LANCO
INSPIRING GROWTH

LANCO INDUSTRIES LIMITED

Annual Report
2010-2011

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.

CONTENT

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 P.M. Suresh (Nominee of IDBI) Shri V. Nagi Reddy, IAS (Nominee of APIDC)
MANAGING DIRECTOR	Shri Mayank Kejriwal
Dy. CHIEF OPERATING OFFICER	Shri Baskar Ramamurthy
Sr. GENERAL MANAGER – FINANCE & COMPANY SECRETARY	Shri G.D. Saini
AUDITORS	M/s. K.R. Bapuji & Co. Hyderabad
SOLICITORS	Khaitan & Co.
BANKERS	ICICI Bank Ltd. HDFC Bank Ltd. IDBI Bank Ltd. Standard Chartered Bank Punjab National Bank Bank of India Andhra Bank
REGISTERED OFFICE & WORKS	Rachagunneri-517 641 Srikalahasthi Mandal Chittoor District Andhra Pradesh
SHARE TRANSFER AGENTS	M/s. Karvy Computershare Private Limited Plot No. 17-24, Beside Image Hospital Vittalrao Nagar, Madhapur Hyderabad-500 081

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 19th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2011.

FINANCIAL RESULTS

Particulars	Rs. in Lakhs 2010-11	2009-10
Gross Turnover	**75,015.37**	71,051.85
Net Turnover	**72,485.63**	69,057.96
Other income	**324.66**	71.93
Total Revenue	**72,810.29**	71,123.78
Earning Before Interest, Depreciation, Taxation & Amortisation (EBITDA)	**8,923.50**	12,654.05
Interest	**1,467.37**	2,061.82
Depreciation	**1,871.61**	1,794.60
Profit Before Taxation (PBT)	**5,584.52**	8,797.63
Less: Tax including Deferred Tax	**1,381.89**	3,003.66
Profit After Taxation (PAT)	**4,202.63**	5,793.97
Profit Brought Forward from Previous Year	**1,657.94**	1,143.80
Prior Period Adjustment – Taxation	**(59.08)**	67.99
Debenture Redemption Reserve written back	**–**	750.00
Amount available for Appropriation	**5,801.49**	7,755.76
Appropriations are made as under:–		
– General Reserve	**3,500.00**	5,400.00
– Proposed Dividend including tax thereon	**693.21**	697.82
Balance Carried Forward to Next Year	**1,608.28**	1,657.94

DIVIDEND

Despite lower profits during the year, your Directors recommend to maintain the dividend at Rs. 1.50 (i.e.15%) per share on the equity shares of the Company for the year ended 31st March, 2011 as in the earlier year. If approved, the dividend will absorb Rs. 693.21 lakhs (including Rs. 96.76 lakhs towards dividend tax).

REVIEW OF OPERATIONS

The Company achieved Gross Sales of Rs. 750.15 Crores during the year under review as against Rs. 710.52 Crores in the previous year reflecting an increase of 5.6%. However the quantity of D. I. Pipes sold during FY 2010-11 was lower by 9.72% at 1,35,246 MT as compared to 1,49,805 MT sold during FY 2009-10. The lower volume of sales coupled with increase in cost of inputs resulted in lower profits (PBT) for the year under review at Rs. 55.85 Crores as against Rs. 87.98 Crores earned during FY 2009-10.

During the first quarter of the year under review, your Company took a planned shutdown of its Mini Blast Furnace (MBF) from 9th May 2010 to 27th June, 2010 for repairing the MBF and for installation of Hot Blast Stoves. Apart from this, chilling-in of MBF at the time of restart, took further three – four weeks time to stabilize the operations after the long shutdown. During this period of about two and half months, while there was no production of liquid metal/pig iron, the Ductile Iron Pipe Plant (DIP) was also under shut-down for some time for annual preventive maintenance and operated at a very low capacity, due to non availability of metal. Consequently, the production of all the Divisions during the financial year 2010-11 was lower compared to the production achieved during FY 2009-10.

The quantity of Low Ash Metallurgical Coke produced in the Coke Oven Plant was lower by 8.5% at 94,092 MT in FY 2010-11 as against 1,02,862 MT in FY 2009-10, due to shutdown of some ovens for major repair, which continued till July, 2010. Accordingly, the units of power generated, in the 12 MW – Waste Heat Recovery Based Captive power Plant of the Company, were marginally lower at 518 Lakh units during the year under review compared with 536 Lakh units in the preceding year.

The production of Mini Blast Furnace (MBF), producing liquid metal mainly for Ductile Iron Pipe Plant, was lower at 1,46,285 MT for the financial year 2010-11 compared to 1,58,503 MT in the previous year, reflecting a decrease of about 8%. The production of D. I. Pipes during FY 2010-11 was lower by about 10% at 1,34,779 MT compared with 1,49,604 MT in the preceding year.

The production of Cement during FY 2010-11 was lower by about 10% at 61,384 MT compared to 68,476 MT in the previous year, due to curtailed operations, as the market for slag cement started improving from December, 2010.

Consequent to repair of Mini Blast Furnace (MBF) and installation of Hot Blast Stoves, as aforesaid, the manufacturing capacity of MBF for liquid metal/pig iron has gone up to 2,25,000 TPA. Similarly, with the installation of balancing equipments, the capacity of Ductile Iron Pipes Plant (DIP) also stands increased to 2,25,000 TPA.

FUTURE PROSPECTS

Your Company has taken steps for cost reduction and expansion of capacities in Coke Oven, Power Generation, Liquid Metal and Ductile Iron Pipes. While, these steps will help in volume growth, the pressure on selling prices may continue, due to intense competition in the domestic market in view of further capacities being added by the existing players and new entrants.

The installation of Sinter Plant along with regular upgradation and addition of balancing equipments in the Ductile Iron Pipe Plant (DIP) will increase the capacity of Ductile Iron Pipes to 2,75,000 TPA by end of Financial Year 2011-12. To cater to the increased requirement of coke, your Company is in the process of installing additional Battery at its Coke Oven Plant, which is expected to be commissioned by December, 2011. With this, the capacity of the Coke Oven Plant will increase to 2,25,000 TPA. In addition, for effective utilization of higher quantum of waste heat generated from the Coke Oven Plant after expansion, it is planned to add one more boiler to increase the power generation in the existing Captive Power Plant.

As a further measure of cost reduction, the Company envisages to set up a Ferro Alloys Plant at a capital outlay of Rs. 40 Crores partly to cater to its captive requirement and to serve the growing demand of Ferro Silicon, to support the profitability of the Company.

The Company plans to finance the above investments through internal accruals and Term Loans.

CREDIT RATING

Credit Analysis and Research Limited (CARE), a leading rating agency has reviewed and upgraded the rating to "CARE A+ (Single A plus) from CARE A (Single A). 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 PR1+ (PR 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 Shri V. Nagi Reddy, IAS on the Board of Directors of your Company with effect from 25th August, 2010 in place of Shri Vinod Kumar Agrawal, IAS. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri Vinod Kumar Agrawal.

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

Shri S.Y. Rajagopalan was appointed as an additional Director on the Board of Directors of the Company from 7th May, 2011. He will hold office upto the conclusion of ensuing Annual General Meeting. The Company has received a notice from a member of the Company to appoint Shri S.Y. Rajagopalan as a Director, liable to retire by rotation.

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 their co-operation in maintaining cordial relations. Your Directors are pleased to inform that a long term Wage Settlement for a period of four years under Section 12 (3) of Industrial Disputes Act, 1947 was signed with the Unions of the workmen in November, 2010.

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

STATUTORY INFORMATION

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

DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

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

ii) That the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2011 and of the profits of the Company for the year ended on that date.

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

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

AUDITORS

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 Government vide its order dated 16th December, 2010 has directed the Company to conduct cost audit for its cement division. Accordingly, the Board of Directors of your Company appointed M/s. Narasimha Murthy & Co., Cost Accountants, Hyderabad, as Cost Auditors for the financial year 2010-11, which has been approved by the Central Government.

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	**G. Maruthi Rao**	**Mayank Kejriwal**
Date: 7th May, 2011	Director	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, 2011.

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken

- Installation of Hot Blast Stoves and repair of MBF, resulting in lower coke consumption and higher productivity.
- Revamping of Annealing Furnace No. 1 to maximize the use of Blast Furnace Gas (BFG) in place of LDO/HSD.
- Installation of Variable Frequency Device (VFD) for cement mill separator.

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

- Installing additional Boiler to augment power generation of the existing waste heat recovery based captive power plant.
- Setting up of Sinter Plant in MBF for effective utilization of iron ore fines in place of calibrated ore and to reduce coke consumption. 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, coke consumption in MBF and LDO/HSD consumption in Annealing Furnace has reduced significantly and upon implementation of proposed energy saving measures, the cost of energy is likely to come down further, thereby leading to lower cost of production.

