

Board of Directors

P. RADHAKRISHNA REDDY

Chairman & Managing Director

R. MOHAN REDDY

Director

D. SESA REDDY

Director

A. BALASUBRAMANIAN

Director

P. VIJAYA BHASKAR REDDY

Deputy Managing Director

S.K. SIVAKUMAR

*Chief Financial Officer &
Company Secretary*

Auditors

J.B. REDDY & CO.

206, Srinilaya Estate
Ameerpet
Hyderabad 500 073

Bankers

State Bank of India
IDBI Bank Ltd.
Kotak Mahindra Bank Ltd.

Registered Office & Works

34, Industrial Estate,
Gudur - 524 101

Ponneri Works

Madhavaram Village
Ponneri (Taluk)
Tiruvallur District
Tamil Nadu 601 204

Administrative Office

159, T.T.K. Road,
Alwarpet, Chennai 600 018
Phone : +044 - 2498 3111
Fax : +044 - 2498 2111
E-Mail : nelcast@nelcast.com
Website : www.nelcast.com



Annual Report 2009 - 10

Annual Report 2009 - 10

CONTENTS

CONTENTS	Page No.
Directors' Report	3
Annexure to the Directors' Report	6
Corporate Governance Report	9
Management Discussion and Analysis	18
Auditors' Report	20
Balance Sheet	24
Profit and Loss Account	25
Schedules to the Balance Sheet	26
Schedules to the Profit and Loss Account	30
Notes to the Accounts	32
Statement of Cash Flows	39
Balance Sheet Abstract and Company's General Business Profile	40
Auditors' Report on Consolidated Accounts	44
Consolidated Accounts	45

DIRECTORS' REPORT

Your Directors are pleased to present the Twenty – Eighth Annual Report along with the Audited Accounts for the financial year ended 31st March 2010:

PERFORMANCE

FINANCIAL RESULTS

	2009-10	2008-09
	<i>(Rupees in Lakhs)</i>	
Net Sales	31960.79	29031.03
PBIDT	2311.01	2297.07
Profit before Taxes (PBT)	999.01	593.29
Less: Provision for Taxes	309.32	203.48
Profit After Taxes (PAT)	689.69	389.81
Less: Prior Year Adjustments	0.63	12.03
Add: Profit brought forward from previous years	1825.37	1751.16
Profit Available for appropriation	2514.43	2128.94
Dividend on Equity Shares	261.00	174.00
Provision for Tax on Dividend	44.36	29.57
Transfer to General Reserve	60.00	100.00
Surplus Carried to Balance Sheet	2149.07	1825.37

DIVIDEND

Your Directors recommend a dividend of 15% (Rs.1.50 per share) for the financial year 2009-10 against 10% (Re. 1.00 per share) of previous year.

OPERATIONS

During the year, the Company recorded Net Sales of Rs.319.61 crores as against Rs.290.31 crores in 2008-09 registering a growth of 10%. Profit Before Tax increased to Rs. 9.99 crores during the year 2009-10 from Rs. 5.93 crores in 2008-09 representing an increase of 68%. The production during the year was 60761 MT, compared to the previous year's 48961 MT.

Subsequent to the economic recession in 2008-09, the economy has picked up in 2009-10; especially in automobile sector we could see some recovery. Due to this improved economy the Company registered growth both in Turnover and Profit.

OUTLOOK

During the year 2009-10 the automobile industry in India started showing recovery. We expect this momentum to continue and lead to overall growth during the current year. Your Company will utilize every opportunity to its best and will be part of this growth.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has proper and adequate internal controls to ensure all the assets are protected and transactions are recorded and reported expeditiously. The Audit Committee reviews the Internal Audit Report submitted by the Internal Auditors and implementation of suggestions and measures arising there from.

DIRECTORS' REPORT – (Contd.)

CONSOLIDATED FINANCIAL STATEMENTS

The Company has prepared Consolidated Financial Statements of Nelcast Ltd and its subsidiary Nelcast USA Inc as at March 31, 2010, in accordance with Accounting Standard 21 (AS 21) on "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India. As required by Clause 41 of the Listing Agreement with the Stock Exchanges, the audited Consolidated Financial Statements are circulated with the Annual Report.

QUALITY AND CUSTOMER SATISFACTION

The Company totally adheres to the TS 16949 norms, and continuously strives to achieve world class quality by strictly adhering to the quality standards.

The Company has been receiving continuous support from its customers like Tata Motors, Ashok Leyland, TAFE, Mahindra & Mahindra, Eicher Motors, ITL, Eicher Tractors etc., and in exports Arvin Meritor, Dobbie Dico and Wartsila. The growing association with Commercial Vehicle and Tractor majors and the widening spread of the customer base, both in India and abroad, are encouraging the Company to increase its manufacturing facilities and intensify its quality thrust while moving its products up the value chain.

