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LANCO
INDUSTRIES
L I M I T E D

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FIFTH ANNUAL REPORT
1996-97

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**BOARD OF DIRECTORS**

Dr. V.L. Dutt
 Shri G. Bhaskara Rao
 Dr Narendra K. Gupta
 Dr Nimmagadda Upendranath
 Dr Neerukonda BR Prasad
 Shri L. Sridhar
 Shri T. Panduranga Rao
 Shri Devan J. Joshi
 Shri L. Rajagopal
 Shri L. Madhusudhan Rao

*Chairman**ICICI Nominee**Vice Chairman**Managing Director***GENERAL MANAGER (FIN)
& COMPANY SECRETARY**

S. Ganapathi Rao

AUDITORSK.R. Bapuji & Co.,
Hyderabad.**BANKERS**

Bank of Baroda
 M.G. Road Branch
 Secunderabad - 500 003.

IndusInd Bank Limited
 S.P.Road,
 Secunderabad - 500 003.

REGISTERED OFFICE

Ground Floor, Visakha Towers
 1-8-303/69/3, S.P.Road,
 Secunderabad - 500 003.

FACTORY

Rachagunneri Village,
 Srikalahasti Mandal,
 Chittoor District,
 Andhra Pradesh.

5th Annual Report 1996-97**NOTICE**

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at 2-30 p.m. on Friday, 19th September 1997 at Hotel Green Park, Greenlands Area, Begumpet, Hyderabad - 500 016 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account of the Company for the year ended 31st March, 1997 and the Balance Sheet as on that date together with the Reports of the Board of Directors and the Company Auditors.
2. To declare Dividends.
3. To appoint a Director in place of Shri L. Rajagopal who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr Nimmagadda Upendranath, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri L. Sridhar, who retires by rotation, and being eligible offers himself for re-appointment.
6. To appoint Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration. The present Auditors of the Company, M/s. K.R. Bapuji & Co., Chartered Accountants, Hyderabad, who retire at the conclusion of this Annual General Meeting, being eligible offer themselves for re-appointment.

SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.
"RESOLVED THAT Dr Narendra K. Gupta be and is hereby appointed as Director of the

Company, whose period of office is liable to retire by rotation."

8. To Consider and if thought fit to pass with or without modifications the following resolutions as ordinary resolutions.

"Resolved that the consent of the company be and is hereby accorded in terms of section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the company and or on second charge basis of all the immovable and movable properties of the company, wheresoever situated present and future and/or conferring power to enter upon and to take possession of assets of the company in certain events, to or in favour of commercial banks to secure their financial assistance by way of working capital facilities to the aggregate extent of Rs.3,255 lakhs for the time being lent and advanced / agreed to be lent and advanced by the Bank of Baroda and IndusInd Bank Ltd to the company as well as for any other further financial assistance in any form, together with interest thereon, at the respective agreed rates, compound interest, additional interest, liquidated damages, costs or with charges, expenses and other monies payable by the company to Bank of Baroda and IndusInd Bank Limited under Working Capital loan agreement / letter of sanction / Memorandum of Terms and Conditions entered into / to be entered by the company in respect of the said working capital facilities."

"Resolved further that the Board of Directors of the company be and is hereby authorised to finalise with Bank of Baroda and IndusInd Bank Ltd. the documents for creating the aforesaid charge and / or second charge and to do all such acts and things as may be necessary for giving effect to the above resolution."



LANCO INDUSTRIES LIMITED

9. To consider and if thought fit to pass with or without modifications the following resolutions as ordinary resolutions.

"Resolved that in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII as in force and as amended from time to time of the said Act, the approval of the Board be and is hereby accorded for the appointment of Shri. L. Madhusudhan Rao, as Managing Director w.e.f. 1st October, 1996 on the following terms and conditions subject to the approval of members at the General Meeting."

1. Salary of Rs.40,000 per mensem in the annual pay scale of Rs.40,000-5,000-60,000.

2. Perquisites : In addition to salary, Shri.L. Madhusudhan Rao will be entitled to the following perquisites restricted to a sum of annual basic salary. For this purpose, perquisites include the following :

Free furnished / unfurnished accommodation, Gas, Electricity, Water, Medical reimbursement, Leave Travel Concession for self and family, Club fees, personal accidental insurance, contribution to Provident Fund, Superannuation and Gratuity, Car with driver as per the rules of the company.

