieth 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 27th day of August, 2012.

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.



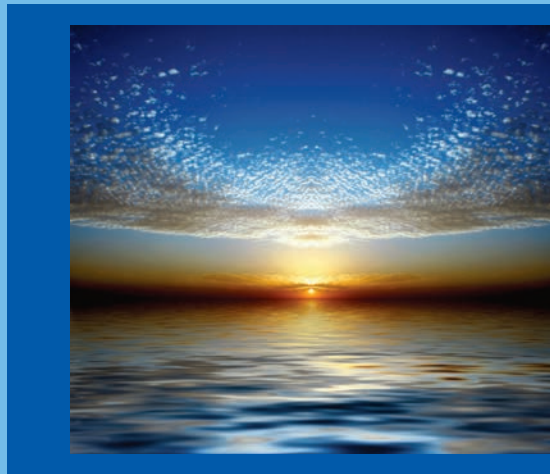


Sewage water from Municipality treated at Lanco for industrial use - for the first time in the State of Andhra Pradesh

Awards by Indian Bureau of Mines for best environment practices at the Lime Stone Mines of the Company.



A section of women from the neighbouring villages at Free Health Camp for Women organised by the Company.



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