



# Lanco Industries Limited

Annual Report 2004 - 05

# Vision

*We aim to be world class, committed to customer satisfaction and to encourage the spirit of leadership amongst our dedicated team by creating a healthy environment for continuous growth, profit and prosperity.*

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# Corporate Information

## BOARD OF DIRECTORS

Shri Pradip(Pinto) Khaitan

Chairman

Shri S.Y.Rajagopalan

Shri Abhishek Dalmia

Shri G.Maruthi Rao

Shri G.S. Rath

Shri L.Madhusudhan Rao

Shri G.Bhaskara Rao

Shri L.Sridhar

Shri Suresh Chukkapalli

Shri Shravan Kumar, IAS (Retd.)

Nominee of APIDC

Smt.Vatsala Krishnakumar

Nominee of IDBI

Shri G.S. Tekriwal

Managing Director

## ASST. GENERAL MANAGER(FINANCE) & COMPANY SECRETARY

Shri D.Rama Prasad

## AUDITORS

M/s. K.R.Bapuji & Co.,  
Hyderabad

## SOLICITORS

Khaitan & Co.

## BANKERS

ICICI Bank Ltd.

HDFC Bank Ltd.

IDBI Bank Ltd.

Standard Chartered Bank

BNP Paribas

Punjab National Bank

## REGISTERED OFFICE & WORKS

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

**Dear Shareholders,**

Your Directors take pleasure in presenting the 13<sup>th</sup> Annual Report and Audited Accounts of your Company for the year ended 31<sup>st</sup> March, 2005.

## **FINANCIAL RESULTS :**

	<b>2004-05</b>	<b>2003-04</b>
	<b>(Rs. in lacs)</b>	<b>(Rs. in lacs)</b>
Sales & Other Income	<b>28670.13</b>	21126.30
Gross Profit	<b>4326.84</b>	4025.08
Depreciation	<b>852.59</b>	807.04
Profit Before Taxation	<b>3474.25</b>	3218.04
Less: Provision for Taxation (Including Deferred Tax)	<b>1380.08</b>	613.43
Profit After Tax	<b>2094.17</b>	2604.61
Profit Brought Forward from Previous Year	<b>604.21</b>	(51.81)
Balance Available for Appropriation	<b>2698.38</b>	2552.80
Appropriations are made as under:		
-General Reserve	<b>1500.00</b>	1500.00
-Proposed Dividend	<b>397.64</b>	397.64
-Dividend Tax	<b>51.97</b>	50.95
Balance Carried Forward to Next Year	<b>748.77</b>	604.21

## **DIVIDEND :**

Your Directors recommend payment of dividend @ 10% on the equity shares of the Company for the year ended 31<sup>st</sup> March, 2005. If approved, the dividend will absorb Rs.449.61 lacs (including Rs.51.97 lacs towards dividend tax).

## **REVIEW OF OPERATIONS :**

The Company has achieved a production of 62,375 MT of D.I.Pipes as against 54,209 MT in the previous year, an increase of 15%.

Due to steep and unprecedented rise in the prices of imported coke, the production of Mini Blast Furnace (MBF) during 2004-05 for sale was uneconomical and your company restricted its production to the extent of liquid metal required for D.I.Pipe production. As a result, the production from MBF was marginally lower at 88,887 MT compared to 97,532 MT in the previous year. In order to mitigate the adverse effect of fluctuation in the price of Coke, the company has set up a Coke Oven Plant with a capacity of 1,50,000 tpa.

**CURRENT YEAR's PROSPECTS :**

Production of liquid metal / pig iron from the MBF will continue to be guided by the market demand for Pig Iron. Under the circumstances, the company hopes to maintain the production at around 90,000 MT.

Production of Ductile Iron Pipes is expected to be higher at around 72,000 MT. The company is constantly making efforts to achieve a higher capacity utilization by increasing the balancing facilities wherever required.

The Company's project of Coke Oven Plant with a capacity of 1,50,000 MT per annum has been completed and the trial run has commenced. The commercial production is expected to start within June, 2005. The Power Plant is expected to be commissioned by November, 2005. The commissioning of Coke Oven Plant and the Power Plant will help in stabilizing the cost of coke.

