



LANCO

INSPIRING GROWTH

LANCO INDUSTRIES LIMITED

ANNUAL REPORT 2003 - 2004

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Corporate Information

BOARD OF DIRECTORS:

Shri P K Khaitan

Chairman

Shri G Bhaskar Rao

Shri L Madhusudana Rao

Shri L Sridhar

Shri Abhishek Dalmia

Shri S Y Rajagopalan

Shri G Maruti Rao

Shri Shiv Sankar Poddar

Shri Suresh Chukkapalli

Shri Shravan Kumar, IAS (Retd.)

Nominee of APIDC

Shri G S Tekriwal

Managing Director

**Asst. General Manager(Finance)
& Company Secretary**

Shri D. Rama Prasad

Auditors

M/s K R Bapuji & Co

Bankers

ICICI Bank

HDFC Bank

Standard Chartered Bank

IDBI Bank

Registered Office

Lanco House, Road No. 2,

L V Prasad Marg,

Banjara Hills,

Hyderabad - 500 034

Factory

Rachagunneri - 517 641.

Srikalahasthi Mandal,

Chittoor District,

Andhra Pradesh

Share Transfer Agents

M/s Karvy Computershare Private Limited

Karvy House, 46, Avenue # 4,

Street No. 1, Banjara Hills,

Hyderabad - 500 034.

Directors' Report

Your Directors take pleasure in presenting the 12th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2004.

SCHEME OF ARRANGEMENT:

As you are aware, the shareholders approved the Scheme of Arrangement for (i) Reduction in capital of the Company and (ii) Amalgamation of Lanco Kalahasti Castings Ltd., (LKCL) with Lanco Industries Ltd., (LIL) with effect from 01st April, 2003.

The Scheme of Arrangement received all the requisite approvals and the reduction of capital and amalgamation of LKCL became operative on 08th April, 2004, being the date of filing the certified copy of the order, issued by the Hon'ble High Court of Andhra Pradesh on 20th February, 2004, with the Registrar of Companies, Hyderabad.

In line with the Scheme of Arrangement the paid up share capital of the Company of Rs.51,91,23,790 divided into 5,19,12,379 equity shares of Rs.10/- each fully paid up has been reduced to Rs.12,97,80,950 divided into the same 5,19,12,379 equity shares of Rs.2.50/- each fully paid up by cancellation of paid up share capital to the extent of Rs.7.50/- per equity share and automatic consolidation into 1 (one) equity share (new) of Rs.10/- each fully paid up for every 4 (four) equity shares of Rs.2.50/- each.

Further 2,67,85,500 equity shares (new) of Rs.10/- each fully paid up of the Company were allotted to the shareholders of erstwhile LKCL in the ratio of 3 (three) equity shares in the Company against every 4 (four) equity shares held by them in LKCL as on 30th April, 2004, the record date for the purpose.

As a result of the above, the figures for the financial year 2003-04 include the working results of erstwhile LKCL amalgamated with the Company with effect from 01st April, 2003 and therefore the figures are not comparable with those of the previous year.

FINANCIAL RESULTS:

(Rs. in lacs)

	2003-04	2002-03
Turnover (Gross)	23,858.36	9,333.97
Gross Profit / (Loss)	4,025.08	(583.67)
Depreciation	807.04	349.42
Profit / (Loss) Before Taxation	3,218.04	(933.09)
Less: Provision for Taxation	164.17	—
Less: Provision for Deferred Taxation	449.26	—
Profit / (Loss) After Tax	2,604.61	(933.09)
Less: Balance from Previous Year (net of adjustments on account of Scheme of Arrangement Rs.3,262.82 lacs).	51.81	2,381.54
Available for Appropriation	2,552.80	(3,314.63)
General Reserve	1500.00	—
Proposed Dividend (including dividend tax thereon Rs.50.95 lacs)	448.59	—
Balance of Profit Carried to Balance Sheet	604.21	(3,314.63)

DIVIDEND:

Your Directors recommend payment of dividend @ Re.1/- per share on the equity share capital of the Company. The dividend if approved will absorb Rs.448.59 lacs (including Rs.50.95 lacs towards dividend tax thereon).

OPERATIONS:

There was a marked improvement in the production of D I Pipes at 54,209 MT showing an increase of 27% over 42,669 MT in the previous year. The current year should reflect further growth and production is likely to be around 60,000 MT.

The capacity of Mini Blast Furnace (MBF) was increased from 90,000 TPA to 1,50,000 TPA during the year under review. However due to unprecedented rise in the prices of imported coke, it was not viable to run the MBF at full scale. The production of MBF for the year 2003-04 was marginally lower at 97,532 MT compared to 98,976 MT in the preceding year.

The capacity of D I Pipe plant is also being expanded from 60,000 TPA to 1,00,000 TPA in a phased manner. The first phase of expansion to increase the capacity to 90,000 TPA was completed in October '03, while the second phase of expansion to take the capacity of 1,00,000 TPA is likely to be completed by July '04.