B. TECHNOLOGY ABSORPTION

Russian Technology has been absorbed for Hot Blast Stoves and for the installation of Sinter Plant; we are in the process of absorbing Chinese Technology.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earning and outgo (Rs. in Lakhs):	**2010-11**	2009-10
i) Foreign Exchange Earning	–	–
ii) Foreign Exchange Used	**34,071.01**	21,589.79

FORM-A

A. POWER & FUEL CONSUMPTION	**2010-11**	2009-10
1. Electricity		
a. Purchased:		
Units (KWH)	**3,47,52,480**	3,62,61,888
Total amount (Rs.)	**16,02,44,518**	13,99,41,870
Rate / Unit (Rs. / KWH)	**4.51**	3.86
b. Own Generation:		
i) Through Diesel Generator		
Units (KWH)	**12,08,970**	6,69,921
Units / Ltr. of Diesel Oil	**3.62**	3.87
Cost / Unit (Rs. / KWH)	**10.90**	7.50
ii) Through Turbo Generator		
a) 2.5 MW CPP (MBF)		
Units (KWH)	**1,23,31,600**	1,54,42,400
Cost / Unit (Rs. / KWH)	**0.38**	0.14
b) 12 MW CPP (COP)		
Units (KWH)	**5,18,28,000**	5,35,55,600
Cost / Unit (Rs. / KWH)	**0.40**	0.39
2. Overall LDO/HSD consumption		
Consumption (KL)	**5,324.2**	3,579.00
Total amount (Rs.)	**21,02,10,443**	12,58,21,616
Cost/Ltr. (Rs.)	**39.48**	35.25
B. CONSUMPTION PER MT OF PRODUCTION		
Units of Electricity (KWH)		
Pig Iron	**161**	182
D.I. Pipe	**383**	378
Cement	**108**	103
Coke	**24**	29

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

BOARD OF DIRECTORS

Composition of Board

Company's nine-member Board of Directors comprises:

- 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, 2011 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	7	–	2
Shri G. Maruthi Rao	Non-Executive – Independent	–	–	–
Shri Gouri Shankar Rathi	Non-Executive	–	–	–
Shri G. Bhaskara Rao	Non-Executive	6	2	1
Shri L. Madhusudhan Rao	Non-Executive	5	2	1
Shri L. Sridhar	Non-Executive	4	1	–
Shri P.M. Suresh	Non-Executive – Independent	–	–	–
Shri Vinod Kumar Agrawal (i) Nominee of APIDC (Equity Investor)	Non-Executive – Independent	4	–	–
Shri V. Nagi Reddy (i) Nominee of APIDC (Equity Investor)	Non-Executive – Independent	–	–	–
Shri S.Y. Rajagopalan (ii)	Non-Executive	1	–	–

(i) APIDC nominated Shri V. Nagi Reddy as its nominee in place of Shri Vinod Kumar Agrawal with effect from 25th August, 2010.

(ii) Appointed as Additional Director on 7th May, 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 2010-11. The dates of the meetings are as follows:

28th April '10, 23rd July '10, 25th August '10, 20th October '10 and 28th January '11.

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 2010-11:

Name of Director	Board Meetings		AGM
	Held	Attended	
Shri Mayank Kejriwal	5	3	NO
Shri G. Maruthi Rao	5	5	YES
Shri Gouri Shankar Rathi	5	5	YES
Shri G. Bhaskara Rao	5	2	NO
Shri L. Madhusudhan Rao	5	–	NO
Shri L. Sridhar	5	4	YES
Shri P.M. Suresh	5	4	YES
Shri Vinod Kumar Agrawal	5	1	NO
Shri V. Nagi Reddy	5	1	NO

AUDIT COMMITTEE

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

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

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

The Audit Committee during the year ended 31st March, 2011 had four meetings on 28th April '10, 23rd July '10, 20th October '10 and 28th January '11.

The composition of the Audit Committee as on 31st March, 2011 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	2
3.	Shri P.M. Suresh	Member	Independent, Non-Executive	3

The Audit Committee met on 7th May, 2011 for considering finalization of accounts for the year ended 31st March, 2011.

The Managing Director, Sr. General Manager – Finance & Company Secretary, Statutory Auditors and Internal Auditors are generally present in the Audit Committee meeting as invitees.

Company Secretary acts as the Secretary to the Audit Committee.

Shri G. Maruthi Rao, Chairman of the Audit Committee attended the last Annual General Meeting of the Company held on 25th August, 2010.

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	Commission (Rs.)	Sitting Fee (Rs.)	Total (Rs.)
Shri Mayank Kejriwal	1,80,00,000	–	1,80,00,000
Shri G. Maruthi Rao	–	1,80,000	1,80,000
Shri Gouri Shankar Rathi	–	1,00,000	1,00,000
Shri G. Bhaskara Rao	–	80,000	80,000
Shri L. Madhusudhan Rao	–	–	–
Shri L. Sridhar	–	80,000	80,000
Shri P.M. Suresh	–	1,40,000	1,40,000
Shri Vinod Kumar Agrawal*	–	20,000	20,000
Shri V. Nagi Reddy*	–	20,000	20,000
Total	**1,80,00,000**	**6,20,000**	**1,86,20,000**

The above remuneration is within the limits prescribed under the provisions of the Companies Act, 1956.
*APIDC nominated Shri V. Nagi Reddy in place of Shri Vinod Kumar Agrawal w.e.f. 25th August, 2010.

Shareholdings of Non-Executive Directors as on 31st March, 2011

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:

a. Redress Shareholders' and Investors' complaints relating to non-receipt of balance sheet, transfer of shares, non-receipt of dividends etc.

b. Consolidate and sub-divide share certificate(s).

c. 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 2010-11:**

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	14	14	Nil
Non-Receipt of Securities	Nil	21	21	Nil
Non-Receipt of Annual Reports	Nil	Nil	Nil	Nil
Non-Receipt of fresh/new Shares	Nil	10	10	Nil
Total	Nil	45	45	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 is in the process of sending the Notices to such shareholders, whose shares are lying un-claimed as on 31st March, 2011. 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-517 641, Srikalahasthi Mandal, Chittoor District, AP., Ph: 08578-286650-55, Fax: 08578-286657, E-mail: gdsaini@lancoindustries.com

GENERAL BODY MEETINGS

Location and time for last three Annual General Meetings:

Date	Venue	Time
27.08.2008	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
28.08.2009	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.
25.08.2010	Rachagunneri Village, Srikalahasthi Mandal, AP.	11.30 A.M.

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

DISCLOSURES

- The Company has generally complied with all the mandatory requirements as specified in the revised Clause 49 to the extent these apply and extend to the Company.
- Transactions with the related parties are disclosed in Note 11 of Schedule 17 of the Accounts in Annual Report.
- No transactions were made that may have potential conflict with the interests of the Company at large.
- The Managing Director has given declaration to the Board that he has no personal interest in any material, commercial and financial transactions that may have any potential conflict with the interest of the Company at large.
- There were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter relating to Capital Market during the last three years.
- The CEO (Managing Director) and the CFO (Sr. General Manager – Finance & Company Secretary) have furnished a Certificate to the Board for the year ended 31st March, 2011 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.

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

GENERAL SHAREHOLDERS' INFORMATION

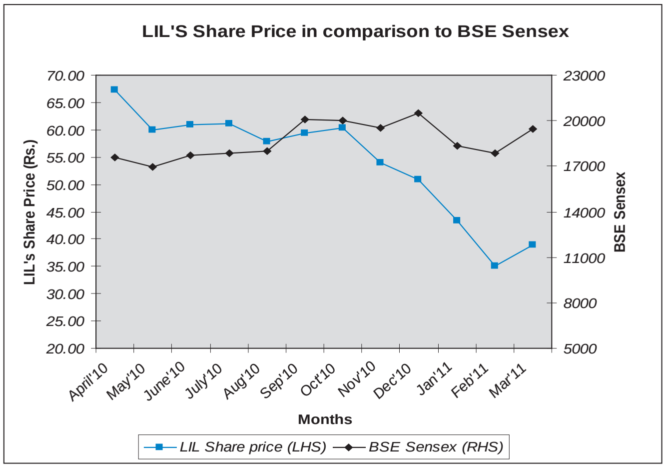
The following information would be useful to our shareholders:

Sl. No.	Information	
1.	Annual General Meeting	
	– Date and Time	25th August, 2011 at 11.30 AM
	– Venue	At Registered Office: Rachagunneri Village-517 641 Srikalahasthi Mandal, A.P.
2.	Financial Calendar	Tentative Schedule
	Financial Reporting for the Quarter ended June 30, 2011	End July, 2011
	Financial Reporting for the Quarter ended September 30, 2011	End October, 2011
	Financial Reporting for the Quarter ended December 31, 2011	End January, 2012
	Financial Reporting for the Quarter ended March 31, 2012	End April, 2012
	Annual General Meeting for the year ending March 31, 2012	End August, 2012
3.	Book Closure Date (Both days inclusive)	19th August, 2011 to 25th August, 2011
4.	Dividend Payment Date	29th August, 2011
5.	Listing Details:	
	– Equity Shares	Listed at Bombay Stock Exchange Ltd. (BSE) & National Stock Exchange of India Ltd. (NSE)
6.	Stock Code (BSE & NSE)	513605 & LANCOIN
7.	Demat ISIN Number for NSDL & CDSL	
	– Equity Shares	INE943C01027
8.	Corporate Identity Number	L74999AP1991PLC013391