**DIRECTORS :**

Industrial Development Bank of India (IDBI) nominated Smt. Vatsala Krishnakumar on the Board of Director's of the Company with effect from 9<sup>th</sup> March, 2005 in place of Shri V.Ramesh.

Shri Shiv Shankar Poddar resigned from the Board on 28<sup>th</sup> May, 2005 and Shri G.S.Rathi was appointed as Director in the vacancy caused by the resignation of Shri Shiv Shankar Poddar.

Your Directors place on record their appreciation for the active participation and valuable services rendered to the company by Shri V.Ramesh and Shri Shiv Shankar Poddar.

Shri Pradip(Pinto) Khaitan, Shri L.Sridhar and Shri Abhishek Dalmia retire by rotation at the ensuing Annual General Meeting 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.

**PARTICULARS OF EMPLOYEES :**

Board of Directors express its appreciation for sincere efforts made by the employees of your Company at all levels during the year and their co-operation in maintaining cordial relations.

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 Companies (disclosure of particulars in the Report of Board of Directors) Rules, 1988 related 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 31<sup>st</sup> march 2005 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 provision 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.

**AUDITOR'S REPORT :**

Regarding the observations of the Auditors on donation for the Tsunami Relief Operations, attention is invited to note 11 of Schedule 20 of the Accounts, which is self explanatory.

**AUDITORS :**

The Auditors, M/s. K R Bapuji & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

**ACKNOWLEDGMENTS :**

The Board of Directors thank the customers, shareholders, investors, government authorities, financial institutions and banks for their continued co-operation and support to your company.

For and on behalf of the Board of Directors

Place : Chennai  
Date : June 8, 2005

**G. Bhaskara Rao**  
Director

**G.S. Tekriwal**  
Managing Director

**ANNEXURE 'A' TO DIRECTORS 'REPORT**

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

**FORM-A**

Form for disclosure of particulars with respect to Conservation of Energy.

A. POWER & FUEL CONSUMPTION	2004-05	2003-04
Electricity		
a. Purchased:		
Units(KWH)	28976756	21716157
Total amount (Rs.)	114138450	92854224
Rate / Unit (Rs / KW H)	3.94	4.28
b. Own Generation:		
1. Through Diesel Generator		
Units (KWH)	419704	476890
Units/ Ltr. Of Diesel Oil	3.43	3.36
Cost / Unit (Rs. / KWH)	7.56	6.28
2. Through Turbo Generator		
Units(KWH)	16561800	14205200
Units/ Ltr. Of Fuel Oil & Gas	18.12	67.46
Cost / Unit (Rs. / KWH)	0.34	0.25
B. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity( KWH)		
Pig iron (per ton)	185	157
D I Pipe(per ton)	433	369
Cement (per ton)	117	136

**FORM- B****Technology Absorption**

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

**FORM-C**

Foreign Exchange Earning and outgo:	2004-05	2003-04
i) Foreign Exchange Earning	-	6.05
ii) Foreign Exchange Used	5613.19	7364.39

# Corporate Governance Report

## LANCO INDUSTRIES LIMITED REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON THE CODE OF CORPORATE GOVERNANCE:

It is a process that requires to be comprehensive for maximum effectiveness. The Company, therefore, follows a systematic and rigorous process encompassing all regulatory disclosures, proficient operational practices, well-built internal controls and risk management systems for enhancement of Stakeholders value.

The Board of Directors seeks to discharge its operational, strategic and fiduciary responsibilities in all fairness to ensure good management practices; further, the Board represents the shareholders' interest in terms of maximizing shareholders wealth and remain committed to its responsibilities for all the constituents of its business i.e., investors, customers, employees, suppliers and the general public.

