

MD	✓			PTC	✓
CS	✓			DIY	NA
RO	✓			DIV	NA
TRA	✓			AC	✓
ACM	✓	✓		SW	✓
VE	✓	✓	✓		



LANCO INDUSTRIES LIMITED

SIXTH ANNUAL REPORT

1997 - 98 (CERTIFIED TRUE COPY)
LANCO INDUSTRIES LIMITED

[Signature]
D. CHANDRASEKHAR
General Manager, Finance
& Company Secretary.

**LANCO INDUSTRIES LIMITED****BOARD OF DIRECTORS**

Dr. V.L. Dutt

Chairman

Shri G. Bhaskara Rao

Dr. Narendra K. Gupta

Dr. Nimmagadda Upendranath

Dr. Neerukonda BR Prasad

Shri L. Sridhar

Shri Devan J. Joshi

Shri Suresh Chukkapalli

Shri T. Panduranga Rao

ICICI Nominee

Shri Shravan Kumar

APIDC Nominee

Shri L. Rajagopal

Vice Chairman

Shri L. Madhusudhan Rao

*Managing Director***CHIEF EXECUTIVE OFFICER**

Shri . N. Subbaraya

**GENERAL MANAGER (FIN)
& COMPANY SECRETARY**

Shri. S. Ganapathi Rao

AUDITORSM/s. K. R. Bapuji & Co.
Hyderabad.**BANKERS**Bank of Baroda
M.G. Road,
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.**SHARE TRANSFER AGENTS &
REGISTRARS**M/s. Karvy Consultants Ltd.
Karvy House, 46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.

6th Annual Report 1997-98**NOTICE**

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held at 3.30 p.m. on Friday 18th September, 1998 at Hotel Green Park, Green Lands 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, 1998 and the Balance Sheet as on that date together with the Reports of the Board of Directors and the Company Auditors.
2. To appoint a Director in place of Shri G. Bhaskara Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Narendra K. Gupta, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Devan J. Joshi, who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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

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

"RESOLVED THAT Shri Suresh Chukkapalli be and is hereby appointed as Director of the Company, whose period of office is liable to determination by retirement by rotation."

7. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution.

"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 of all immovable and movable properties of the Company wheresoever situate, present and future, and the whole of the undertaking of the company and/or conferring power to enter upon and take possession of the assets of the Company in certain events or in favour of any of the following viz.,

- (i) The Industrial Credit and Investment Corporation of India Ltd. (ICICI)
- (ii) Industrial Development Bank of India (IDBI)

to secure :

- (1) Rupee Term Loan not exceeding Rs. 500 lacs (Rupees Five Hundred Lacs only) sanctioned and to be lent and advanced by ICICI to the Company;
- (2) Rupee Term Loan not exceeding Rs. 300 lacs (Rupees Three Hundred Lacs only) sanctioned and to be lent and advanced by IDBI to the Company;

together with interest at the respective agreed rates, additional interest, liquidated damages, commitment charges, premium on repayment or on redemption, costs, charges, expenses and all other moneys payable by the Company to ICICI and IDBI in terms of their respective Loan Agreement/Heads of Agreement/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms and conditions to be entered into by the Company, in respect of the said term Loans and the Board of Directors of the Company agreeing with all or any of the said ICICI and IDBI in terms of their respective Loan Agreement/Heads of Agreement/Hypothecation Agreements/Letters of Sanction/Memorandum of Terms and Conditions to reserve a right to take over the management of the business and concern of the Company in certain events."



LANCO INDUSTRIES LIMITED

"Resolved Further that the Board of Directors of the Company be and is hereby authorised to finalise with ICICI and IDBI the documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts and things as may be necessary for giving effect to the above resolutions."

8. To consider and if thought fit to pass with or without modification(s) the following resolution as an ordinary resolution.

"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 situate 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. 3,443.50 lakhs for the time being lent and advanced/agreed to be lent and advanced by 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 and execute with the 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."

By Order of the Board
Lanco Industries Limited

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

Place : Secunderabad,
Date : 09-06-1998.

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 9-9-1998 to 18-9-1998 (both days inclusive).
5. Members are requested to inform the change of address if any, to the Share Transfer Agents, M/s. Karvy Consultants Ltd., Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034.