9. **Stock Market Data:**

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Apr-10	77.15	65.90	4448843	77.20	65.95	5499341
May-10	67.40	56.35	1368428	67.30	56.20	1766257
Jun-10	62.20	59.40	779376	62.10	59.30	1167949
Jul-10	62.10	58.35	863184	61.90	58.35	1313253
Aug-10	61.15	57.90	870581	60.85	57.80	1220247
Sep-10	62.30	58.30	1211450	62.35	58.40	1747483
Oct-10	63.15	58.40	986344	62.85	58.40	1446483
Nov-10	62.65	51.50	699606	62.80	51.30	1014407
Dec-10	55.50	48.40	350361	55.45	48.25	326786
Jan-11	54.60	43.35	230422	54.45	43.30	234010
Feb-11	41.20	33.65	374671	41.15	34.00	367481
Mar-11	38.90	35.45	707735	39.00	35.35	1310658

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



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

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

Financial Year	Dividend Rate %	Amount including Dividend Tax (Rs. Lakhs)
2005-06	5	226.70
2006-07	10	465.22
2007-08	10	465.22
2008-09	10	465.22
2009-10	15	697.82

13. Distribution of Shareholding as on March 31, 2011:

Sl No.	Category From	Category To	Number of Shareholders	% of Shareholders	No. of Shares held	% of shares held
1.	1	5000	16974	89.41	2023059	5.09
2.	5001	10000	1003	5.28	849441	2.13
3.	10001	20000	459	2.42	717757	1.80
4.	20001	30000	160	0.84	412233	1.04
5.	30001	40000	77	0.41	281542	0.71
6.	40001	50000	78	0.41	372280	0.94
7.	50001	100000	110	0.58	834845	2.10
8.	100001	And above	124	0.65	34272438	86.19
	Total		**18985**	**100.00**	**39763595**	**100.00**

14. Categories of Shareholding as on 31st March, 2011:

Sl. No.	Category	No. of shares held	Percentage of shareholding
A.	**PROMOTER'S HOLDING**		
1.	**Promoters**		
	a) Indian Promoters		
	i) Electrosteel Castings Limited	19301218	48.54
	ii) Others	891960	2.24
	b) Foreign Promoters	–	–
2.	**Persons Acting in Concert**	**–**	**–**
	Sub-Total	**20193178**	**50.78**
B.	**NON-PROMOTERS HOLDING**		
3.	**Institutional Investors**		
	a) Mutual Funds and UTI	17325	0.04
	b) Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-Government Institutions)	254725	0.64
	c) FIIs	10050	0.03
	Sub-Total	**282100**	**0.71**
4.	**Others**		
	a) Private Corporate Bodies	2256167	5.67
	b) Indian Public	15467100	38.90
	c) NRIs / OCBs	1530611	3.85
	d) Any other (Clearing Members)	34439	0.09
	Sub-Total	**19288317**	**48.51**
	GRAND TOTAL	**39763595**	**100.00**

15. 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, 2011.

16. Outstanding convertible Instruments:
As on 31.3.2011, there are no outstanding convertible instruments.

17. Registered Office & Works:
Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, A.P., India., Ph. No: 08578-286650 – 655 (6 Lines)

18. Members can contact us at our Registered Office:
As stated above.

19. 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.

20. 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 declare that:

1) In pursuance of the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Conduct has been laid down by the Company for all the Board Members and the Senior Management Personnel of the Company.

2) The said Code of Conduct is also uploaded on the website of the Company at www.lancoindustries.com.

3) All Board Members and Senior Management Personnel have affirmed having complied with the said Code of Conduct, during the year ended 31st March, 2011.

For **Lanco Industries Limited**

Place: Chennai
Date: 7th May, 2011

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, 2011, 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

Dheeraj Agarwal
Partner
Membership No. 219788

Place: Chennai
Date: 7th May, 2011

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

In 2010, Capacity of Mini Blast Furnace (MBF) for production of Liquid Meta/Pig Iron was enhanced from 150,000 TPA to 225,000 TPA and also the capacity of DI Pipes was enhanced from 180,000 TPA to 225,000 TPA with a capital outlay of about Rs. 45 Crores.

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 DI Pipe plant and installation of Hot Blast Stoves in MBF have strengthened the value chain.

THE YEAR IN RETROSPECT (2010-11 Vs. 2009-10)

In view of planned shutdown of Mini Blast Furnace (MBF) during first quarter of the Financial Year 2010-11, the volumes of production and sales of the Company's main products were lower compared to the quantities produced and sold during the preceding financial year.

Product	Production (MT)		Dispatches (MT)	
	2010-11	2009-10	**2010-11**	2009-10
Molten Metal / Pig Iron*	**1,46,285**	1,58,503	**1,45,410**	1,57,220
D.I. Pipes	**1,34,779**	1,49,604	**1,35,246**	1,49,805
Cement **	**61,384**	68,476	**61,649**	68,704

* Dispatches include 1,37,723 MT (previous year 1,54,897 MT) used for captive consumption.

** Dispatches include 13,439 MT (previous year 13,963 MT) used for captive consumption.

94,092 MT coke was produced in the Coke Oven Plant for captive consumption during 2010-11 vis-à-vis 1,02,862 MT in 2009-10.

The 12 MW Waste Heat Recovery Based Co-Generating Captive Power Plant of the Company generated 518 lakh units of power compared to 536 lakh units in FY 2009-10.

The Sales (Gross) of the Company marginally increased from Rs. 710.52 Crores in FY 2009-10 to Rs. 750.15 Crores in FY 2010-11. The profit (PBT) for the year under review, however, was considerably lower at Rs. 55.85 Crores as against Rs. 87.98 Crores reported in the previous year mainly on account of lower volumes of sales coupled with increase in cost of inputs.

INDUSTRY OUTLOOK

Low levels of water availability in India, dependence on rainfall for agriculture and rapidly growing urbanization throws up investment opportunities in DI Pipes space. Further, India lags behind in water infrastructure and sewerage development with very less population having access to improved sanitation.

The Indian Government, in its efforts to improve the situation has planned substantial investments in infrastructure development relating to water supply and sanitation. Demand for DI pipes is directly dependent upon infrastructure spending in water supply and sanitation. Given the huge investment expected in this sector, the Company expects that the DI Pipes market would witness a reasonable growth in the coming years.

BUSINESS

Raw materials Management

Due to consistent increase in the prices of major raw materials like iron ore in the year 2010-11, the ratio of raw material cost to turnover has gone up to 60% in the year 2010-11 as against 54% in the previous year, reflecting about 6% increase in input cost compared to FY 2009-10.

Quality

We, at Lanco are committed for strict and consistent adherence to measurable and verifiable standards to achieve uniformity of output that satisfies specific customer and user requirements whereby the brand image and market share of the Company can be further improved. Company's quality systems are ISO 9001:2008 accredited and the Ductile Iron pipes manufactured by the Company are Kite Mark licensed as approved by BSI, UK.

Safety, Health & Environment

The Company is determined to provide safe and healthy working environment to its employees. Safety guidelines covering incident reporting, investigation and monitoring of recommendations was developed and implemented to ensure that highest level of safety is maintained across the plant. The Senior Management of the Company is dedicated to comply with all applicable statutory requirements related to Safety and committed for prevention of pollution.

Recognizing its responsibility towards minimizing adverse impact on the environment, the Company has been involving itself in various environmentally conscious activities such as reducing wastes, controlling emissions, recycling and making associates aware of their environmental responsibilities through general awareness communications.

As a measure of conserving fresh water, the Company's admired project of using primarily treated sewerage water of Tirupati Municipal Corporation (TMC) for industrial purpose is in the final stages of its completion and is expected to be commissioned by June, 2011.

Company's environment management systems are ISO14001:2004 certified. The Company has been actively promoting various initiatives like plantation of saplings to bring in awareness over environment protection in the nearby villages.

Corporate Social Responsibility (CSR)

We, at LIL strongly believe that Corporate Social Responsibility is a fundamental business practice and social welfare and community development is the core of our Corporate Social Responsibility Philosophy and continues to be our priority. We are committed to the principal of maintaining symbiotic relationship with the local communities, recognizing that business ultimately has a purpose to serve human needs. Close and continuous interaction with the people and

Communities in and around has been our key focus, while striving to bring around qualitative changes and supporting the underprivileged.

As part of its Corporate Social Responsibility initiatives, the Company conducts health camps and counseling sessions to promote general health and well-being in the nearby villages. The Company is also actively participating in other developmental initiatives, which include providing infrastructure assistance to schools and other village development initiatives like street lighting, drinking water, development of roads etc,.

Information Technology

The Company considers that Information Technology is pivotal for ensuring smooth functioning of all the business processes and has a crucial role to play in fulfilling operational as well as functional needs of the organization. IT, besides facilitating integration across all business functions will lead to faster decision making. The Company, in order to establish effective information management system, in addition to implementing 1st phase of SAP ERP system in 2008-09 covering six modules, has successfully implemented SAP Human Capital Management Module in the year 2010-11 and is in the process of implementing Business Intelligence Module, which would help in generation of multiple analytical reports and facilitate faster decision making.

OPPORTUNITIES & THREATS

India is one of the fastest developing economies in the world and the infrastructure lacuna has been one of the main obstacles for its growth. India lags behind water infrastructure and sewerage development with very limited percentage of population having access to safe drinking water and improved sanitation. The Indian Government, to improve this situation has announced major investments to improve water supply, sanitation and drainage facilities. The major emphasis given by GoI for water supply and sewerage development in the country has certainly un-folded many investment opportunities, which is expected to open up growth prospects for the Company's business.

