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LANCO INDUSTRIES LIMITED

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LANCO INDUSTRIES LIMITED

EIGHTH ANNUAL REPORT

1999 – 2000

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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.	

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NOTICE

Notice is hereby given that the Eighth Annual General Meeting of the Members of Lanco Industries Limited will be held at 3.00 p.m. on Monday the 18th September, 2000 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, 2000 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 L. Rajagopal, who retires by rotation and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Dr. Nimmagadda Upendranath, who retires by rotation, and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Shri Suresh Chukkapalli, 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 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 mortgage and/or create charge 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 in favour of ICICI Limited to secure Rupee Term Loan not exceeding Rs. 600 lacs (Rupees Six Hundred Lacs Only) sanctioned and to be lent and advanced by ICICI Ltd., to the Company.

Resolved further that the Board of Directors of the Company be and is hereby authorised to finalise with ICICI Limited 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 resolution."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"Resolved that pursuant to Section 17 of the Companies Act, 1956, as amended the main objects clause in the Memorandum of Association be and is hereby altered with addition of the following new clause in addition to the existing clauses from 1 to 3 subject to the approval of the Financial Institutions.

4. To carry on business to Design, Develop, Acquire, Accept, Arrange, Assemble, Manufacture, Produce, Fabricate, Generate, Equip, Obtain, Provide, Erect, Construct, Install, Set up, Supervise, Implement, Support, Assign, Engineer, Give Consultancy, Advise, Train, Process, Assist, Use, Distribute, Transmit, Repair, Maintain, Improve, Extend, Manage, Modify, Alter, Convert, Enfranchise, Explore, Establish, Insure, Undertake, Conduct, Perform, Sponsor, Participate, Protect, Act, patent, Value add and Resell, Lease or Hire, Sell on hire purchase or on instalment system or entering into contract, to act as an authorised representative, Reseller, Agent, Stockist, Distributor, Dealer, Clearing and Forwarding agent, Franchise holder, Counsellor, Broker, Consultant, Advisor, Retainer, Licensee, Trainer, to acquire technical know-how to provide technical services to perform benchmark tests, to undertake turnkey projects, to conduct operation research, to provide management information processing applications and to conduct operation research to provide management and marketing services, in the fields of Software Development, Computer software, Teaching aids, Servers, all types of Network Computers, microprocessors pentium drives, disks, modem, monitors, information technology, virtual training &

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animation software, Internet, Web technologies and also in the fields of Cellular phones, paging systems, optical fibres, Telephone machines, Audio and Video equipments, Establishing earth station, Satellite communications, Software Technology parks, Internet and E-Mail Services, all other allied fields and integral parts, items and components intended to use used in Electrical, Electronic, Telecommunications, satellite communications and Internet service industry."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"Resolved that pursuant to section 31 of the Companies Act, 1956, and any other provisions as may be applicable, if any and the provisions of other statutes as applicable and subject to such approvals, consents, permissions, and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company, be and are hereby altered in the manner following:

Under the heading "Transfer and Transmission of Shares", after Article 34 of the Articles of Association, the following new Articles 34(7) and 34(8) be inserted as follows:

"Article 34(7) : Nomination

A holder or joint holder(s) of shares in or debentures (including the Fixed deposit holder under Section 58A of the Companies Act, 1956), of the company may nominate, a person in the prescribed manner to whom the shares and/or the interest of the members in the capital of the company or debentures of the company shall vest in the event of the holder(s) death. Such member may revoke or vary his/her nomination, at any time, by notifying the same to the company to that effect. Such nomination shall be governed by the provisions of section 109A and section 109B of the Act or such other regulations governing the matter from time to time."

"Article 34(8) : Dematerialisation of Securities

"Beneficial Owner" shall have the meaning assigned thereto in section 2 of the Depositories Act, 1956;

"Depositories Act" shall mean the Depositories Act, 1996 or any statutory modification(s) or re-enactment thereof;

"SEBI" means the Securities Exchange Board of India;

"Depository" means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as depository under the SEBI Act, 1992; and

"Security" means such security as may be specified by SEBI from time to time.

Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996;

Every person subscribing to/acquiring securities offered by the company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his securities with a depository the company shall intimate such depository the details of allotment of the security and, on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of securities.

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owner;

(a) Notwithstanding anything to the contrary contained in the Act or the Articles, a depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of securities on behalf of the beneficial owner.

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(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights of the securities held by it.

(c) Every person holding securities of the company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the company. The beneficial owner of the securities shall be entitled to all rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

Notwithstanding anything contained in the Act or the Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or discs.

Nothing contained in Section 10B of the Act or the Articles shall apply to a transfer or securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of the depository.

Not withstanding anything in the Act or the Articles, where a depository deals with securities, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

Nothing contained in the Act or the Articles regarding necessity of having distinctive numbers of securities issued by the company shall apply to securities held in a depository.

The Register and Index of Beneficial owners, maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purpose of the Articles.

By Order of the Board
Lanco Industries Limited

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

Place : Hyderabad,
Date : *23rd June, 2000.*

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. 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.

5. Shareholders seeking any information with regard to accounts are requested to write to the company at an early date so as to enable the management to keep the information ready.

