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LANCO INDUSTRIES LIMITED

Annual Report 2007-08

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.

CONTENTS

Corporate Information	1
Directors' Report	2
Annexures to Directors' Report	4
Report on Corporate Governance	5
Certificate on Corporate Governance	12
Management Discussion & Analysis	13
Risk Management	16
Auditors' Report	17
Annexure to Auditors' Report	18
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Schedules	23
Balance Sheet Abstract	36
Notice of Meeting	37

LANCO INDUSTRIES LIMITED

Regd. Office: Rachagunneri – 517 641, Srikalahasthi Mandal, Chittoor District, A.P. India.

PROXY FORM

Proxy No.

Folio No.

No. of Shares

Client ID No.

DP ID No.

I/We of
 being a member/members of Lanco Industries Limited hereby appoint..... of
or failing himofas my/our
 proxy to attend and vote for me/us and on my/our behalf at the Sixteenth Annual General Meeting of the Company
 to be held on Wednesday, the 27th day of August, 2008 at 11.30 A.M. at the Registered Office of the Company at
 Rachagunneri – 517641, Srikalahasthi Mandal, Chittoor District, A.P., India and at any adjournment thereof.

Signed this day of 2008.

Signature

Affix Rs. 1
 Revenue
 Stamp

Notes:

- 1) Proxy Form should be signed across the stamp as per specimen signature(s) registered with the company.
- 2) In order to be effective, Proxy Form must reach the Company's Registered Office not less than 48 hours before the meeting.

----- Tear Here -----

LANCO INDUSTRIES LIMITED

Regd. Office: Rachagunneri – 517 641, Srikalahasthi Mandal, Chittoor District, A.P. India.

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the meeting VENUE.

I hereby record my presence at the Sixteenth Annual General Meeting of the Company at the Registered Office of the
 Company at Rachagunneri – 517641, Srikalahasthi Mandal, Chittoor District, A.P. India at 11.30 AM on Wednesday,
 the 27th day of August, 2008.

NAME OF THE MEMBER(S) IN BLOCK LETTERS:

FOLIO NO. / DP ID NO. – CLIENT ID NO.:

NO. OF SHARES:

SIGNATURE OF THE MEMBER(S) OR PROXY:

Notes:

- 1) Interested Joint Members may obtain attendance slips from the Registered Office of the Company.
- 2) Members / Joint Members / Proxies are requested to bring the attendance slips with them. Duplicate slips will not be issued at the entrance.

CORPORATE INFORMATION

CHAIRMAN	Shri Pradip Kumar Khaitan
DIRECTORS	Shri G. Maruthi Rao Shri Gouri Shankar Rathi Shri L. Madhusudhan Rao Shri G. Bhaskara Rao Shri L. Sridhar Smt. Vatsala Krishnakumar (Nominee of IDBI) Shri P. Rajeswara Rao (Nominee of APIDC)
MANAGING DIRECTOR	Shri Mayank Kejriwal
CHIEF OPERATING OFFICER	Shri Shirish Kurane
SR. GENERAL MANAGER – FINANCE & COMPANY SECRETARY	Shri G.D. Saini
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 Plot No. 17-24, Beside Image Hospital Vittalrao Nagar, Madhapur Hyderabad – 500 081

DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting the 16th Annual Report and Audited Accounts of your Company for the year ended 31st March, 2008.