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable, and in the absence of any such Rule, perquisites shall be evaluated at actual cost.

Provision for use of Company car for official purposes and telephone at residence (including payment for local calls and long distance calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

For all other terms and conditions not specifically spelt out above, the Rules and Orders of

the Company shall apply.

Shri.L.Madhusudhan Rao will not be entitled to any sitting fees for attending meetings of the Board or of any committee thereof.

By Order of the Board
Lanco Industries Limited

S. Ganapathi Rao
General Manager (Fin.) &
Company Secretary

Place : Secunderabad,

Date : 18th June 1997.

NOTES :

1. A member, entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not be a member of the company.
2. In accordance with section 173(2) of the Companies Act, 1956 explanatory statement in respect of special business is annexed herewith.
3. The Proxy form is enclosed, which should be deposited at the Registered office of the company duly completed and signed not later than 48 hours before commencement of the meeting.
4. The Register of Members and Share Transfer Books of the Company will be closed from 8-9-97 to 19-9-97 (both days inclusive) and the dividend will be paid to the Shareholders whose names will appear in the Register of Members as on 6-9-97.
5. Members are requested to inform the change of address if any, to the Share Transfer Agents, M/s. Karvy Consultants Ltd., Road No.10, Banjara Hills, Hyderabad.

■ 5th Annual Report 1996-97

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**Item No.5**

At the request of your company, Bank of Baroda, M.G. Road, Secunderabad has sanctioned enhancement in the company's working capital facilities from Rs.1950 lakhs to Rs.2070 lakhs in connection with Company's Pig Iron division and IndusInd Bank Ltd., Secunderabad has sanctioned enhancement in the Company's Working Capital Facilities from Rs.300 lakhs to Rs.935 lakhs to Pig Iron division and Rs.250 lakhs to Cement division. The above financial assistance from both the banks have to be secured by way of second Mortgage of all immovable and movable properties of the company present and future in addition to the first charge on movable stock, work in progress, finished goods etc.

Section 293(1)(a) of the Companies Act, 1956 provides Inter-alia the Board of Directors of a Public Company may not, without the consent of such public limited company in general meeting lease or otherwise dispose of the whole or substantially the whole of the undertaking or when the company owns more than one undertaking of the whole or substantially the whole of any such undertaking.

Since the creation of second mortgage by the company of its movable and immovable properties aforesaid in favour of Bank of Baroda and IndusInd Bank Ltd (ICICI, IDBI, IFCI and ICICI as trustees to the debentures are the first mortgagees) may be regarded as disposal of the company properties/ undertakings, it is necessary for the members to pass a resolution under Sec. 293 (1) (a) of the Companies Act, 1956, before creating the second mortgage.

None of the Directors of Company is interested in the resolution.

Your Directors recommend the resolution for approval.

Item No.6

Dr. Narendra K. Gupta was appointed as Additional Director of the Company by the Board

of Directors at their meeting held on 5th February, 1997 pursuant to Section 260 of the Companies Act, 1956.

In this regard the company has received a notice required under section 257 of the Companies Act, 1956 proposing his appointment as a Director of the Company.

No Director is interested in the resolution.

Your Directors recommend the resolution for your approval.

Item No.7

Shri L. Madhusudhan Rao has been acting as Joint Managing Director of the Company since 21-09-1992 and was responsible for the successful implementation of both Pig Iron and Cement Division. Shri L. Rajagopal has resigned as Managing Director due to preoccupation.

The Board has considered the appointment of Shri L. Madhusudhan Rao as Managing Director subject to the approval of the members at the Annual General Meeting and also proposed the revision in the remuneration payable to the Managing Director.

Further, the Central Government has also revised the remuneration payable to the managerial personnel of the Company as per the Paid-up capital of the Company.

Keeping in view of the above factors and also stature of the Company it is proposed to appoint Shri L. Madhusudhan Rao as Managing Director of the Company and also effect enhancement in the remuneration payable to Shri L. Madhusudhan Rao.

Shri L. Rajagopal, Shri L. Madhusudhan Rao, Shri G. Bhaskara Rao and Shri L. Sridhar are interested in the said resolution.

This may be treated as an extract of the terms and conditions of the appointment under Section 302 of the Companies Act, 1956.