While raw material comprises more than half of the production cost, coping up with raw material price hike is one of the biggest challenges for this industry, as the price trends of raw materials used in DI Pipes has consistently gone up in the last one year and is expected to firm up further in the near future. In addition to the risk of volatility in Raw material prices, upcoming capacity additions by the existing competitors and entry of new players is expected to create demand supply mis-match in the domestic market, affecting the margins. However, backward integration facilities like Sinter Plant, Ferro Alloys Plant etc., coupled with focused attention on productivity improvement & cost control initiatives will lead to higher operational efficiencies and lesser cost of production, which in turn will help the Company to sustain during the emerging competition.

OUTLOOK

The Company has been initiating actions for improvement in operational efficiency, emphasizing on cost control measures regularly. As a measure of backward integration, the Company has already started its project for expansion of Coke Oven Plant and installation of Sinter Plant and is envisaging to set up a Ferro Alloys Plant to cater to is captive requirement of Ferro Silicon. With all these development plans in the anvil, the outlook for the Company in the coming years appears to be positive.

HUMAN RESOURCES

We, at LIL consider that attraction, retention and development of right talent is key for organizational success and having competent people is added advantage for our business.

It has been the constant endeavour of the Company to strengthen its HR activities through innovative initiatives, encouraging investments in people through merit oriented pay revisions, rewards & recognition, maintaining workforce capabilities and employee satisfaction through best in-class organizational learning and knowledge management practices to attract and retain the right talent to achieve organizational goals. The Company's HR Team is committed to focus on developing talent pool through increased emphasis on learning and skill-upgradation via internal and external training, job rotations and multi skilling at all levels. Kaizen Scheme introduced about three years ago, as a measure of promoting value addition & productivity improvement, has witnessed significant response and is supporting in appreciable improvement in 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 strongly believes that a system of sound and well designed internal controls plays a vital role in helping the organization accomplish specific operational or strategic goals and objectives, besides facilitating reliable financial reporting and compliance with statutory laws and regulations. It is a means, which helps in detecting and preventing fraud and protecting the organization's resources, both physical and intangible.

The Company has a well defined Internal Control System in place, which ensures that statutory laws and regulations as well as internal Policies, Procedures and Business Plans are meticulously implemented and followed, thereby mitigating the risk of un-foreseen losses and damage to the Company's credibility. The Audit Committee of the Board oversees the functioning of Internal Audit and Control Systems and recommendations, if any, for further improvement are studied and implemented, if found essential.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis and Directors Report describing the Company's objectives, projections are forward-looking statements and are based on currently available information. These statements are subject to various un-certainties and risks, progressive within the meaning of applicable laws and regulations. Actual results could, however, materially differ from those expressed or implied, depending upon economic conditions across the country as well as global economy, Government Policies and other incidental factors.

RISK MANAGEMENT

The Company is regularly focused on evaluating the risks related to its business and committed to adopt stringent risk management practices to strengthen its risk management capability. The Company's risk management framework ensures compliance with the requirements of amended Clause 49 of the Listing Agreement.

ECONOMIC RISK

As there is huge volatility in the prices of major raw materials used by the Company, it is faced with the risk of margin contraction.

To counter this risk, the Company has already initiated various actions like long term contracts for supply of raw materials to ensure that there is no significant fluctuation in the prices of raw materials. Further, the Company has already initiated various backward integration projects like additional battery at its Coke Oven Plant, setting up of Sinter plant for effective utilization of Iron ore fines and reduced dependence on high cost calibrated ore. In addition, it has been the endeavour of the Company to remain focused on various cost reduction measures to facilitate margin protection.

COMPETITOR RISK

As the DI Pipes market is becoming increasingly competitive, due to capacity additions by the existing players as well as entry of new players, the Company is open to the risk of competition.

To counter this risk, Company is continuously focused on improving and maintaining consistent quality and taking various strategic marketing initiatives to retain and augment most valued customers, which will help the Company in increasing its brand image and maintain its market share. More over, the market of Ductile Iron Pipes would witness decent growth in the medium term, due to major emphasis given by the Govt. of India on water and sewerage development in the country.

ENVIRONMENT RISK

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

The company has useful and well defined Environment Management Systems in place, certified by ISO 14001:2004, which provides a systematic way of managing organization's environmental affairs. Further, the company is committed to appropriately address the immediate and long term impacts of its process on the environment by establishing effective evaluation practices, procedures and processes.

INDUSTRIAL RISK

The Company being labour intensive is vulnerable to the threat of labour instability.

The Company recognizes people as the primary source of its competitiveness and continues to focus on people development by initiating various welfare measures and creating conducive and employee friendly atmosphere, which has enabled the Company to attract and retain quality talent. The Company has been maintaining cordial industrial relations with the labour and there have been no production disruptions on this account.

FOREIGN EXCHANGE RISK

The major currencies used in its procurement and sales activities are the US Dollar and Euro. Volatility in the currency markets can adversely affect the outcome of commercial transactions.

To alleviate this risk, the Company regularly monitors its foreign exchange exposure and undertakes hedging through use of hedging instruments like forward contract, options etc., as and when found appropriate to insulate against rapid and significant foreign exchange movements.

PAYMENT RISK

The company, by virtue of its business, is supposed to offer extended credit terms, as its major customers being Govt. bodies like Water Boards, Municipal Corporations and other Govt. institutions, thus, it is exposed to the risk of delay in payments.

As major water infrastructure projects are Government funded and foreign aided, the risk of payment default is very less. Further, the stringent evaluation criteria for assessing the credit worthiness of the customers have reduced the risk of default. Besides, to insulate receivables from private parties, the Company is working on covering the supplies by Letters of Credit and Bank Guarantee, whereby the risk of default is also minimized.

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, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (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 accounts as required by law have been kept by the Company so far as it appears from our examination of those books;
   c) the Balance Sheet, the Profit and Loss Account 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 Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e) on the basis of written representations received from the Directors of the Company as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 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 Notes as per Schedule 17, 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, 2011;
      ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
      iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

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

Dheeraj Agarwal
Partner
Membership No. 219788

Place: Chennai
Date: 7th May, 2011

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, in our opinion, do not constitute as substantial part of the fixed assets of the Company and such disposal, in our opinion, has not affected 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 the products, where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix) a) According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities and there were no undisputed dues outstanding as at 31st March, 2011 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, 2011 are as follows:

Sl. No.	Name of the Statute	Nature of dues	Amount (Rs. in lakhs)	Period to which it relates	Forum where the dispute is pending
1.	Central Sales Tax Act, 1956	Sales tax	308.85 47.70	2000-01 2005-06	A.P. Sales Tax Appellate Tribunal
2.	APGST Act, 1957	-do-	67.52	2002-03	Sales Tax Appellate Tribunal
3.	Income tax Act 1961	Income-tax	56.11 3.65 0.14	2003-04 2004-05 2006-07	A.P. High Court -do- Commissioner of Income tax (Appeals)
4.	Central Excise Act, 1944	Central Excise Duty/Interest	17.38 8.26	2005-06 2007-08	Commissioner (Appeals) CESTAT

x) The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks or debenture holders.

xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of 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 the 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 fresh 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 the 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

Dheeraj Agarwal
Partner
Membership No. 219788

Place: Chennai
Date: 7th May, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	31st Mar'11 (Rs. in Lakhs)	31st Mar'10 (Rs. in Lakhs)
I. SOURCE OF FUNDS			
1. Shareholders Funds			
a) Share capital	1	**3,976.36**	3,976.36
b) Reserves & Surplus	2	**17,164.25**	13,713.91
2. Loan Funds			
a) Secured Loans	3	**30,087.87**	26,486.50
b) Unsecured Loans	4	**5,845.48**	6,130.29
3. Deferred Tax Liability (Net)		**3,614.81**	3,435.74
	TOTAL	**60,688.77**	53,742.80
II. APPLICATION OF FUNDS			
1. Fixed Assets	5		
a) Gross Block		**43,098.25**	40,286.29
b) Less: Depreciation		**12,932.62**	12,527.20
c) Net Block		**30,165.63**	27,759.09
d) Capital Work in Progress		**3,484.33**	3,441.21
2. Investments	6	**–**	–
3. Current Assets, Loans & Advances			
a) Inventories	7	**23,883.36**	11,519.49
b) Sundry Debtors	8	**13,725.85**	11,845.80
c) Cash & Bank Balances	9	**1,899.09**	1,516.42
d) Loans and Advances	10	**4,454.39**	5,581.47
		43,962.69	30,463.18
Less: Current Liabilities & Provisions	11		
a) Current Liabilities		**15,633.54**	6,853.94
b) Provisions		**1,290.34**	1,066.74
		16,923.88	7,920.68
Net Current Assets		**27,038.81**	22,542.50
	TOTAL	**60,688.77**	53,742.80
Notes on Accounts	17		

