



LANCO
INDUSTRIES
L I M I T E D

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NINTH ANNUAL REPORT
2000 – 2001



LANCO INDUSTRIES LIMITED

BOARD OF DIRECTORS

Dr. V.L. Dutt	<i>Chairman</i>
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	<i>ICICI Nominee</i>
Shri Shravan Kumar, IAS (Retd.)	<i>APIDC Nominee</i>
Shri L. Rajagopal	<i>Vice Chairman</i>
Shri L. Madhusudhan Rao	<i>Managing Director</i>

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.

ELECTRONIC REGISTRARS

M/s. Aarthi Consultants Pvt Ltd.,
1-2-285, Domalguda, Hyderabad - 500 029.

9th Annual Report 2000-2001**NOTICE**

Notice is hereby given that the Ninth Annual General Meeting of the Members of Lanco Industries Limited will be held at 3.00 p.m. on Saturday the 29th September, 2001 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, 2001 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 subject to approval of shareholders in General Meeting and the Lead Financial Institution (ICICI Limited) and pursuant to applicable provisions of the Companies Act, 1956, the consent of the Board of Directors of the Company be and is hereby accorded for the re-appointment of Shri L. Madhusudhan Rao as Managing Director of the Company with effect from 1st October, 2001 on the following terms and conditions:

- (i) Salary of - Rs.60,000/- p.m. in the pay scale of Rs.60,000-10,000-1,00,000 per month.
- (ii) Perquisites of - free furnished residential accommodation, gas, electricity, water, medical expenses reimbursement for self and family and annual leave travel concessions for self and family, club fees, medical and personal accident insurance to be evaluated as per the Income-tax rules wherever applicable and in other cases on actual cost basis.
- (iii) Benefits of - contribution to provident fund, gratuity, encashment of earned leaves at the end of tenure as per rules of the Company.
- (iv) Facilities of - car, telephone and other communication facilities at residence for use on Company's business.
- (v) 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 : Hyderabad,

Date : 27-06-2001.

**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 25-9-2001 to 29-9-2001 (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.
6. 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.
7. Members are requested to note that M/s Aarthi Consultants Pvt. Ltd., 1-2-285, Domalguda, Hyderabad - 500 029 are the Electronic Registrars of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No.6**

Shri L. Madhusudhan Rao was appointed as Managing Director for a period of five years i.e., from 01.10.1996 to 30.09.2001. Since his term will be expired by September, 2001 the Board has considered the re-appointment of Shri L. Madhusudhan Rao as Managing Director of the Company for a period of five years subject to the approval of Members at the Annual General Meeting and Lead Institution (ICICI Limited) and also proposed the revision in the remuneration payable to the Managing Director.

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 : Hyderabad,
Date : 27-06-2001.

9th Annual Report 2000-2001

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Ninth Annual Report on the business and operations of the Company and the Audited accounts for the year ended 31st March, 2001 and the Auditors' Report thereon.

Financial Results

	(Rs. In lakhs)	
	Year ended	Year ended
	31-03-2001	31-03-2000
Sales	9475.92	10864.80
Other Income	43.22	43.92
Profit before interest and depreciation	107.34	1246.00
Interest	706.10	893.37
Depreciation	346.76	343.32
Net Profit/Loss before Tax	(945.52)	9.31
Provision for Income Tax (MAT)	-	1.65
Net Profit/Loss after Tax	(945.52)	7.66
Balance B/f from previous year	642.80	635.14
Leaving a balance to be carried forward	(302.72)	642.80

Due to the recessionary trends prevailing in the iron and steel sector, the performance of your Company was affected resulting in net loss in the operations of the Company inspite of positive contribution from the Cement Division.

OPERATIONS

Pig Iron

88,952 MTs of Pig Iron was produced during the year as against 94,377 MTs in the previous year. In terms of Capacity Utilisation, this amounts to 98.84% of the rated capacity of the plant. During this year, your Company despatched 86,479 MTs leaving a closing stock of 3,607 MTs. In terms of value, Pig Iron and other By-products sales amounted to Rs.6,874.60 lacs as against Rs.6,730.33 lacs in the previous year.

Cement and Construction

78,800 MTs of Cement was produced during the year as against 82,450 MTs in the previous year. In terms of Capacity Utilisation this amounts to 87.55% of the rated capacity of the plant. During the year, your Company despatched 78,792 MTs leaving a closing stock of 1375 MTs. In terms of value, Cement sales amounted to Rs.1733.96 lacs as against Rs.1,683.82 lacs in the previous year.

During the year, Company had achieved a turnover of Rs.264.50 lacs as against Rs.1,135.79 lacs in the previous year in Construction Division

Net Loss in the operations of the Company is mainly due to the fall in sales volumes coupled with increase in the cost of raw materials, power & fuel and lesser unit realization on the Company's products.

MARKET

In the current adverse market conditions, demand continues to remain subdued. The sales realization for Pig Iron has gone up when compared to previous year and there is significant improvement in selling price of Cement when compared to previous year. In a highly competitive market, where profitability is under severe pressure, only increased turnover can result in better bottom line. Strategies are being worked out to improve turnover and margins on the product lines.