FINANCIAL RESULTS

	(Rs. in Lakhs) 2007-08	(Rs. in Lakhs) 2006-07
Sales & Other Income	46458.84	36970.25
Gross Profit	5514.43	3321.63
Depreciation	1512.99	1156.89
Profit Before Taxation	4001.44	2164.74
Less: Provision for Taxation (Including Deferred Tax)	1409.70	583.94
Profit After Tax	2591.74	1580.80
Profit Brought Forward from Previous Year	858.92	837.09
Prior Period Adjustment	(55.46)	—
Balance Available for Appropriation	3395.20	2417.89
Appropriations are made as under:		
– Debenture Redemption Reserve	187.50	93.75
– General Reserve	1500.00	1000.00
– Proposed Dividend	397.64	397.64
– Dividend Tax	67.58	67.58
Balance Carried Forward to Next Year	1242.48	858.92

DIVIDEND

Your Directors recommend payment of dividend @ 10% on the equity shares of the Company for the year ended 31st March, 2008. If approved, the dividend will absorb Rs. 465.22 lakhs (including Rs. 67.58 lakhs towards dividend tax).

REVIEW OF OPERATIONS

During the year, the Company achieved gross sales of Rs. 494.72 Crs., an increase of 20% over the previous year sales of Rs. 410.45 Crs. The Company's Profit After Tax for the year was Rs. 25.92 Crs as against Rs. 15.81 Crs. in the previous year.

The Mini Blast Furnace (MBF) producing liquid metal mainly for Ductile Iron Pipe Plant had undergone a shutdown for a period of 19 days to repair refractory lining in the second quarter of the year under review. Despite, the production of MBF for the year was 1,48,677 MT compared with 1,38,958 MT in the previous year, an increase of 7%.

Production of D.I. Pipes was also higher by 15% at 1,13,471 MT compared with 98,292 MT in the preceding year.

The Company has successfully commissioned Stamp Charging Facility in Coke Oven Plant during the year which has enhanced operational efficiency.

In March 2007, the Company had commissioned 12 MW Power Plant for making use of waste gas of Coke Oven Plant. The plant has been synchronized with the grid and has successfully generated the power for captive use during the year under review.

During the year 2006-07, the Company had arranged long-term funds of Rs. 110 Crs and the proceeds have been utilized towards capital expenditure, refinancing and augmentation of long-term funds for working capital. No additional long-term funds were borrowed during the year under review.

CURRENT YEAR'S PROSPECTS

Demand for DI Pipes continues to be positive, in view of the thrust given by the Government of India to create infrastructure for drinking water across the country. However, the prices of key inputs like Iron Ore and Coal / Coke required by your Company are rising to unprecedented levels and it may not be feasible to pass on the entire impact of such significant increases in the cost of inputs.

DIRECTORS

Shri Uddhav Kejriwal resigned from the Board on 26th June' 2007. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri Uddhav Kejriwal.

Shri Sanjeev Churiwal resigned from the Board on 4th July, 2007. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri Sanjeev Churiwal.

Shri Suresh Chukkapalli resigned from the Board on 2nd August, 2007. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri Suresh Chukkapalli.

Andhra Pradesh Industrial Development Corporation Limited (APIDC), Hyderabad nominated Shri P.Rajeswara Rao on the Board of Directors of the Company with effect from 24th July, 2007 in place of Shri M.Balarama Krishnaiah. Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri M.Balarama Krishnaiah.

Shri Pradip Kumar Khaitan and Shri L.Sridhar 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.

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, the report and accounts are being sent to all the shareholders of the Company excluding the above information. Those shareholders, who desire to obtain these particulars, would be provided the same upon receiving such request.

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' attached hereto and 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 2008 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.

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.

ACKNOWLEDGEMENTS

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: Kolkata
Date: 28h April, 2008

Pradip Kumar Khaitan
Chairman

ANNEXURE – 'A' TO DIRECTORS' REPORT

Information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March 2008.

A. CONSERVATION OF ENERGY**a. Energy Conservation Measures taken**

- Power from 12 MW CPP synchronized with Grid power and power generated was used in Spun Pipe Plant.
- Further increase in quantum of Blast Furnace Gas utilization in Annealing Furnace.
- Further increase in quantum of Waste Heat from Metallic Blast pre-heater of Blast Furnace to Cement Plant for slag drying purpose.
- SCADA – on line Power Monitoring System installed in Coke Oven Plant.

b. Additional investments & Proposals, if any, being implemented for reduction of consumption of energy

- Installation of one more Annealing Furnace fully based on Blast Furnace Gas.
- Installation of SCADA – on line Power Monitoring System in 12 MW Captive Power Plant.