6th Annual Report 1997-98

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No. 6

Shri Suresh Chukkapalli was appointed as Additional Director of the Company by Board of Directors at their meeting held on 14th November, 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

At the request of your Company, The Industrial Credit and Investment Corporation of India Limited, Mumbai has sanctioned Rs. 500 lacs in the form of Medium and Long Term Loans to meet Company's modernisation and balancing equipments scheme vide its Letter No. 03L/9556, dated November 18, 1997 and Industrial Development Bank of India, Chennai has sanctioned Rs. 300 lacs Term Loan under Corporate Loan Scheme vide its Letter No. 9406/PFD/668, dated December 18, 1997. The above financial assistance from both the Institutions have to be secured by way of first mortgage of all the movable and immovable properties of the Company both present and future.

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 first mortgage by the company of its movable and immovable properties aforesaid in favour of ICICI and IDBI may be regarded as disposal of the company's properties/undertakings, it is necessary for the members to pass the resolution under section 293(1)(a) of the Companies Act, 1956.

No Director is interested in the resolution.

Your Directors recommend the resolution for your approval.

Item No. 8

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. 2070 lakhs to Rs. 2173.50 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. 920 lakhs to Rs. 1270 lakhs to Cement Division and Pig Iron 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.

By Order of the Board
Lanco Industries Limited

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

Place : Secunderabad,
Date : 09-06-1998.



LANCO INDUSTRIES LIMITED

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operations of the company and the Audited accounts for the year ended 31st March, 1998 together with the Auditors Report thereon.

Financial Results

	(Rs. in lakhs)	
	Year ended 31-03-1998	Year ended 31-03-1997
Sales	6539.05	8335.79
Other Income	32.63	62.53
Profit before interest and depreciation	1201.76	1764.73
Interest	760.17	777.16
Depreciation	338.36	324.89
Net Profit	103.23	662.68
Prior period adjustment (—)	7.94	8.95
Net Profit before Tax	95.29	653.73
Provision for Income Tax (MAT)	10.84	85.49
Net Profit after Tax	84.45	568.24
Transfer to debenture redemption reserve	70.00	70.00
Balance B/f from previous year	616.73	360.60
Proposed dividend	—	220.10
Corporate Dividend Tax	—	22.01
Leaving a balance to be carried forward	631.18	616.73

OPERATIONS :

62057 MTs of pig iron was produced during the year as against 85868 MTs of the previous year. This is relatively low because of Shutdown for 75 days of the Mini Blast Furnace for Capital Repairs during the period from December '97 to February '98. In terms of capacity utilisation this amounts to 68.95% of the rated capacity of the plant. During this year the company despatched 64020 MTs leaving a balance of 1834 MTs. In terms of value, the pig iron sales amount to Rs. 5223.18 lakhs as against Rs. 7534.66 lakhs of the previous year. 56281 MTs

of Cement was produced during the year as against 33175 MTs of the previous year recording a growth of 33%. In terms of capacity utilisation, this amounts to 80.4% of the rated capacity of the plant. During the year the Company despatched 55829 MTs of Cement leaving a balance of 797 MTs. In terms of value the Cement sales amount to Rs. 1315.87 lacs as against Rs. 801.13 lacs of the previous year.

Profit for the year is low mainly because of capital repair shutdown, lower price realisation on Company's products and high cost burden on imported Coke due to the rupee losing vis-a-vis the US \$.

MARKET :

The domestic market for pig iron and portland slag cement was sluggish and not encouraging due to the continued recessionary trends in the Industry. Even the export market for Pig Iron wasn't encouraging. Despite this difficult market scenario, the Company achieved a sales of Rs. 6539.05 lakhs and a Net Profit of Rs. 103.23 lakhs before tax through effective management of inventories and various cost saving methods introduced during the year.

DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri G. Bhaskara Rao, Dr. Narendra K. Gupta and Shri Devan J. Joshi retire by rotation and they being eligible offer themselves for re-appointment.

During the year Shri Suresh Chukkapalli was inducted as an Additional Director to hold office upto the date of forth coming Annual General Meeting.

INDUSTRIAL CLIMATE :

Most harmonious Industrial relations prevailed during the year and no man days have been lost on this account.

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.

6th Annual Report 1997-98

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

L. RAJA GOPAL
VICE CHAIRMAN

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