

## **Board of Directors**

**P. RADHAKRISHNA REDDY**  
*Chairman*

**S. RADHAKRISHNAN**  
*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](mailto:nelcast@nelcast.com)  
Website : [www.nelcast.com](http://www.nelcast.com)



# Annual Report 2010 - 11

Annual  
Report  
2010 - 11

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## DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Ninth Annual Report along with the Audited Accounts for the financial year ended 31st March 2011:

### PERFORMANCE

#### FINANCIAL RESULTS

	2010-11	2009-10
	<i>(Rupees in Lakhs)</i>	
Net Sales	50,740.71	31,960.79
PBIDT	14,381.33	2,311.01
Profit Before Taxes (PBT)	12,920.12	999.01
Less: Provision for Taxes	4,228.55	309.32
Profit After Taxes (PAT)	8,691.57	689.69
Less: Prior Year Adjustments	2.19	0.63
Add: Profit brought forward from previous years	2,149.07	1,825.37
Profit Available for appropriation	10,838.45	2,514.43
Special Dividend on Equity Shares	2,088.03	—
Dividend Tax on Special Dividend	346.80	—
Final Dividend on Equity Shares	522.00	261.00
Dividend Tax on Final Dividend	86.70	44.36
Transfer to General Reserve	5,000.00	60.00
Surplus Carried to Balance Sheet	2,794.92	2,149.07

#### DIVIDEND

Your Directors recommend a dividend of 30% (Rs.3.00 per share) for the financial year 2010-11 against 15% (Rs. 1.50 per share) of previous year. During the year, the Company has already declared and paid a special silver jubilee dividend of Rs. 12.00 per share, thereby the total dividend for the year amounts to Rs. 15/- per share.

#### OPERATIONS

During the year, the Company recorded Net Sales of Rs.507.40 crores as against Rs.319.61 crores in 2009-10 registering a growth of 59%. Profit Before Tax (excluding extra-ordinary items) increased to Rs. 20.43 crores during the year 2010-11 from Rs. 9.99 crores in 2009-10 representing an increase of 104%. The production during the year was 76734 MT, compared to the previous year's 60761 MT.

Buoyancy in the domestic market especially in the Automobile sector helped the Company to achieve this excellent growth. The Company has utilized the full opportunity available in the market and registered substantial growth both in Turnover & Profit.

#### EXTRA-ORDINARY ITEM

During the year the company has made a substantial profit after tax of Rs. 75.09 Cr due to sale of shares held in Nelcast Energy Corporation Ltd. This extra-ordinary item has helped the Company to increase its net worth substantially.

#### OUTLOOK

The Indian economy is strongly on track and expected to grow continuously. The Company is expected to maintain a steady growth and use the opportunity available in the Automobile industry. The combination of effective manufacturing costs with good quality systems would give an edge to the Company in terms of pricing and quality.

## **DIRECTORS' REPORT – (Contd.)**

### **INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has an Audit Committee to oversee the Company's financial reporting process, disclosure of financial information, related party transactions, and internal control system etc. The Company has well defined internal control systems which aim at better efficiency of operations, compliances with legal obligations and Company's policies and procedures.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The Company has prepared Consolidated Financial Statements of Nelcast Ltd and its subsidiary Nelcast USA Inc as at March 31, 2011, 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. During the year the Company has been awarded ISO 14001 & 18001 for Environmental Management Systems.

The Company has been receiving continuous support from its customers like Tata Motors, Ashok Leyland, TAFE, Mahindra & Mahindra, VE Commercial, ITL etc., and in exports Arvin Meritor, Dobbie Dico, Danfoss and ZF Industries. The Company is closely working with all customers in terms of new product development, improvement in quality levels etc. to meet the expectation of customers.

### **DEPOSITS**

The Company has accepted public deposits during the year. Its deposits as at 31<sup>st</sup> March 2011 stand at Rs.115.31 lakhs.

### **DIRECTORS**

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

During the year Mr. S. Radhakrishnan has been appointed as Additional Director of the 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. S. Radhakrishnan as Director of the Company at the ensuing Annual General Meeting. He has also been appointed as Managing Director of the Company in the Board Meeting held on 17.01.2011.