As per our report attached
For K.R. Bapuji & Co.
Chartered Accountants

Dheeraj Agarwal
Partner
Membership No. 219788
Place: Chennai
Date: 7th May, 2011

For and on behalf of the Board

G. Maruthi Rao — Director

Mayank Kejriwal — Managing Director

G.D. Saini — Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	Year ended 31st Mar'11 (Rs. in Lakhs)	Year ended 31st Mar'10 (Rs. in Lakhs)
INCOME			
Sales (Gross)		**75,015.37**	71,051.85
Less: Excise Duty		**2,529.74**	1,993.89
Sales (Net)		**72,485.63**	69,057.96
Other Income	12	**324.66**	71.93
Increase / (Decrease) in Stocks	13	**(46.96)**	503.99
TOTAL		**72,763.33**	69,633.88
EXPENDITURE			
Purchases		**2,869.91**	640.58
Raw Materials Consumed	14	**40,392.83**	37,578.14
Manufacturing & Other Expenses	15	**20,577.09**	18,761.11
Financial Charges	16	**1,467.37**	2,061.82
Depreciation		**1,871.61**	1,794.60
TOTAL		**67,178.81**	60,836.25
Profit Before Tax		**5,584.52**	8,797.63
Provision for Tax – Current		**1,202.82**	1,984.16
MAT Credit Utilised / (Entitlement)		**–**	707.49
Provision for Deferred Tax		**179.07**	312.01
Profit After Taxation		**4,202.63**	5,793.97
Prior Period Adjustment-Taxation		**(59.08)**	67.99
Debenture Redemption Reserve written back		**–**	750.00
Balance brought forward from previous year		**1,657.94**	1,143.80
Profit Available for Appropriation		**5,801.49**	7,755.76
APPROPRIATIONS			
Transfer to General Reserve		**3,500.00**	5,400.00
Proposed Dividend		**596.45**	596.45
Tax on Dividend		**96.76**	101.37
Balance Carried to Balance Sheet		**1,608.28**	1,657.94
		5,801.49	7,755.76
Basic & Diluted Earning per Share (Rupees)		**10.57**	14.57
No. of Shares used in computing Basic & Diluted EPS		**39,763,595**	39,763,595
Notes on Accounts	17		

As per our report attached
For K.R. Bapuji & Co.
Chartered Accountants

For and on behalf of the Board

Dheeraj Agarwal
Partner
Membership No. 219788
Place: Chennai
Date: 7th May, 2011

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

		2010-11 (Rs. in Lakhs)		2009-10 (Rs. in Lakhs)
A. Cash Flow from operating activities				
Net Profit Before Tax		**5,584.52**		8,797.63
Adjustments for:				
Interest & Financial Charges	**1,467.37**		2,061.82	
Depreciation	**1,871.61**		1,794.60	
Provision For Doubtful debts & advances	–		750.00	
Loss on Sale of Fixed Assets	**341.33**		0.18	
(Profit) / Loss on sale of Investments	**(53.24)**	**3,627.07**	(10.25)	4,596.35
Operating Profit before working Capital changes		**9,211.59**		13,393.98
Adjustments for:				
(Increase) / decrease in Loans & Advances	**1,127.08**		(310.54)	
(Increase) / decrease in Trade & Other Receivables	**(1,880.05)**		120.36	
(Increase) / decrease in Inventories	**(12,363.87)**		2,916.99	
Increase / (decrease) in Trade Payables	**8,801.92**	**(4,314.92)**	(3,157.89)	(431.08)
Cash Generated from Operations		**4,896.67**		12,962.90
Direct Taxes Paid		**(1,058.60)**		(2,691.65)
Prior period adjustment – Taxation		**(59.08)**		67.99
Cash from Operating Activities		**3,778.99**		10,339.24
B. Cash Flow from Investing Activities				
Purchase of Fixed Assets	**(5,042.55)**		(4,330.19)	
Sale of Fixed assets	**379.95**		0.46	
Income on Investments	**53.24**		10.25	
Net Cash From Investing Activities		**(4,609.36)**		(4,319.48)
C. Cash Flow from FinancingActivities				
Long Term Borrowings-Receipts / (Repayments)[Net]	**(2,134.49)**		(3,209.90)	
Short Term Borrowings-Receipts / (Repayments)[Net]	**(5,451.05)**		(2,279.31)	
Interest Paid	**(1,405.70)**		(2,099.18)	
Dividend Paid	**(596.45)**		(397.64)	
Tax on Dividend	**(101.37)**		(67.58)	
Net Cash From Financing Activities		**(1,213.04)**		(8,053.61)
Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)		**(382.67)**		(2,033.85)
Cash & Cash Equivalent as at Beginning of Year		**1,516.42**		3,550. 27
Cash & Cash Equivalent as at End of Year		**1,899.09**		1,516.42

As per our report attached
For K.R. Bapuji & Co.
Chartered Accountants

Dheeraj Agarwal
Partner
Membership No. 219788
Place: Chennai
Date: 7th May, 2011

For and on behalf of the Board

G. Maruthi Rao — Director

Mayank Kejriwal — Managing Director

G.D. Saini — Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	31st Mar '11 (Rs. in Lakhs)	31st Mar '10 (Rs. in Lakhs)
1. SHARE CAPITAL		
Authorised Capital		
5,30,00,000 Equity Shares of Rs. 10/- each	**5,300.00**	5,300.00
Issued, Subscribed and Paid up Capital 3,97,63,595 Equity shares of Rs. 10 each fully Paid up. (Including 2,67,85,500 Equity shares allotted as fully paid up pursuant to the Scheme of Amalgamation without payment being received in cash)	**3,976.36**	3,976.36
TOTAL	**3,976.36**	3,976.36

2. RESERVES & SURPLUS

	Opening Balance	Additions During the Year	Transfer During the Year	As at 31st Mar '2011
A. Reserves				
Capital Reserves:				
– Share forfeiture account	0.97			**0.97**
– State Subsidy	55.00			**55.00**
General Reserve	12,000.00	3,500.00	–	**15,500.00**
	12,055.97	3,500.00	–	**15,555.97**
B. Surplus				
Profit & Loss Account	1,657.94	1,608.28	1,657.94	**1,608.28**
TOTAL	**13,713.91**	**5,108.28**	**1,657.94**	**17,164.25**

	Security as per note	31st Mar '11 (Rs. in Lakhs)	31st Mar '10 (Rs. in Lakhs)
3. SECURED LOANS			
Term Loans from Banks:			
Rupee Loan	1	**8,125.00**	8,974.68
Working Capital Facilities from Banks:	2		
Rupee Loan		**7,455.72**	7,356.93
Foreign Currency Loan		**14,507.15**	10,154.89
TOTAL		**30,087.87**	26,486.50

Security Notes:

1. Rupee term loans from Banks are secured by way of first pari-passu charge on the movable & immovable properties of the company both present and future subject to prior charge of the Company's Bankers on current assets for working capital requirements.

2. Working Capital facilities are secured by hypothecation of raw material, semi-finished goods and finished goods, consumables, stores and spares, book debts, both present and future of the Company.

	31st Mar '11 (Rs. in Lakhs)	31st Mar '10 (Rs. in Lakhs)
4. UNSECURED LOANS		
Sales Tax Deferment	**3,345.48**	4,630.29
(Payable within one year Rs. 1532.50 Lakhs, Previous Year Rs. 901.50 Lakhs)		
Short Term Loan from Banks:		
(Repayable within the year)		
Rupee Loans	**–**	1,500.00
Commercial Papers	**2,500.00**	–
TOTAL	**5,845.48**	6,130.29

5. FIXED ASSETS

(Rs. in Lakhs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
NAME OF THE ASSET	Cost as on 1-Apr-10	Additions	Sales / Adjustments	Cost as on 31-Mar-11	Upto 31-Mar-10	For The Year	Sales / Adjustments	Up to 31-Mar-11	As on 31-Mar-11	As on 31-Mar-10
Land	1,483.78	–	–	1,483.78	–	–	–	–	1,483.78	1,483.78
Leasehold Land	–	93.67	–	93.67	–	1.30	–	1.30	92.37	–
Factory Buildings	5,547.27	–	–	5,547.27	1,465.97	185.28	–	1,651.25	3,896.02	4,081.30
Non-Factory Buildings	1,316.99	25.47	–	1,342.46	98.24	21.58	–	119.82	1,222.64	1,218.75
Plant & Machinery	28,012.71	4,698.12	2,171.53	30,539.30	9,137.34	1,433.62	1,455.82	9,115.14	21,424.16	18,875.37
Electrical Installation	2,623.01	21.25	–	2,644.26	1,136.02	125.03	–	1,261.05	1,383.21	1,486.99
Office Equipment	364.02	68.98	1.72	431.28	173.99	22.44	1.72	194.71	236.57	190.03
Furniture	157.34	8.52	–	165.86	104.19	6.88	–	111.07	54.79	53.15
Vehicles	550.01	27.92	14.22	563.71	348.93	37.98	8.65	378.26	185.45	201.08
Intangible Assets (computer software)	231.16	55.50	–	286.66	62.52	37.50	–	100.02	186.64	168.64
TOTAL	**40,286.29**	**4,999.43**	**2,187.47**	**43,098.25**	**12,527.20**	**1,871.61**	**1,466.19**	**12,932.62**	**30,165.63**	**27,759.09**
Previous year figures	38,974.86	1,314.35	2.92	40,286.29	10,734.88	1,794.60	2.28	12,527.20	27,759.09	