### 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	NUMBER OF MEMBERSHIP IN BOARDS OF OTHER PUBLIC COMPANIES
Shri Pradip(Pinto) Khaitan	Chairman Non-executive	13
Shri S Y Rajagopalan	Non-executive	2
Shri G Maruti Rao	Non-executive- Independent	-
Shri S S Poddar (i)	Non-executive- Independent	4
Shri Gouri Shankar Rathi (ii)	Non-executive	-
Shri Gowri Shankar Tekriwal	Managing Director -Executive	-
Shri Abhishek Dalmia	Non-executive- Independent	3
Shri G Bhaskar Rao	Non-executive	11
Shri L Madhusudana Rao	Non-executive	10
Shri Suresh Chukkapalli	Non-executive- Independent	3



**COMPOSITION OF BOARD :**

NAME OF DIRECTOR	CATEGORY	NUMBER OF MEMBERSHIP IN BOARDS OF OTHER PUBLIC COMPANIES
Shri L.Sridhar	Non-executive	6
Shri Sharavan Kumar, IAS Retd. Nominee of APIDC	Non-executive- Independent	-
Shri V Ramesh, (iii) Nominee of IDBI	Non-executive- Independent	-
Smt.Vatsala Krishnakumar(iii) Nominee of IDBI	Non-executive- Independent	2

- (i) Resigned from the Board on 28<sup>th</sup> May, 2005
- (ii) Appointed as a Director on 8<sup>th</sup> June, 2005 in the casual vacancy caused by the resignation of Shri S S Poddar.
- (iii) IDBI Nominated Smt. Vatsala Krishnakumar as its nominee in place of Shri V Ramesh with effect from 9<sup>th</sup> March, 2005.

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

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

Six Board Meetings were held during the year 2004-05. The date of the meetings is as follows :

8<sup>th</sup> April, 2004, 10<sup>th</sup> June, 2004, 31<sup>st</sup> July, 2004, 30<sup>th</sup> August, 2004, 27<sup>th</sup> October, 2004 and 22<sup>nd</sup> January, 2005.

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 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 Meetings	AGM
Shri Pradip Pinto Khaitan	2	NO
Shri S Y Rajagopalan	6	YES
Shri G Maruti Rao	5	YES
Shri S S Poddar	1	NO
Shri Gowri Shankar Tekriwal	6	YES
Shri Abhishek Dalmia	-	NO
Shri G Bhaskar Rao	6	YES
Shri L Madhusudana Rao	3	NO
Shri Suresh Chukkapalli	5	YES
Shri L Sridhar	4	YES
Shri Shravan Kumar	6	YES
Shri V Ramesh	4	YES
Smt.Vatsala Krishnakumar	-	NO

The Company further discloses that, none of the Directors of the 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 :**

The Audit Committee was constituted on 30<sup>th</sup> January, 2001.

The Audit Committee is expected to review the company's financial reporting process and its financial statements, review the accounting and financial policies and practices, review the efficacy of the internal control mechanisms and monitor the management of risk, review policies adopted by the company and ensure compliance with the regulating guidelines, review reports furnished by the internal and statutory auditors and ensure that suitable follow ups are taken.

The terms of the reference of the Audit Committee include the powers as laid out in Clause 49 II (C) of the Listing Agreement and role as stipulated in Clause 49 II (D) of the Listing Agreement.

There were four meetings of the audit committee held during the year on 10<sup>th</sup> June'04, 31<sup>st</sup> July'04, 27<sup>th</sup> October'04 and 22<sup>nd</sup> January'05.

Composition of the Audit Committee as on 31<sup>st</sup> March, 2005 and the attendance during the year are as under:

			No. of Meeting held	No. of Meeting attended
	Shri S.Y.Rajagopalan	Non-executive	4	4
	Shri G.Bhaskara Rao	Non-executive	4	3
	Shri V.Ramesh	Non-executive-Independent	4	2

Shri S.S.Poddar attended the first meeting of the Audit Committee held on 10<sup>th</sup> June, 2004 and thereafter Shri G.Bhaskara Rao was appointed as member of the Audit Committee in his place.

Shri V.Ramesh was appointed as a member of the Audit Committee with effect from 10<sup>th</sup> June, 2004 in place of Shri P.S.Raman.

The Managing Director, General Manager (Finance), Statutory Auditors and Internal Auditors are present in the Audit Committee meeting as invitees.

Company Secretary acts as the Secretary to the Audit Committee.

Shri S.Y.Rajagopalan, Chairman of the Audit Committee attended the last Annual General Meeting held on 30<sup>th</sup> August, 2004.