



LANCO INDUSTRIES LIMITED

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LANCO INDUSTRIES LIMITED

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For and on behalf of the
Company Secretary

SEVENTH ANNUAL REPORT 1998 - 99

**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, IAS (Retd.) *APIDC Nominee*
 Shri L. Rajagopal *Vice Chairman*
 Shri L. Madhusudhan Rao *Managing Director*

VICE PRESIDENT

Shri P.V.V. Prasada Rao

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

Shri S. Ganapathi Rao

AUDITORS

M/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

Lanco House
141, Avenue No. 8,
L.V. Prasad Marg,
Banjara Hills, Hyderabad - 500 034.

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.

7th Annual Report 1998-99

NOTICE

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held at 2.30 p.m. on Saturday the 28th August, 1999 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, 1999 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 Dr. V.L. Dutt, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. Neerukonda B.R. Prasad, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri L. Sridhar, 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.

By Order of the Board
Lanco Industries Limited

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

Place : Hyderabad,
Date : 28th June, 1999.

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**DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting the Seventh Annual Report on the business and operations of the company and the Audited accounts for the year ended 31st March, 1999 together with the Auditors' Report thereon.

Financial Results

	(Rs. in lakhs)	
	Year ended	Year ended
	31-03-1999	31-03-1998
Sales	8744.64	6539.05
Other Income	35.02	32.63
Profit before interest and depreciation	1265.93	1201.76
Interest	837.54	760.17
Depreciation	338.07	338.36
Net Profit	90.32	103.23
Prior period adjustment (—)	6.88	7.94
Net Profit before Tax	83.44	95.29
Provision for Income Tax (MAT)	9.48	10.84
Net Profit after Tax	73.96	84.45
Transfer to debenture	70.00	70.00
Redemption reserve		
Balance B/f from previous year	631.18	616.73
Leaving a balance to be carried forward	635.14	631.18

Despite significant improvement in production and sales there is some decline in profitability which is mainly due to imposition of Anti Dumping Duty on import of Met coke from China, and further drop in sales realisation of both Pig Iron and Cement. Iron & Steel and Cement sectors continued to be hit by industrial recession leading to a significant fall in demand and consequent fall in selling price all of which resulted in lower profitability.

OPERATIONS :

90,111 MTs of Pig Iron was produced during the year - the highest since commencement of Commercial Production in 1994 as against 62,057 MTs in the previous year. In terms of capacity utilisation this amounts to 100.12% of the rated capacity of the plant. During this year, Company despatched 90,831 MTs leaving a balance of 1114 MTs. In terms of value, the Pig Iron sales amount to Rs. 7,554.34 lacs.

60,395 MTs of Cement was produced during the year - the highest production since commencement of production in 1996 as against 56,281 MTs in the previous year. In terms of capacity utilisation this amounts to 86.27% of the rated capacity of the plant. During the year, the Company had despatched 60,464 MTs of Cement leaving a balance of 728 MTs. However, in terms of value, Cement Sales account for Rs. 1240.05 lacs as against Rs. 1315.87 lacs in the previous year due to weakening price realisation.

Profit for the year is low due to increased production costs arising out of anti dumping duty on coke imports, increased interest burden etc., besides weaker realisations for both pig iron and cement.

MARKET :

The domestic market for pig iron and cement was sluggish and not encouraging due to the continued recessionary trends prevailing in the industry. The market during the year has become more price sensitive than before. The price of Pig Iron and Cement have further comedown by about 10% when compared to the previous year. The realisations have reached a rock bottom level touching almost the level prevailing in the early Nineties. The demand for pig iron has slackened due to poor off-take by the foundries which in turn was due to negative growth in their user segments. The fall in demand coupled with fall in selling prices have led to a crisis like situation, resulting in cut-throat competition not experienced by the pig iron industry in the last decade.

Despite this difficult market scenario, the Company achieved a sales of Rs. 8,744.64 lacs - the highest since commencement of Commercial Operation in 1994 and made a net profit after tax of Rs. 73.96 lacs through effective management of inventories, various cost saving methods and appropriate market strategies.

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DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr. V.L. Dutt, Dr. Neerukonda B.R. Prasad and Shri L.Sridhar retire by rotation and they being eligible offer themselves for re-appointment.

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. 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 ICICI Ltd, Industrial Development Bank of India, The Industrial Finance Corporation of India, 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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