	31st Mar '11 (Rs. in Lakhs)	31st Mar '10 (Rs. in Lakhs)
6. INVESTMENTS	**–**	–
TOTAL	**–**	–

The following investments were purchased and sold during the year:

Particulars	**Face Value**	**Nos.**	**Purchase Cost (Rs. in Lakhs)**
Units of Mutual Fund:			
HDFC Cash Management Fund Savings Plan	10	62991237.637	6,705.27
HDFC Cash Management Fund – Treasury Advantage Plan	10	25170712.560	2,528.53
ICICI Prudential Flexible Income Plan Regular Daily Dividend	100	199441.564	212.23
UTI Liquid Cash Plan Institutional – Daily Income Option – Re- Investment	1000	19657.365	200.40
Bonds:			
9.70% IFCI Bonds 2030	1000000	250.000	2,500.00
9.10% Union Bank of India	1000000	45.000	460.10
9.45% Punjab National Bank	1000000	50.000	530.01
9.50% Andhra Bank	1000000	100.000	1,065.90
9.15% IDBI Bank perpetual Bonds	1000000	90.000	903.38
10.00% Punj Lloyd Limited	100000	100.000	110.62
8.75% REC Bonds	1000000	140.000	1,400.00

	31st Mar '11 (Rs. in Lakhs)	31st Mar '10 (Rs. in Lakhs)
7. INVENTORIES		
(Note 1 (G) of Schedule 17)		
Stores & Spares	**4,144.67**	3,344.87
Raw Materials	**13,360.95**	5,778.80
Materials in transit	**4,028.88**	–
Work in process	**812.66**	1,396.49
Finished Goods and By-Products	**1,536.20**	999.33
TOTAL	**23,883.36**	11,519.49

		31st Mar '11 (Rs. in Lakhs)	31st Mar '10 (Rs. in Lakhs)
8.	**SUNDRY DEBTORS-UNSECURED**		
	Exceeding six months:		
	– Considered Good	**616.39**	666.50
	– Considered Doubtful	**514.83**	162.81
		1,131.22	829.31
	Other Debts	**13,109.46**	11,179.30
		14,240.68	12,008.61
	Less: Provision for doubtful debts	**514.83**	162.81
	TOTAL	**13,725.85**	11,845.80
9.	**CASH AND BANK BALANCES**		
	Cash on hand	**4.90**	4.60
	Balance with Scheduled Banks:		
	– Current Accounts	**1,703.62**	1,293.31
	– Deposit Accounts	**169.02**	201.43
	– Unpaid Dividend Account	**21.55**	17.08
	TOTAL	**1,899.09**	1,516.42
10.	**LOANS AND ADVANCES**		
	Advances recoverable in cash or in kind or for Value to be received – Unsecured [Net of Rs. 4158 Lakhs, (Previous Year Rs. 4338 Lakhs) received from Associate Company]		
	– Considered good	**3,885.39**	4,544.62
	– Considered Doubtful	**750.00**	750.00
	Advance Income Tax (Net of Provision)	**–**	132.71
	Balance with Government authorities	**569.00**	904.14
		5,204.39	6,331.47
	Less: Provision for Doubtful Advances	**750.00**	750.00
	TOTAL	**4,454.39**	5,581.47
11.	**CURRENT LIABILITIES AND PROVISIONS**		
	A. Current Liabilities		
	Sundry Creditors (Note 6 of Schedule 17)	**15,013.17**	5,919.98
	Advances from Customers	**487.98**	867.71
	Interest Accrued but not due	**110.84**	49.17
	Unclaimed Dividend *	**21.55**	17.08
		15,633.54	6,853.94
	B. Provisions		
	Staff Benefit	**452.91**	368.92
	Provision for Taxation (Net of Advance Tax)	**144.22**	–
	Proposed Dividend	**596.45**	596.45
	Tax there on	**96.76**	101.37
		1,290.34	1,066.74
	TOTAL	**16,923.88**	7,920.68

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

		Year ended 31st Mar '11 (Rs. in Lakhs)		Year ended 31st Mar '10 (Rs. in Lakhs)
12. OTHER INCOME				
Profit on Sale of Current Investments		**53.24**		10.25
Miscellaneous Income		**157.06**		61.68
VAT subsidy received		**114.36**		–
TOTAL		**324.66**		71.93
13. INCREASE / (DECREASE) IN STOCKS				
Closing Stock				
Work in process	812.66		1,396.49	
Finished Goods	1,536.20	**2,348.86**	999.33	2,395.82
Less: Opening Stock				
Work in process	1,396.49		998.48	
Finished Goods	999.33	**2,395.82**	893.35	1,891.83
TOTAL		**(46.96)**		503.99
14. RAW MATERIALS CONSUMED				
Opening Stock		**5,778.80**		9,662.19
Add: Purchases		**50,844.89**		34,335.33
		56,623.69		43,997.52
Less: Cost of materials sold		**2,869.91**		640.58
		53,753.78		43,356.94
Less: Closing Stock		**13,360.95**		5,778.80
TOTAL		**40,392.83**		37,578.14

		Year ended 31st Mar '11 (Rs. in Lakhs)		Year ended 31st Mar '10 (Rs. in Lakhs)
15. MANUFACTURING & OTHER EXPENSES				
Power & Fuel		**1,760.52**		1,598.63
Stores & Spares Consumed		**9,101.88**		8,368.23
Handling & Transport charges		**1,383.94**		999.40
Salaries, Wages, Bonus and Other Benefits		**2,729.84**		2,192.77
Contribution to Provident and Other Fund		**288.84**		196.26
Employees Welfare		**309.92**		201.87
Directors' Remuneration (Note No. 4 of Schedule-17)		**186.20**		206.40
Rent		**41.68**		35.05
Rates & Taxes (including Wealth Tax Rs. 0.37 Lakhs, Previous year 0.42 Lakhs)		**108.49**		71.19
Insurance		**135.03**		153.54
Freight, Packing, Forwarding & Other		**362.68**		639.04
Commission to Selling Agents		**945.07**		910.83
Loss on sale/discard of fixed Assets (net)		**341.33**		0.18
Repairs & Maintenance:				
– Plant & Machinery		**1,176.61**		1,289.27
– Buildings		**129.63**		91.18
– Others		**0.71**		0.66
Provision for doubtful debts & advances		**530.19**		823.50
Auditors' Remuneration:				
– Audit fee		**2.75**		2.75
– Tax Audit		**1.25**		1.25
– Certification fee		**0.92**		0.66
– Out of Pocket Expenses		**0.14**		0.07
Bad debts written off	178.17		69.21	
Less: Transferred from Bad Debts Provision	(178.17)	**–**	(69.21)	–
Donations		**50.55**		61.58
Miscellaneous Expenses		**988.92**		916.80
TOTAL		**20,577.09**		18,761.11
16. INTEREST & FINANCIAL CHARGES				
Interest on Debentures		**–**		235.04
Interest on Term loans		**765.63**		1,097.75
Interest on Working Capital		**1,315.94**		937.43
Financial Charges		**186.97**		255.79
(Gain)/Loss on Foreign Exchange		**(510.70)**		(183.10)
Sub-Total		**1,757.84**		2,342.91
Less: Interest Earned		**290.47**		281.09
(TDS Rs. 4.21 Lakhs, Previous Year Rs. 4.27 Lakhs)				
TOTAL		**1,467.37**		2,061.82

17. NOTES ON ACCOUNTS

1. Significant Accounting Policies

A) Basis of preparation of financial statements

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

B) Use of Estimates

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

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

C) Fixed Assets and Depreciation

1) Tangible Assets

i) Gross Block

a) Fixed Assets are stated at cost of acquisition inclusive of inland freight, duties, taxes and incidental expenses related to acquisition with due adjustments for Cenvat / Vat credits.

b) Capital Work-in-progress includes Machinery to be installed, Construction & Erection Materials, advances 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.

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.

ii) By-Products are valued at net realizable value.

iii) Cost in respect of finished goods includes manufacturing expenses, factory and administrative overheads and excise duty.

iv) Cost in respect of work in progress represents, cost incurred upto the stage of completion.

H) Foreign Currency Transactions

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

I) Retirement Benefits

i) Provident & Family Pension Fund: In accordance with the provisions of the Employee Provident Funds and Miscellaneous Provisions Act, 1952, eligible employees of the Company are entitled to receive benefits with respect to provident fund, a defined contribution plan, in which both the Company and employee contribute monthly to Provident Fund Scheme, by the Central Government at a determined rate and the Company's contribution is charged off to the Profit & Loss Account.

ii) Leave Encashment Benefits: Leave encashment benefits payable to employees while in service, retirement and death while in service or on termination of employment with respect to accumulated leaves outstanding at the year end are accounted for on basis of actuarial valuation at the balance sheet date. The present value of such obligation is determined by the projected unit credit method as at the balance sheet date through which the obligations are settled. The resultant actuarial gain or loss on change in present value of defined benefit obligation or change in return of the plan assets is recognized as an income or expense in the Profit and Loss Account.

iii) Gratuity: Contributions under the scheme for defined benefit under the Payment of Gratuity Act, 1972, is determined on the basis of actuarial valuation and are funded to Life Insurance Corporation of India and recognized as year's expenditure.