### **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 31<sup>st</sup> March 2011, 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.

## DIRECTORS' REPORT – (Contd.)

- 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 31<sup>st</sup> March 2011 have been prepared on a “going concern basis”.

### 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 2011-12. 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

The employee relations have remained cordial through out the year and industrial harmony was maintained. Measures for the safety, training and development of the employees continued to receive top priority. 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 197, 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 : 13th May 2011  
Place: Chennai

**P. Radhakrishna Reddy**  
Chairman

## 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. 635.76 Lakhs   |
| Total Foreign Exchange Earned.  | Rs. 888.19 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 31<sup>st</sup> March 2011.**

Name	Age	Designation	Remuneration in Rs.	Qualification/ Experience	Date of Employment	Previous Employment, Designation
Mr. S. Radhakrishnan *	48	Managing Director	67,45,161	B.E., Post Dip. in Intl. Trade/ 25 yrs.	18.11.2010	Sr. Director – Arvin Meritor Inc
Mr. P. Vijaya Bhaskar Reddy	55	Dy. Managing Director	63,36,000	B.Com., B.L., F.C.A. / 30 yrs.	01.07.1983	Accounts Officer – Pennar Steels Ltd.

\* Employed for part of the year.

**For and on behalf of the Board**

Date : 13th May 2011  
Place : Chennai

**P. Radhakrishna Reddy**  
 Chairman



### 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 Companies ended on	31.03.2011
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	NIL
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 at Rs. 44.65/ US \$. The Annual Accounts of the subsidiary company has been kept at Registered Office & Corporate Office of the Company for inspection by shareholders.

**For and on behalf of the Board**

Date : 13th May 2011  
Place : Chennai

**P. Radhakrishna Reddy**  
Chairman



## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance

The Company has always focused on corporate governance as a means to optimize its performance and maximize the long-term stakeholders' value through sustained growth and value creation. The Company always strives endeavor to create an environment of fairness, equity and transparency in all transactions. 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 of the Company has an optimum combination of executive and non-executive directors having rich knowledge and experience in the industry for providing guidance and direction to the Company. 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 three 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 of Directors were held on 30th May 2010, 24th July 2010, 30th October 2010 and 17th January 2011.

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

Name of the Director	Board Meeting	Annual General Meeting
Mr. P. Radhakrisna Reddy	2	Not Attended
Mr. R. Mohan Reddy	3	Attended
Mr. D. Sesha Reddy	4	Attended
Mr. P. Vijaya Bhaskar Reddy	4	Attended
Mr. A. Balasubramanian	4	Attended
Mr. S. Radhakrishnan *	1	N.A

\* Appointed as an Additional Director w.e.f January 17, 2011.

Directors' Membership as on March 31, 2011 in the Board or Committees thereof:

Name of the Director	Other Boards	Other Board Committees
Mr. P. Radhakrisna Reddy	2	None
Mr. P. Vijaya Bhaskar Reddy	1	None
Mr. R. Mohan Reddy	1	3
Mr. D. Sesha Reddy	1	None
Mr. A. Balasubramanian	1	1
Mr. S. Radhakrishnan	Nil	Nil

## 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
- Quarterly results of the Company
- 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. Sessa Reddy (Independent Director), Shri. P. Vijaya Bhaskar Reddy and Shri. S. Radhakrishnan #. There were four meetings held during the year. The dates of the meetings are as follows:

30th May 2010, 24th July 2010, 30th October 2010 and 17th January 2011.

Name of the Member	No. of Audit Committee Meetings attended
Mr. R. Mohan Reddy	3
Mr. D. Sessa Reddy	4
Mr. A. Balasubramanian	4
Mr. P. Vijaya Bhaskar Reddy	4

# Mr. S. Radhakrishnan has been appointed as member of the Audit Committee only from 17th January 2011.

### 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. Sessa Reddy (Chairman), Shri. R. Mohan Reddy and Shri. A. Balasubramanian.

Particulars of sitting fees paid to non-executive directors during the financial year 2010-11:

Name of the non-executive directors	Sitting Fee Rs.
Mr. R. Mohan Reddy	80,000
Mr. D. Sessa Reddy	1,00,000
Mr. A. Balasubramanian	1,00,000