DEPOSITS

The Company has accepted public deposits during the year. Its deposits as at 31st March 2010 is Rs.129.83 lakhs.

DIRECTORS

Mr. R. Mohan Reddy, is due to retire by rotation and being eligible offers himself for re-appointment.

During the year Mr. A. Balasubramanian has been appointed as Additional Director of Company and he would hold office till the date of the ensuing Annual General Meeting. The Company has received a notice from a shareholder signifying his intention to propose the appointment of Mr. A. Balasubramanian as Director of the Company at the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT

Your Directors hereby make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility.

We confirm that:

- In the preparation of the Annual Accounts for the year ended 31st March 2010, all the applicable Accounting Standards had been followed.
- Such Accounting Policies have been selected and applied consistently supported by management 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 at the end of the financial year and of the Profit and Loss of the Company for that period.
- Proper and sufficient care had been taken for the maintenance of adequate Accounting Records, in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Accounts for the year ended 31st March 2010 have been prepared on a "going concern basis".

DIRECTORS' REPORT – (Contd.)

CORPORATE GOVERNANCE

The Company has been pro-active in following the principles and practices of good Corporate Governance. The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing agreements with the Stock Exchanges are complied in its letter and spirit. The matters relating to Corporate Governance as per the Listing Agreement are attached to this report. A management discussion and analysis report as required by listing agreement is also enclosed which forms part of this report.

AUDITORS

Your Company's Auditors, M/s. J.B.REDDY & CO., Chartered Accountants, will retire at the conclusion of the forthcoming Annual General Meeting and they have consented to be re-appointed for the financial year 2010-11. The Company has received a letter from M/s. J.B.Reddy & Co., stating that their appointment as auditors, if made, would be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

Overall industrial relations during the year were cordial. The Directors place on record their appreciation of the valuable contribution made by the employees of the Company at all levels towards the performance and growth of the Company.

PARTICULARS OF EMPLOYEES

Information required as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rule 1975, as amended from time to time is given in the Annexure.

DISCLOSURE OF PARTICULARS

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

ACKNOWLEDGEMENTS

The Directors again would like to express their sincere appreciation for the dedicated efforts of the employees and co-operation of associates, suppliers and customers. We also express our sincere thanks to Company's Bankers namely State Bank of India, IDBI Bank Ltd. and Kotak Mahindra Bank Ltd for their trust and continued support.

For and on behalf of the Board

Date : 30th May 2010
Place : Chennai

P. Radhakrishna Reddy
Chairman & Managing Director

Directors' Report – Annexure I

Information as per Section 217(1) (e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY:

- | | |
|--|--|
| (a) Energy conservation measures undertaken | The Company continues its efforts to improve energy conservation based on recommendations arising out of the Energy Audit. |
| (b) Additional investments and proposals if any being implemented for the reduction of consumption of energy | NIL |
| (c) Impact of measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost | NIL |
| (d) Total energy consumption and Energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto. | NOT APPLICABLE |

B. TECHNOLOGICAL ABSORPTION

- | | |
|---|----------------|
| (e) Efforts made in technology absorption | NOT APPLICABLE |
|---|----------------|

C. FOREIGN EXCHANGE EARNING AND OUTGO:

- | | |
|--|--|
| (f) Activities relating to export initiatives taken to increase, development of new export markets | Ongoing marketing campaign in the US is expected to yield results in the coming years. |
| (g) Total Foreign Exchange Used | Rs. 594.53 Lakhs |
| Total Foreign Exchange Earned | Rs. 933.85 Lakhs |

Directors' Report – Annexure II

Statement of Particulars of Employees pursuant to Sec 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for financial year ended 31st March 2010.

Name	Age	Designation	Remuneration in Rs	Qualification/ Experience	Date of Employment	Previous Employment, Designation
Mr. P. Vijaya Bhaskar Reddy	54	Dy. Managing Director	63,36,000	B.Com, B.L., F. C.A	01.07.1983	Accounts Officer – Pennar Steels Ltd.
Mr. V.P. Prem Kumar	54	Director (Marketing)	26,67,480	M.E (Production)	21.10.1998	General Manager – Rane Engine Components Ltd.
Mr. Aaron Taylor *	41	Chief Operating Officer– Machining Division	70,62,767	BS, MBA	01.07.2008	Vice President (Operations) – Allied Chucker and Engineering Company, USA

* Employed for part of the year

For and on behalf of the Board

Date : 30th May 2010
Place : Chennai

P. Radhakrishna Reddy
 Chairman & Managing Director



Directors' Report – Annexure III

Statement pursuant to Section 212 of the Companies Act, 1956,
Relating to the Company's interest in Subsidiary Company:

1.	Name of the Subsidiary	Nelcast USA Inc.
2.	The financial year of the subsidiary Company ended on	31-3-2010
3.	Extent of Interest of the Holding Company at the end of the financial year of the Subsidiary	100%
4.	Net aggregate amount of Profit / (Loss) of the subsidiary as far as they concern the members of Nelcast Limited	
	(i) For the Financial year of Subsidiary	
	(a) Dealt with in the accounts of the Holding Company	NIL
	(b) Not Dealt with in the accounts of the Holding Company	NIL
	(ii) For the Previous Financial years of Subsidiary	
	(a) Dealt with in the accounts of the Holding Company	NIL
	(b) Not Dealt with in the accounts of the Holding Company	Rs.(3,96,177/-)
5.	As the Financial year of the Subsidiary Company Coincides with that of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable	

Note: The figures in US Dollars as per the Audited Financial Statements of the Subsidiary have been converted into Rupees at appropriate rates of conversion.

For and on behalf of the Board

Date : 30th May 2010
Place : Chennai

P. Radhakrishna Reddy
Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance

The Company has always focused on corporate governance as a means to maximize the long-term stakeholders' value through sustained growth and value creation. The Company always believes to achieve optimum performance at all levels in adopting good corporate performance. The Company believes that Corporate Governance begins with Company's continuous review of its internal procedures and practices encompassing all its business areas in the most appropriate manner, which would spell fairness and transparency.

2. Board of Directors

The Board of Directors along with its Committees provides leadership and guidance to the Company's management. The board reviews strategic business plans, budgets, setting up goals and evaluation performance and investment decision.

Composition of the Board of Directors:

The Composition of Board of Directors is in conformity with the Corporate Governance code.

The Board comprises of two executive directors and three non-executive directors, of whom all are independent directors. All non-executive independent directors are persons of eminence and bring a wide range of expertise and experience to the Board.

Board Meetings:

During the financial year, meetings of the Board Directors were held on 16th May 2009, 25th July 2009, 31st October 2009, 22nd January 2010 and 15th March 2010.

The attendance by the Directors at Board Meetings and last Annual General Meeting:

Name of the Director	Board Meeting	Annual General Meeting
Mr. P. Radhakrishna Reddy	5	Attended
Mr. R. Mohan Reddy	5	Attended
Mr. D. Sessa Reddy	5	Attended
Mr. P. Vijaya Bhaskar Reddy	5	Attended
Mr. A. Balasubramanian *	3	N.A

* Appointed as an Additional Director w.e.f October 31, 2009.

Directors' Membership as on March 31, 2010 in the Board or Committees thereof:

Name of the Director	Other Boards	Other Board Committees
Mr. P. Radhakrishna Reddy	2	None
Mr. P. Vijaya Bhaskar Reddy	1	None
Mr. R. Mohan Reddy	1	None
Mr. D. Sessa Reddy	1	None
Mr. A. Balasubramanian	2	1

REPORT ON CORPORATE GOVERNANCE – (Contd.)

3. Audit Committee

Terms of Reference:

The broad terms of reference of the Audit Committee are as follows:

- Review of the Company's financial reporting process and its financial statements
- Compliance with Accounting Standards and changes in accounting policies and practices
- Review of the Internal Control and internal audit systems
- Review of the Audit Report / Work of External Auditors
- Review of risk management policies and practices
- Recommend appointment of Statutory Auditors
- Review of Related Party Transactions
- Other matters as set out in the listing agreement

The Audit Committee comprises Shri. A. Balasubramanian (Chairman), Shri. R. Mohan Reddy (Independent Director), Shri D. Sesha Reddy (Independent Director) and Shri P. Vijaya Bhaskar Reddy. There were five meetings held during the year. The dates of the meetings are as follows:

16th May 2009, 25th July 2009, 31st October 2009, 22nd January 2010 and 15th March 2010.

Name of the Member	No. of Audit Committee Meetings attended
Mr. R. Mohan Reddy	5
Mr. D. Sesha Reddy	5
Mr. A. Balasubramanian #	2
Mr. P. Vijaya Bhaskar Reddy	5

Mr. A. Balasubramanian was appointed as Chairman of the Audit Committee w.e.f October 31, 2009.

4. Remuneration Committee

The Board has set up a Remuneration committee for the Company which decides the Remuneration of all the directors and senior management members of the Company. The Committee comprises of Shri D. Sesha Reddy (Chairman), Shri R. Mohan Reddy and Shri A. Balasubramanian.

Particulars of sitting fees paid to non-executive directors during the financial year 2009-10

Name of the non-executive directors	Sitting FeeRs.
Mr. R. Mohan Reddy	80,000
Mr. D. Sesha Reddy	70,000
Mr. A. Balasubramanian	40,000