J) Miscellaneous Expenses

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

K) Borrowing Costs

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

L) Contingent Liabilities

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

M) Segment Reporting

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

N) Export Benefits

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

O) Government Grants & Other Claims

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

P) Income Tax

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

Q) Derivative Instruments

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

2. Contingent Liabilities not provided for

	2010-11 (Rs. in Lakhs)	2009-10 (Rs. in Lakhs)
a) Guarantees given by banks on behalf of the Company	**1,774.03**	1,269.29
b) Bills discounted with banks	**5689.14**	Nil
c) Outstanding Letter of Credits	**369.72**	Nil
d) Various demands raised, which in the opinion of the management are not tenable and are pending with various forums / authorities:		
i) Sales Tax	**1,278.24**	826.28
ii) Excise, Custom Duty & Service Tax	**387.22**	103.50
iii) Income Tax	**59.76**	59.76
3. Estimated amount of Capital contracts not provided for (net of advances)	**6,662.44**	2,055.00
4. Directors' Remuneration		
– Commission to Managing Director	**180.00**	200.00
– Directors' Fees	**6.20**	6.40

Computation of Commission payable to Managing Director	**Year ended 31.03.2011**	
	(Rs. in Lakhs)	**(Rs. in Lakhs)**
Gross Profit as per Profit and Loss Account		**5,584.52**
Add: Directors Remuneration:		
– Sitting Fee	**6.20**	
– Commission	**180.00**	
Loss on sale of fixed assets	**341.33**	
Provision for Doubtful Debts	**530.19**	
Wealth Tax paid	**0.37**	
		1,058.09
		6,642.61
Less: Profit on sale of investments	**53.24**	
Provision for doubtful debts written back	**178.17**	
		231.41
Profit for the purpose of Managing Director's Commission		**6,411.20**

Commission @ 3% – Rs. 192.33 lakhs. Considered – Rs. 180 lakhs.

5. In the opinion of the Management, Current Assets and Loans & Advances have the value at which these are stated in the Balance Sheet, if, realized in the ordinary course of business, unless otherwise stated and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.

6. Disclosure of Sundry Creditors under current liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" (the Act). There are no delays in payment made to such suppliers and there is no overdue amount outstanding as at the Balance Sheet date. Based on the above the relevant disclosure u/s 22 of Act are as follows:

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

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

	2010-11 (Rs. in Lakhs)	2009-10 (Rs. in Lakhs)
Interest	**129.38**	51.20
Salaries, Wages, Gratuity & other Benefits	**11.99**	38.38

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

(Rs. in Lakhs)

Defined Contribution Plan:	**31.3.2011**		31.3.2010	
Employer's Contribution to Provident Fund	**173.60**		126.28	
	Benefits			
	Gratuity (Funded)	**Leave (Unfunded)**	Gratuity (Funded)	Leave (Unfunded)
Present Value of Obligations:				
Balance as at the beginning of the year	**221.83**	**214.79**	169.57	169.76
Service Cost	**32.98**	**36.66**	27.94	32.74
Interest Cost	**17.74**	**16.47**	13.56	13.40
Benefits Paid	**-16.42**	**-17.81**	-4.69	-4.59
Actuarial (Gain)/Loss	**59.67**	**9.93**	15.45	3.48
Balance as at the closing of the year	**315.80**	**260.04**	221.83	214.79
Fair Value of Plan Assets:				
Balance as at the beginning of the year	**210.42**	**–**	149.61	–
Expected Return of Plan Assets	**22.32**	**–**	17.62	–
Actuarial (Gain)/Loss	**–**	**–**	–	–
Contributions	**44.38**	**17.81**	47.88	4.59
Benefits Paid	**-16.42**	**-17.81**	-4.69	-4.59
Balance as at the closing of the year	**260.70**	**0.00**	210.42	0.00
Reconciliation of fair value of assets and obligations:				
Fair Value of Plan Assets	**260.70**	**–**	210.42	0.00
Present Value of Obligations	**315.80**	**260.04**	221.83	214.79
Amount recognized in Balance Sheet	**55.10**	**260.04**	11.41	214.79
Expenses recognized during the year:				
Current Service Cost	**32.98**	**36.66**	27.94	32.74
Interest Cost	**17.74**	**16.47**	13.56	13.4
Expected Return of Plan Assets	**-22.32**	**–**	-17.62	–
Actuarial (Gain)/Loss	**59.67**	**9.93**	15.45	3.48
Net Cost	**88.07**	**63.06**	39.33	49.62
Investment Details:				
Funds Managed by the Insurer	**100%**	**0%**	100%	0%
Others	**0%**	**0%**	0%	0%
Total	**100%**	**0%**	100%	0%

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

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

10. Segment Reporting:

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

11. Disclosure of Related Parties/Related Party Transactions:

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

a) Associate Company:
M/s Electrosteel Castings Limited

b) Key Management Personnel & their relatives (KMP):
Shri Mayank Kejriwal, Managing Director

c) Enterprise where KMP 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	2010-11	8222.06	–	4.24
		2009-10	4781.96	–	0.33
2.	Trade Receivables	2010-11	80.78	–	–
		2009-10	347.57	–	–
3.	Purchases	2010-11	6853.15	–	–
		2009-10	1843.69	–	–
4.	Trade Payables	2010-11	1466.34	–	–
		2009-10	–	–	–
5.	Paid for other services	2010-11	–	–	–
		2009-10	18.89	–	–
6.	Interest Received (Net)	2010-11	–	–	–
		2009-10	36.33	–	–
7.	Deposit received & Outstanding	2010-11	4158.00	–	–
		2009-10	4338.00	–	–
8.	Remuneration – Shri Mayank Kejriwal	2010-11	–	180.00	–
		2009-10	–	200.00	–

*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.

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

(Rs. in Lakhs)

Particulars	Opening as on 01.04.2010	(Charge) or Credit During the year	Closing as on 31.03.2011
Deferred Tax Assets	410.35	(123.81)	**286.54**
Deferred Tax Liabilities	(3846.09)	(55.26)	**(3901.35)**
Net Deferred Tax Assets / (Liabilities)	(3435.74)	(179.07)	**(3614.81)**

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

14. Fixed deposits with scheduled banks include fixed deposit of Rs. 164.02 Lakhs (Previous Year Rs. 201.43 Lakhs) lodged with Government Departments and Customers.

15. The Company has certain operating lease arrangements for office accommodation etc. with tenure extending upto 2 years. Expenditure incurred on account of rent during the year amounting to Rs. 41.68 lakhs (Previous year Rs. 35.05 lakhs) is recognized in the Profit and Loss Account.

16. a) Category wise outstanding derivatives contracts entered for hedging as on 31st March, 2011

Sl. No.	Category	Currency	Current Year		Previous Year		Underlying Purpose
			No. of Deals	Amount In US$	No. of Deals	Amount In US$	
1.	Forward	USD/INR	**7**	**1,56,31,795**	5	40,49,915	Buyers Credit
2.	Option	USD/INR	**0**	**–**	1	10,00,000	Buyers Credit

b) Un-hedged foreign Currency Exposures as on 31st March, 2011

Sl. No.	Nature	Currency	Current Year	Previous Year
1.	Imports	USD	**1,50,74,392**	Nil
2.	Buyers Credit & Interest	USD	**1,70,76,680**	1,75,26,918

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

ITEMS	2010-11		2009-10	
	Installed Capacity $	Production	Installed Capacity	Production
D.I. Spun Pipes	**2,25,000**	**1,34,779**	1,80,000	1,49,604
Pig Iron *	**2,25,000**	**1,46,285**	1,50,000	1,58,503
Cement +	**90,000**	**61,384**	90,000	68,476
Coke **	**1,50,000**	**94,092**	1,50,000	1,02,862

$ As certified by the Management.

* includes 1,37,723 M.T. (Previous year 1,54,897 M.T.) used for captive consumption.

+ Includes 13,439 M.T. (Previous Year 13,963 M.T.) used for Captive Consumption.