FUTURE OUTLOOK

Your Directors are of the opinion that the existing recessionary trends in the economy are transitory in nature and foresee significant change for better in the industrial scenario in near future. The domestic market of Pig Iron is still under the grip of unpredictable recessionary trend. Excessive supply situation in the country, raising prices of metallurgical coke and raising prices of power and fuel are beyond the Industry's control having adversely affected the performance of the Pig Iron Industries. There is a positive development in the current year is the abolition of anti-dumping duty on metallurgical coke imported from China and recent announcement by the Government of India in the reduction of customs duty on metallurgical coke will help the Industry to perform better.

Prices of Cement are improving and are reasonably good. Hence, the immediate future seems to be encouraging.



LANCO INDUSTRIES LIMITED

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.

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.

AUDIT COMMITTEE

The Board of the Company has constituted an Audit Committee comprising three independent non-executive Directors viz., Shri T. Panduranga Rao, Shri Shravan Kumar, IAS (Rtd) and Shri Suresh Chukkapalli. The constitution and scope of Audit Committee also meets with the requirements under section 292A of the Companies Act, 1956 and Listing requirements.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. That in the preparation of the annual accounts for the financial year ended 31st March, 2001 the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgements 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 or loss of the Company for that year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts for the financial year ended 31st March, 2001 on a "going concern" basis.

ACKNOWLEDGEMENTS

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks and the Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the sincere services of the Executives, Staff and Workers of the Company.

FOR AND ON BEHALF OF THE BOARD

Dr. V.L. DUTT
CHAIRMAN

9th Annual Report 2000-2001**ANNEXURE 'A' TO DIRECTORS' REPORT**

Particulars required under the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988.

FORM - A

Form for disclosure of particulars with respect to conservation of energy.

	<u>2000-2001</u>	<u>1999-2000</u>
A. POWER & FUEL CONSUMPTION		
1. Electricity		
a. Purchased :		
Units	7675008	4880564
Total Amount (Rs.)	32388534	20929496
Rate/Unit (Rs.)	4.22	4.29
b. Own Generation :		
i) Diesel Generators		
Units	4317886	6934416
Units/ltr. of Diesel	3.65	3.65
Cost/Unit (Rs.)	3.90	3.00
ii) Turbo Generators		
Units	12649800	14047200
Units/ltr. of F.O.	18.72	16.79
Cost/Unit (Rs.)	0.63	0.64
B. CONSUMPTION PER UNIT OF PRODUCTION :		
Electricity (Units) :		
Pig Iron (Per Ton)	182	175
Cement (Per Ton)	100	103

FORM - B**Technology Absorption**

The Project was implemented with the Brazilian Technology through M/s Tata Korf Engineering Services Ltd.

FORM - C

Foreign Exchange Earnings and out go :	<u>2000-2001</u>	<u>1999-2000</u>
	(Rs. in lacs)	
i) Foreign Exchange Earnings :	-	-
ii) Foreign Exchange Used		
- C.I.F. Value of import of raw materials :	1859.06	1901.03



LANCO INDUSTRIES LIMITED

AUDITORS' REPORT

To
The Members of
LANCO INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **LANCO INDUSTRIES LIMITED** as at 31st March, 2001 and also the related Profit and Loss Account for the year ended on that date, annexed thereto and report that :

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board under section 227 (4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
2. Further to our comments in statement referred to in paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the accounting standards referred in sub-section 3(c) of sec.211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the Directors of the Company as on 31st March, 2001 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) We further report that:
 - i) As mentioned in Note No.3 of Schedule 21, no provision has been made for compound interest and liquidated damages to the extent of Rs. 75.95 lakhs on term loans and as a result, the loss for the year and accumulated losses and the secured loans are lower by the said amount.

- ii) As mentioned in Note No.7 of Schedule 21, no amortisation has been done to the extent of Rs.108.59 lakhs (previous year: Rs. 108.59 lakhs) on the preliminary and capital repair expenditure and as a result, the loss for the year is lower by the said amount and accumulated losses are lower and miscellaneous expenditure is higher by Rs. 217.18 lakhs.
- iii) As mentioned in Note No.11 of Schedule 21, no provision has been made for bad and doubtful debts in respect of debtors, to the extent of Rs. 231.53 on whom legal action has been taken, the effect of which could not be ascertained.
- iv) As mentioned in Note No. 12 of Schedule 21, other expenses include Rs. 77.01 lakhs which pertain to prior years and as a result, the loss for the year higher by the said amount.
- v) As mentioned in Note No.14 of Schedule 21, no provision is made for interest to the extent of Rs. 74.35 lakhs on Customs duty payable and as a result, the loss for the year and the current liabilities are lower by the said amount.

Subject to the above and other notes contained in Schedule, in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss account, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

- i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2001; and
- ii) In case of the Profit and Loss Account, of the Loss for the year ended on that date.

for **K.R. BAPUJI & CO.,**
Chartered Accountants

K.R. BAPUJI
Partner

Place : Hyderabad,
Date : 27th June, 2001.