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

Item No.6

At the request of your Company, ICICI Limited, Mumbai has sanctioned Rs. 600 lacs Term Loan under Corporate Loan Scheme vide its Letter No.02L/21613, dated December 3, 1999. The above Financial Assistance has 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 interalia that the Board of Directors of a Public Company may not, without the consent of the Company in general meeting lease or otherwise dispose off, 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 Ltd., 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.

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

Your Directors recommend the resolution for approval.

Item No. 7

Your Company has plans to enter the software and related businesses at an appropriate time since this field is very encouraging and adds to share holders value. As per the provisions of the Companies Act, 1956, Company's new business requires alternation of the objects clause of the Memorandum of Association. Accordingly, this item is proposed for your approval.

Section 17 of the Companies Act, 1956, provides for alteration of Memorandum so as to change the objects of the Company for various purposes by a Special Resolution.

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

Your Directors recommend the resolution for approval.

Item No. 8

NOMINATION

The Companies (Amendment) Act, 1999 introduced new Sections 109A and 109B providing the holder(s) of security of the company an option to nominate a person to whom the rights of the security holder(s) be vested in the event of the holder(s) death.

DEMATERILISATION OF SECURITIES

The Securities Exchange Board of India (SEBI), vide its circular bearing Ref No. SMDRP/POLICY/CIR-23/2000, dated May 29, 2000 has decided to add 2562 scrips to the existing 579 scrips for compulsory dematerilised trading by all class of investors in 9 phases. The aforesaid SEBI's directive makes it obligatory for the company to admit its securities in both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), and establish connectivity before 26th February, 2001 to enable dematerialised trading from the said date.

Board has consented to amend the Articles of Association of the company, at their meeting held on 23rd June, 2000 which is subject to the approval of the Members of the Company. The resolution set out at this item of the Notice is proposed for approval of the Members of the Company in tune with the amendments made to provisions of the Companies Act, 1956.

Board recommends you to pass the above resolution.

None of the Directors are interested in the above resolution except to the extent of being shareholders of the Company.

By Order of the Board
Lanco Industries Limited

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

Place : Hyderabad,
Date : 23rd June, 2000.

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DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Eighth Annual Report on the business and operations of the Company and the Audited accounts for the year ended 31st March, 2000 and the Auditors' Report thereon.

Financial Results

	(Rs. in lakhs)	
	Year ended	*Year ended*
	31-03-2000	31-03-1999
Sales	**10864.80**	8744.64
Other Income	**43.92**	35.02
Profit before interest and depreciation	**1246.00**	1259.05
Interest	**893.37**	837.54
Depreciation	**343.32**	338.07
Net Profit before Tax	**9.31**	73.44
Provision for Income Tax (MAT)	**1.65**	9.48
Net Profit after Tax	**7.66**	63.96
Transfer to debenture Redemption Reserve	**-**	70.00
Balance B/f from previous year	**635.14**	631.18
Leaving a balance to be carried forward	**642.80**	635.14

Despite significant improvement in production and sale volumes, there is not much of improvement in the bottom line mainly due to slump in Pig Iron and Cement markets resulting in poor unit sales realisations during most part of the year. This apart, increase in financial costs and some of the input costs also contributed to the declining profitability.

OPERATIONS :

94,377 MTs of Pig Iron was produced during the year - the highest since commencement of Commercial Production in 1994 - as against 90,111 MTs in the previous year. In terms of Capacity Utilisation, this amounts to 104.86% of the rated capacity of the plant. *During this year, Company despatched 94,243 MTs* leaving a balance of 1,248 MTs. In terms of value, Pig Iron sales amount to Rs. 6,730.33 lacs.

82,450 MTs of Cement was produced during the year - the highest production since commencement of Commercial Production in 1996 - as against 60,395 MTs in the previous year. In terms of Capacity Utilisation this amounts to 91.61% of the rated capacity of the plant. During the year, Company despatched 81,831 MTs leaving a balance of 1,347 MTs. In terms of value, Cement sales amount to Rs. 1,683.82 lacs. During the year, Company had achieved a turnover of Rs. 1,135.79 lacs in Construction Division.

Profit for the year is low mainly due to the increase in production cost, increased interest burden and lesser unit realisation on the Company's Products etc.

MARKET

In the current adverse market conditions demand continues to remain subdued. While sales realisation for Pig Iron has come down as compared to last year, not much of improvement could be seen with respect to Cement. However, there is a silver lining by way of increase in the sales volume of both Pig Iron and Cement by 4.74% & 12.57% respectively. In a highly competitive *market, where profitability is under severe pressure, only* increased turn over can result in better bottom line. This strategy will be continued in the current year.

FUTURE OUTLOOK

The domestic market of Pig Iron is still under the grip of unpredictable recessionary trend. Excessive supply situation in the country, imposition of Anti Dumping Duty on Metallurgical Coke import and raising prices of Metallurgical Coke which are beyond industry's control, *have adversely affected the performance of the Pig Iron* Industries. While it is so, the entry of few more Blast Furnaces in western belt may lead to increased imbalances in supply-demand scenario. Against this, some signs of Steel Industry consolidating may help the Blast Furnace route based Steel Plants to divert their existing Pig Iron for value addition in steel making, paving way to exclusive Pig Iron Manufacturers, to better their profitability. Another positive development in the current year is the abolition of Anti Dumping Duty on *Metallurgical Coke imported from China.*

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