** For captive consumption.

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

18. Turnover, Closing and Opening Stocks

Product	Year	Turnover		Closing Stock		Opening Stock	
		MT	Rs. Lakhs	MT	Rs. Lakhs	MT	Rs. Lakhs
D.I. Spun Pipes	**2010-11**	**135246**	**62306.88**	**1368**	**535.93**	**1835**	**540.39**
	2009-10	149805	63772.68	1835	540.39	2036	720.59
Pig Iron & Molten Metal	**2010-11**	**145410***	**1931.69**	**2291**	**503.35**	**1416**	**195.07**
	2009-10	157220*	455.91	1416	195.07	133	15.75
Cement	**2010-11**	**61649+**	**1541.93**	**59**	**1.38**	**324**	**6.75**
	2009-10	68704+	1873.82	324	6.75	552	12.63
Scrap & Bye Products	**2010-11**	**–**	**4403.37**	**–**	**495.54**	**–**	**257.12**
	2009-10	–	2820.78	–	257.12	–	144.38
Others	**2010-11**	**–**	**4831.50$**	**–**	**–**	**–**	**–**
	2009-10	–	2,128.66$	–	–	–	–
Total	**2010-11**	**–**	**75015.37**	**–**	**1536.20**	**–**	**999.33**
	2009-10	–	71051.85	–	999.33	–	893.35

* Includes 1,37,723 M.T. (Previous Year 1,54,897 MT) used for Captive Consumption

+ Includes 13,439 M.T. (Previous Year 13,963 MT) used for Captive Consumption

$ Includes sale of purchased coal Rs. 2756.36 lakhs (26684 MT), Coke Rs. 55.77 Lakhs (445 MT) and Others Rs. 57.78 Lakhs {Previous Year coal Rs. 329.12 lakhs (4470 MT) and others 311.46 Lakhs}

19. Raw Materials Consumed

	2010-11		2009-10	
	MT	**Rs. in Lakhs**	MT	Rs. in Lakhs
Coke	**–**	**–**	3,370	808.43
Iron Ore	**2,89,109**	**13,892.48**	2,96,882	9,487.43
Coking Coal	**2,01,864**	**18,333.69**	1,85,155	20,253.94
Others	**–**	**8,166.66**	–	7,028.34
Total		**40,392.83**		37,578.14

20. Value of Imported & Indigenous Raw Materials, Spare Parts, Components Consumed

	2010-11		2009-10	
	Rs. in Lakhs	%	Rs. in Lakhs	%
Imported	**21,255.80**	**42.66**	22,802.13	49.63
Indigenous	**28,238.91**	**57.34**	23,144.24	50.37
Total	**49,494.71**	**100.00**	45,946.37	100.00

21. CIF Value of Imports

	2010-11 Rs. in Lakhs	2009-10 Rs. in Lakhs
Raw Materials	**28,977.88**	18,722.72
Stores & Spares	**1,886.85**	1,580.16
Capital Goods	**206.13**	982.34

22. Expenditure in Foreign Currency

		2010-11 Rs. in Lakhs	2009-10 Rs. in Lakhs
a)	Interest & Financial Charges	**186.97**	283.04
b)	Traveling Expenses	**–**	2.71
c)	Legal & Professional Charges	**21.18**	15.34
d)	Payment of Dividend on Equity Shares in Foreign Currency		
	– No. of Non-Resident shareholders	**18**	20
	– No. of shares held	**2,20,794**	3,48,549
	– Dividend (Rs.)	**3,31,195**	3,48,549

23. 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. 22.77 lakhs (Previous year Rs. 20.36 lakhs).

24. Previous Years Figures have been re-grouped / re-arranged wherever necessary.

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report attached
For K.R. Bapuji & Co.
Chartered Accountants

For and on behalf of the Board

Dheeraj Agarwal
Partner
Membership No. 219788
Place: Chennai
Date: 7th May, 2011

G. Maruthi Rao — Director

Mayank Kejriwal — Managing Director

G.D. Saini — Company Secretary

SCHEDULE-VI

PART-IV

BALANCE SHEET ABSTRACT AND COMPANY BUSINESS PROFILE

I. Registration Details

Registration No. 13391 State Code 01

Balance Sheet Date 31 (Date) 03 (Month) 2011 (Year)

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

Public Issue	Right Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

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

Total Liabilities	Total Assets
6068877	6068877

SOURCES OF FUNDS

Paid-up Capital	Reserves & Surplus
397636	1716425
Secured Loans	**Unsecured Loans**
3008787	584548
Deferred Tax Liability (Net)	
361481	

APPLICATION OF FUNDS

Net Fixed Assets	Investments
3364996	NIL
Net Current Assets	**Misc. Expenditure**
2703881	NIL
	Profit & Loss Account
	NIL

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

Turnover (Gross Revenue)	Total Expenditure
7534003	6975551
Profit / Loss before Tax + / -	**Profit / Loss after Tax** + / -
✔ 558452	✔ 420263

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

Earning per share in Rs.	Dividends Rate %
10.57	15

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

Item Code No.: (ITC Code)	Production Description
7303.00	D.I. PIPES
2502.29	CEMENT

For and on behalf of the Board

G. Maruthi Rao — Director

Mayank Kejriwal — Managing Director

G.D. Saini — Company Secretary

Place: Chennai
Date: 7th May, 2011

LANCO INDUSTRIES LIMITED

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

NOTICE

NOTICE is hereby given that Nineteenth 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 Thursday, the 25th day of August, 2011 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, 2011 and Profit & Loss Account for the year ended as on that date, together with the Auditors' Report and Directors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Gouri Shankar Rathi who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri G. Maruthi Rao who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and fix their remuneration and for this purpose to consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

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

AS SPECIAL BUSINESS:

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

   "RESOLVED THAT in supersession of the resolution limiting the borrowing power of the Board of Directors of the Company upto Rs. 500 Crores passed by the Company earlier, consent be and the same is hereby accorded pursuant to Section 293 (1) (d) of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time for the purpose of the Company's business, any sum or sums of money which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the aggregate of the moneys borrowed and to be so borrowed and outstanding at any time shall not exceed Rs. 1000 Crores.
7. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

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

By Order of the Board
For **Lanco Industries Limited**
G.D. Saini
Sr. General Manager – Finance
& Company Secretary

Place: Chennai
Dated: 7th May, 2011

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 19th August, 2011 to 25th August, 2011 (both days inclusive).

4. Dividend in respect of equity shares held in electronic form will be payable to the beneficial owners of shares as on the closing hours of business on 18th August, 2011 as per the downloads furnished to the Company by Depositories for this purpose.

   In case of shares held in physical form, dividend will be paid to the shareholders, whose names shall appear on the Register of Members as on 25th August, 2011.

5. 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).

6. 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.

7. a) Members holding the shares in electronic mode may please note that their dividend would be paid through National Electronic Clearing System (NECS) or Electronic Clearing Services (ECS) at the available RBI locations. The dividend would be credited to their bank account as per the mandate given by the members to their DPs. In the absence of availability of NECS/ECS facility, the dividend would be paid through warrants and the Bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable Regulations.

   b) Members are requested to send their Bank Account particulars (viz. Account No., Name & Branch of the Bank and the MICR Code) to their DPs in case the shares are held in electronic mode or to the Registrar and Share Transfer Agents in case the shares are held in physical mode for printing on dividend warrant to ensure that there is no fraudulent encashment of the warrants.

8. 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.

9. 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.

10. Shareholders are requested to give us their valuable suggestions for improvement of our investor services.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956:

Item No. 6

At the Twelfth Annual General Meeting held on 30th August, 2004, the members of the Company had authorized the Board of Directors to borrow monies in excess of the limits specified under Section 293 (1) (d) of the Companies Act, 1956 upto an amount not exceeding Rs. 500 Crores (Apart from temporary loans obtained from the Company's bankers in the ordinary course of business).

Keeping in view the future growth plans and fund requirement of the Company, it is proposed to authorize the Board of Directors under Section 293 (1) (d) of the Companies Act, 1956 to borrow funds in excess of the paid up capital and free reserves of the Company to the extent of Rs. 1000 Crores (Rupees One Thousand Crores only).

The proposal to authorize the Board of Directors to borrow money would attract Provisions of Section 293 (1) (d) of the Companies Act, 1956, inter-alia requiring approval of the members of the Company by way of an ordinary resolution. Therefore, approval of the members of the Company is being sought by way of an ordinary resolution.

No Director of the Company is concerned with or interested in the resolution.

The Board recommends the resolution for approval of the members.

Item No. 7

Shri S.Y. Rajagopalan was appointed as an Additional Diector of the Company on 7th May, 2011, pursuant to Section 260 of the Companies Act 1956, read with Article 96 of the Articles of Association of the Company. Shri S.Y. Rajagopalan holds the office of Director upto the date of the ensuing Annual General Meeting of the Company and is eligible for appointment as Director. The Company has received a notice in writing from a member along with a deposit of Rs. 500 proposing the candidature of Shri S.Y. Rajagopalan for the office of Director, liable to retire by rotation, in terms of Section 257 of the Companies Act, 1956.

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

No Director of the Company, except Shri S.Y. Rajagopalan is concerned with or interested in the resolution.

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

By Order of the Board
For **Lanco Industries Limited**
G.D. Saini
Sr. General Manager – Finance
& Company Secretary

Place: Chennai
Dated: 7th May, 2011

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 Gouri Shankar Rathi	Shri G.Maruthi Rao	Shri S.Y. Rajagopalan
Date of Birth	9th January, 1950	14th April, 1939	21st November, 1934
Date of Appointment	8th June, 2005	30th March, 2002	7th May, 2011
Qualifications	B.Com (Hons.), FCS, LLB	BSc. (Hons.)	FCA, FCS
Special Expertise	Expertise in general Administrative management and Marketing.	Expertise in Administrative and general management.	Expertise in Financial Management & Corporate and related laws.
Directorship in other Public Limited Companies.	–	–	Electrosteel Castings Limited.
Audit Committee	–	–	–
Remuneration Committee	–	–	–
Shareholders / Grievances Committee	–	–	–

NOTES

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 Nineteenth Annual General Meeting of the Company to be held on Thursday, the 25th day of August, 2011 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 .... 2011.

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 Nineteenth 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 Thursday, the 25th day of August, 2011.

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.

Hot Blast Stoves of Russain Technology installed at the MBF Plant

Students of Local School at the Nutirtion Awareness Programme organised by the Company

LANCO
INSPIRING GROWTH

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