Energy conservation is an ongoing process and there is a continuous programme to create awareness and motivate the employees to conserve energy through small group activities.

c. Benefits derived from the above initiatives (a) and (b)

With implementation of above measures cost of energy is likely to be reduced resulting in reduction of cost of production.

B. TECHNOLOGY ABSORPTION

The Brazilian Technology for Mini Blast Furnace implemented through M/s. Tata Korf Engineering Services Ltd. has been fully absorbed.

C. FOREIGN EXCHANGE EARNING AND OUTGO

Foreign Exchange Earning and outgo:	2007-08	2006-07
i) Foreign Exchange Earning	—	—
ii) Foreign Exchange Used	13965.02	9865.85

FORM-A

A. POWER & FUEL CONSUMPTION	2007-08	2006-07
Electricity		
a. Purchased:		
Units (KWH)	20167134	49316950
Total amount (Rs.)	69037809	169914357
Rate / Unit (Rs. / KWH)	3.42	3.45
b. Own Generation:		
1. Through Diesel Generator		
Units (KWH)	422320	647931
Units / Ltr. of Diesel Oil	3.66	3.17
Cost / Unit (Rs. / KWH)	8.96	10.00
2. a) Through Turbo Generator		
Units (KWH)	18675200	18816702
Units / Ltr. of Fuel Oil & Gas	87.07	64.65
Cost / Unit (Rs. / KWH)	0.26	0.36
b) 12 MW CPP (COP)		
Units (KWH)	47254326	—
Cost / Unit (Rs. / KWH)	0.55	—
B. CONSUMPTION PER MT OF PRODUCTION		
Electricity (KWH)		
Pig iron	175	165
D I Pipe	327	373
Cement	94	92
Coke	20	21

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY ON 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, transparency, 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

Company's nine-member Board of Directors comprises:

One Executive Director.

Three Independent Non-Executive Directors.

Five Non-Independent Non-Executive Directors, including the Chairman of the Company.

The composition of the Board of Directors and the position they hold in other public companies including private companies which are subsidiaries of public companies are given in the following table:

Name of Director	Executive/ Non-Executive/ Independent	No. of Other* Directorships held	Other* Committee# positions held	
			As Chairman	As Member
Shri Pradip Kumar Khaitan	Chairman – Non-executive	14	3	11
Shri Mayank Kejriwal	Managing Director- Executive	10	–	–
Shri G. Maruthi Rao	Non-executive – Independent	–	–	–
Shri Gouri Shankar Rathi	Non-executive	–	–	–
Shri G. Bhaskara Rao	Non-executive	13	5	4
Shri L. Madhusudhan Rao	Non-executive	13	–	1
Shri L. Sridhar	Non-Executive	14	2	–
Shri Uddhav Kejriwal (i)	Non-Executive	14	–	1
Shri Sanjeev Churiwal (ii)	Non-Executive	1	–	–
Shri Suresh Chukkapalli (iii)	Non-Executive Independent	3	–	–
Smt. Vatsala Krishnakumar Nominee of IDBI (Lender)	Non-Executive – Independent	1	–	–
Shri P. Rajeswara Rao (iv) Nominee of APIDC (Equity Investor)	Non-Executive – Independent	3	–	–
Shri M. Balarama Krishnaiah (iv) Nominee of APIDC (Equity Investor)	Non-Executive – Independent	1	–	–

- i) Resigned from the Board on 26th June, 2007.
- ii) Resigned from the Board on 4th July, 2007.
- iii) Resigned from the Board on 2nd August, 2007.
- iv) APIDC nominated Shri P.Rajeswara Rao as its nominee in place of Shri M.Balarama Krishnaiah with effect from 24th July, 2007.
- * Excluding Private Limited Companies, Foreign Companies and Companies under Section. 25 of the Companies Act, 1956.
- # Only three Committees viz, Audit, Remuneration and Shareholders / Investors' Grievance Committees have been considered for this purpose.