By Order of the Board
Lanco Industries Limited

S. Ganapathi Rao
General Manager (Fin) &
Company Secretary

Place : Secunderabad,
Date: 18th June 1997



OPERATIONS:

85868 MTs of pig iron was produced during the year as against 73852 MTs of the previous year recording a growth of 16.28%. In terms of capacity utilisation this amounts to 95.4% of the rated capacity of the plant. During this year the company despatched 86627 MTs leaving a balance of 2,492 MTs. In terms of value the pig iron sales amount to Rs.7534.68 lakhs as against Rs.6189.24 lakhs of the previous year.

Cement division commenced commercial production in April '96 and the operations have now well stabilised. During the year - the first year of operations - the division produced 33175 MTs of cement which amounts to a capacity utilisation of 47.39%. In terms of value the Cement sales amount to Rs.801.13 lakhs. The division is all set for reaching 100% capacity utilisation for the whole of next year having already crossed 100% since March, 1997.

MARKET :

The domestic market for pig iron and portland slag cement has not been quite encouraging with big players in the field offering heavy cash discounts/credit. Despite these difficult market conditions the company achieved a sales of Rs.8335.79 lakhs and a net profit of Rs.662.68 lakhs through effective management of inventories and cost savings.

DIRECTORS:

Shri L.Rajagopal resigned as Managing Director and the Board wishes to place on record its sincere appreciation of the valuable services rendered by him during his tenure, enabling the company to produce impressive results in the early years of operations.

Dr.V.D.M.Ravella Prasad resigned as Director and the Board wishes to record its sincere appreciation of the valuable services rendered by him during his tenure as Director.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Shri L.Rajagopal, Shri L.Sridhar and Dr. Nimmagadda Upendranath retire by rotation and they being eligible offer themselves for re-appointment.

During the year Dr. Narendra K Gupta was inducted as an Additional Director to hold office upto the date of forth - coming Annual General Meeting.

DIRECTORS' REPORT

To

The Members

Your Directors have pleasure in presenting the Fifth Annual Report on the business and operations of the company and the Audited accounts for the year ended 31st March, 1997 together with the Auditors Report thereon.

Financial Results

	(Rs. in lakhs)	
	Year ended 31-03-1997	Year ended 31-03-1996
Sales	8335.79	6189.24
Other Income	62.53	37.66
Profit before interest and depreciation	1764.73	1569.18
Interest	777.16	605.88
Depreciation	324.89	257.51
Net Profit	662.68	705.79
Prior period adjustment (-)	8.95	6.44
Net Profit before Tax	653.73	699.35
Provision for Income Tax	85.49	- -
Net Profit after Tax	568.24	699.35
Transfer to debenture Redemption reserve	70.00	105.00
Balance B/f from previous year	360.60	6.02
Proposed dividends	220.10	239.77
Corporate Dividend Tax	22.01	- -
Leaving a balance to be carried forward	616.73	360.60
Dividend	8%	10%

DIVIDENDS:

The Board has recommended a Dividend payment of Re.0.80 per share for the year 1996-97.

5th Annual Report 1996-97**PUBLIC DEPOSITS:**

During the year, the company has not accepted any deposits from the public.

AUDITORS:

M/s. K.R.Bapuji & Co., Chartered Accountants, Auditors of the company retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. They have conveyed their willingness to accept re-appointment and confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956.

STATUTORY INFORMATION:

Information regarding conservation of energy/technology absorption, foreign exchange earnings and outgo required to be disclosed under Section 217 (i) (e) of the Companies Act, 1956 is enclosed.

ACKNOWLEDGEMENTS:

Your Directors take this opportunity to place on record

their deep sense of appreciation and gratitude for the support, assistance, co-operation and valuable guidance, extended by the share holders, The Industrial Credit and Investment Corporation of India Limited, Industrial Development Bank of India, The Industrial Finance Corporation of India Ltd, Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India, United India Insurance Company Limited, The New India Assurance Company Limited, Andhra Pradesh Industrial Development Corporation Limited, Asian Finance and Investment Corporation Limited, Bank of Baroda, IndusInd Bank Limited and various Central and State Government authorities.

Your Directors also wish to place on record their deep sense of appreciation for the excellent services rendered by all the executives, officers and staff of the Company's both line and staff.

FOR AND ON BEHALF OF THE BOARD

DR.V.L. DUTT
CHAIRMAN

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