AUDITORS' REPORT:

Regarding the observation of the Auditors on change in method of valuation of inventory, attention is invited to note 2 of Schedule 20 of the Accounts which is self explanatory.

DIRECTORS:

Shri Halgreve Khaifan resigned from the Board on 08th April '04 and Shri. P S. Raman on 22nd April '04. The Directors record their appreciation of the valuable services rendered by Shri Halgreve Khaifan and Shri. P S Raman during their tenure.

Shri P K Khaitan has been appointed as Director and Chairman of the Board in the vacancy caused by the resignation of Shri. Haigreva Khaitan. Shri Abhishek Dalmia has been appointed as the Director in the vacancy caused by the resignation of Shri P. S. Raman.

In accordance with the provisions of the Companies Act, 1956 and article – 105 of the Articles of Association of the Company, Shri L. Madhusudan Rao, Shri G. Bhaskara Rao and Shri G. Maruhti Rao retire by rotation and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE:

The Corporate Governance report is set out as Annexure to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS:

Please refer to the management discussion and analysis section appearing elsewhere.

INDUSTRIAL CLIMATE:

During the year under review the industrial relations with the staff and workmen have remained cordial and no man-days have been lost on this account.

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.

PARTICULARS OF EMPLOYEES:

None of the employees was employed throughout the financial year under review who was in receipt of remuneration for the financial year in aggregate of more than Rs.24,00,000/- or Rs.2,00,000/- per month or part thereof.

STATUTORY INFORMATION:

Information as per the Companies (disclosure of particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure "A" forming part of this Report.

DIRECTORS RESPONSIBILITY STATEMENT:

The Board of Directors of the Company confirms:

- i) That in the preparation of annual accounts the applicable accounting standards have been followed and there has been no material departure.
- ii) That the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and of the profits of the Company for the year ended on that date.
- iii) That proper and sufficient care has been taken 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; and
- iv) That the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

The Board of Directors thank the Financial Institutions, Banks, Central and State Government authorities and all the Stakeholders for their continued co-operation and support to your Company.

Place: Chennai
Date: 10th June, 2004

For and on behalf of the board
P. K. Khaitan
Chairman

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.

		2003-04	2002-03
A.	POWER & FUEL CONSUMPTION		
	Electricity		
	a. Purchased:		
	Units(KWH)	21716157	7311318
	Total amount (Rs)	92854224	30834591
	Rate/Unit(Rs/KWH)	4.28	4.22
	b. Own Generation:		
	1. Through Diesel Generator		
	Units(KWH)	476890	540380
	Units/Ltr.of Diesel Oil	3.36	3.62
	Cost/Unit(Rs/KWH)	6.28	6.40
	2. Through Turbo Generator		
	Units(KWH)	14205200	15575000
	Units/Ltr.of Fuel Oil & Gas	67.46	37.58
	Cost/Unit(Rs/KWH)	0.25	0.47
B.	CONSUMPTION PER UNIT OF PRODUCTION		
	Electricity(KWH)		
	Pig Iron(per ton)	157	175
	DI Pipe(per ton)	369	402
	Cement(per ton)	136	100

FORM- B

Technology Absorption

The Brazilian Technology which was implemented through M/s Tata Korf Engineering Services Ltd. has been fully absorbed.

FORM- C

(Rs. in Lacs)

Foreign Exchange Earnings and outgo:

i) Foreign Exchange Earnings:

ii) Foreign Exchange Used:

2003-04

6.05

7009.26

2002-03

-

1370.07

REPORT ON

Corporate Governance

LANCO INDUSTRIES LIMITED:

COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE:

The Company's Corporate Governance essentially deals with how company is run and the manner in which the Board of Directors discharges its mission and responsibilities to ensure proper management with accountability, in the best interests of the shareholders, employees, customers, the

general public and the government. It is designed to oversee such managers without impairing managerial effectiveness, to arrest the process of deterioration of first rate managers into corporate fraudsters.

BOARD OF DIRECTORS:

Composition of Board:

The composition of the Board of Directors and the position they hold in other public companies are given in the following table.

COMPOSITION OF BOARD:

NAME OF DIRECTOR	CATEGORY	DESIGNATION	NUMBER OF MEMBERSHIP IN BOARDS OF OTHER PUBLIC COMPANIES
Shri P K Khaitan (i)	Non-executive	Director	12
Shri G Bhaskar Rao	Non-executive	Director	11
Shri L Madhusudana Rao	Non-executive	Director	10
Shri S Y Rajagopalan	Non-executive	Director	2
Shri Haigreave Khaitan (ii)	Non-executive	Director	17
Shri S S Poddar	Non-executive	Director	3
Shri P S Raman (iii)	Non-executive	Director	-
Shri G Maruti Rao	Non-executive	Director	-
Shri Suresh Chukkapalli	Non-executive	Director	3
Shri Shrayan Kumar	Nominee-APIDC	Director	-
Shri Gowrisankar Tekriwal	Executive	Managing Director	-
Shri L.Sridhar	Non Executive	Director	7
Shri Abhishek Dalmia (iv)	Non Executive	Director	-

(i) Appointed as a Director with effect from 8th April 2004

(ii) Resigned from the Board with effect from 8th April 2004

(iii) Resigned from the Board with effect from 22nd April 2004

(iv) Appointed as a Director with effect from 10th June 2004

None of the non-executive Directors have any pecuniary relationship or transaction with the Company.

ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST ANNUAL GENERAL MEETING :

Four Board Meetings were held during the year 2003-04. The dates of the meetings are as follows : 29th May, 2003, 31st July, 2003, 30th October, 2003 and 23rd January, 2004.

Agenda Papers along with explanatory statements were circulated to the Directors in advance for

each of these meetings. All relevant information as recommended by the SEBI committee on corporate governance as well as items required under clause 49 of the listing agreement were placed before the Board from time to time.

The following table highlights the attendance of each director at the respective meetings.

Name of Director	Board Meeting	AGM
Shri G Bhaskar Rao	4	YES
Shri L Madhusudana Rao	1	YES
Shri S Y Rajagopalan	4	YES
Shri Haigreve Khaitan	-	NO
Shri S S Poddar	2	NO
Shri P S Raman	-	NO
Shri G Maruti Rao	4	YES
Shri Suresh Chukkappa	4	NO
Shri Shrovan Kumar	4	YES
Shri Gowrisankar Tekriwal	4	YES
Shri L Sridhar	3	YES

The Company further discloses that, none of the Directors of our Company were members in more than 10 committees nor acted as chairman of more than 5 committees across all companies in which they were Directors. Details of Board memberships, positions occupied by the Directors, across all companies, have been given at the beginning of the section.

Audit Committee :

Adhering to the principles envisaged in clause 49 of the Listing Agreement, the Audit Committee has met four times during the year. The audit committee comprises of Shri S Y Rajagopalan as its Chairman and Shri Shiv Shankar Poddar and Shri P S Raman as members. The Chairman and members of the committee are all non-executive Directors having specialization in the field of corporate finance, accounts, taxation and company law.

The Statutory auditors and Internal auditors are the permanent invitees to the meetings of the Audit Committee. The Company Secretary is the Secretary of the Committee.

The terms of reference of audit committee are as contained in the section II of Corporate Governance Code as per listing agreement.

Audit Committee meetings and attendance :

During the year 2003-04 four audit committee meetings were held. These transpired on

1 st Meeting	-	25 th May, 2003
2 nd Meeting	-	31 st July, 2003
3 rd Meeting	-	30 th October, 2003
4 th Meeting	-	23 rd January, 2004

Number of Meetings attended by the Members of audit committee is as follows :

Name	Number of Meetings attended during the year
Shri S Y Rajagopalan	4
Shri Shiv Shankar Poddar	4
Shri P S Raman	-

REMUNERATION COMMITTEE

The remuneration Committee Consists of Shri S Y Rajagopalan as Chairman and Shri P S Raman and Shri Shiv Shankar Poddar as members.

Presently the non-executive directors do not receive any remuneration from the company except by way of sitting fees for attending the meetings of the Board and Committee.

Remuneration paid during the year 2003-04 to the Managing Director is as follows:

Shri G S Tekriwal : Rs. 1,236,734/-

SHAREHOLDERS COMMITTEE

SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE

The shareholders / investors grievances committee administered the following:

- redress shareholders' and investors' complaints etc., relating to non-receipt of balance sheet, transfer of shares, dividends.
- consolidate and sub divide share certificates
- approve transmission and issue of duplicate /fresh share certificates

The composition of shareholders / Investors grievances committee is as follows: .

Shri S Y Rajagopalan	-	Chairman
Shri G Bhaskara Rao	-	Member
Shri Gowri Shankar Tekriwal	-	Member

The Board has delegated the power of share transfer to Registrar and Share transfer Agents who processes share transfers in less than 15 days from the date of lodgment in the case of shares held in physical form.

COMPLIANCE OFFICER

The Board designated Shri D. Rama Prasad, AGM (Fin) & Company Secretary as the compliance Officer.

GENERAL MEETINGS

The Location and Time of the Last Three Annual General Meetings are given below :

Year	Location	Date	Time
2001-02	Hotel Green Park, Greenlands Area, Begampet, Hyderabad	29.09.2001	3.00 p.m.
2002-03	Hotel Green Park, Greenlands Area, Begampet, Hyderabad	30.09.2002	3.00 p.m.
2003-04	KLN Prasad Auditorium, FAPCCI; Red Hills, Hyderabad	29.9.2003	3.30 p.m.