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

Four Board Meetings were held during the year 2007-08. The dates of the meetings are as follows:

30th April'07, 24th July'07, 29th October'07 and 22nd January'08.

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 was placed before the Board from time to time.

The following table highlights the attendance of each Director at the respective meetings during the year 2007-08:

Name of Director	Board Meetings		AGM
	Held	Attended	
Shri Pradip Kumar Khaitan	4	4	NO
Shri Mayank Kejriwal	4	4	NO
Shri G. Maruthi Rao	4	3	NO
Shri Gouri Shankar Rathi	4	4	YES
Shri G. Bhaskara Rao	4	3	NO
Shri L. Madhusudhan Rao	4	—	NO
Shri L. Sridhar	4	2	NO
Shri Uddhav Kejriwal	4	—	NO
Shri Sanjeev Churiwal	4	—	NO
Shri Suresh Chukkapalli	4	1	NO
Smt. Vatsala Krishnakumar	4	3	YES
Shri P. Rajeswara Rao	4	3	YES
Shri M. Balarama Krishnaiah	4	—	NO

AUDIT COMMITTEE

The Audit Committee, which was constituted on 30th January, 2001 presently comprises two Independent Non-Executive Directors and one Non-Executive Director.

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 30th April'07, 24th July'07, 29th October'07 and 22nd January'08.

Lanco Industries Limited

The composition of the Audit Committee as on 31st March, 2008 and attendance during the year are as under:

Sl. No.	Name of Directors	Position	Executive/ Non-Executive/ Independent	No. of meetings held	No. of meetings attended
1.	Shri G. Maruthi Rao	Chairman	Independent, Non-Executive	4	3
2.	Shri G. Bhaskara Rao	Member	Non-Executive	4	3
3.	Smt. Vatsala Krishnakumar	Member	Independent, Non-Executive	4	3

The Audit Committee met on 28th April, 2008 for considering finalization of accounts for the year ended 31st March, 2008.

The Managing Director, Chief Operating Officer, Sr.General Manager-Finance & Company Secretary, Statutory Auditors and Internal Auditors are generally present in the Audit Committee meeting as invitees.

Company Secretary acts as the Secretary to the Audit Committee.

Smt. Vatsala Krishnakumar a member of the Audit Committee attended the last Annual General Meeting of the Company held on 27th August, 2007. Smt. Vatsala Krishnakumar was designated as Chairman of the Audit Committee for this purpose.

Code of Conduct

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (as amended), the Board has approved the 'Code of Conduct for Prevention of Insider Trading' and authorized the Audit Committee to implement and monitor the various requirements as set out in the Code.

Pursuant to Clause 49 of the listing agreement, it is hereby affirmed that the 'Code of Conduct for Prevention of Insider Trading' approved by the Board has been complied with during the year by the senior management of the Company.

Whistle Blower Policy

Pursuant to Clause 49 of the listing agreement, the Company has put in place the 'Whistle Blower Policy' duly approved by the Board. Further, it is hereby affirmed that the Company has not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and that the Company has provided protection to "Whistle Blowers" from unfair termination and other unfair or prejudicial employment practices.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three Directors namely Shri. Gouri Shankar Rathi (Chairman – Non-Executive), Shri G. Bhaskara Rao (Non-Executive) and Smt. Vatsala Krishnakumar (Independent – Non-Executive) as its members.

The Remuneration Committee reviews and recommends the terms of appointment and remuneration of the Executive Directors for approval by the Board as well as the shareholders.

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 its Committees. Moreover Shri Mayank Kejriwal, Managing Director of the Company has also offered his services without any remuneration from the Company.