



LANCO INDUSTRIES LIMITED

Annual Report 2013-2014

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

DIRECTORS

Shri G. Maruthi Rao
Shri Gouri Shankar Rathi
Shri S.Y. Rajagopalan
Shri R.K. Khanna
Shri A. Joseph Kumar (Nominee of IDBI)
Smt. Anita Rajendra IAS (Nominee of APIDC)

MANAGING DIRECTOR

Shri Mayank Kejriwal

CHIEF OPERATING OFFICER

Shri V. Poyyamozi

SR. GENERAL MANAGER – FINANCE & COMPANY SECRETARY

Shri Atosh R Surana

AUDITORS

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

SOLICITORS

M/s. Khaitan & Co.

BANKERS

ICICI Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Standard Chartered Bank
Punjab National Bank
Bank of India
Andhra Bank
Indusind Bank Limited
Yes Bank Limited

REGISTERED OFFICE & WORKS

Rachagunneri-517 641
Srikalahasthi Mandal
Chittoor District
Andhra Pradesh
Website: www.lancoindustries.com
CIN: L74999AP1991PLC013391

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 22nd Annual Report and Audited Accounts of your Company for the year ended 31st March, 2014.

| FINANCIAL RESULTS: | Rs. in Lakhs | Rs. in Lakhs |
|----------------------------------------------------------------|---------------------|----------------|
| Particulars | <u>2013-14</u> | <u>2012-13</u> |
| Gross revenue from operations | 1,03,715.95 | 89,762.13 |
| Net revenue from operations | 98,939.56 | 86,388.93 |
| Other income | 724.06 | 1,002.43 |
| Total Revenue | 99,663.62 | 87,391.36 |
| Earning Before Interest, Depreciation, Taxation & Amortisation | 12,425.54 | 6,127.57 |
| Finance Costs | 5,489.61 | 6,041.80 |
| Depreciation | 2,794.28 | 2,218.42 |
| Profit/(Loss) Before Taxation | 4,141.65 | (2,132.65) |
| Less: Tax including Deferred Tax | 271.62 | (823.03) |
| Profit/(Loss) After Taxation | 3,870.03 | (1,309.62) |
| Profit/(Loss) Brought Forward from Previous Year | (155.46) | 1,154.16 |
| Prior Period Adjustment – Taxation | (0.67) | – |
| Amount available for Appropriations | 3,713.90 | (155.46) |
| Appropriations are made as under: | | |
| – General Reserve | 2,000.00 | – |
| – Proposed Dividend including tax thereon | 697.82 | – |
| Balance Carried Forward to Next Year | 1,016.08 | (155.46) |

DIVIDEND

Your Directors are pleased to recommend a dividend @ Rs. 1.50 per share on the equity shares of the Company for the year ended 31st March, 2014. If approved, the dividend will absorb Rs. 697.82 Lakhs (including Rs. 101.37 Lakhs towards dividend tax).

REVIEW OF OPERATIONS

Your Directors are pleased to inform that Company crossed the Rs. 1000 Crores turnover mark and has achieved Gross operating revenue of Rs. 1,037.16 crores during the year under review as against Rs. 897.62 crores in the previous year, thus registering an increase of 16% in gross revenue.

The production of D.I. Pipes during the FY 2013-14 was higher at 1,62,892 MT as compared to 1,57,753 MT for the FY 2012-13.

The production of Mini Blast Furnace (MBF), producing liquid metal mainly for Ductile Iron Pipe Plant was higher during the FY 2013-14 by 10.82% at 1,98,036 MT compared to 1,78,707 MT for the FY 2012-13. The production of Low Ash Metallurgical Coke was higher in FY 2013-14 by 9.66% at 1,37,339 MT as against 1,25,239 MT in FY 2012-13 and the power generation in 12 MW – Waste Heat Recovery Based Captive Power Plant was also higher in FY 2013-14 by 37.38% at 882 lakh units as against 642 lakh units in FY 2012-13. The production of cement during the FY 2013-14 was marginally higher

at 67,396 MT compared to 66,059 MT in the previous year.

Successful commissioning of Sinter Plant in the last quarter of the FY 2012-13, helped the Company during the year under review, in replacing high cost calibrated iron ore with iron ore fines. Resultant reduction in coke consumption and the favourable coal prices movement culminated into overall reduction in input cost.

This apart, the improved availability of captive power generation, during the year under review, minimized the incidence of power purchase from power exchange and also reduced the dependence on generation of power by DG Sets, thus leading to significant lower power cost during the FY 2013-14 as compared to FY 2012-13.

With the hedging policy of the company in place for the year under review the company prevented its foreign exchange losses inspite of unfavourable fluctuation in rupee-dollar equation.

With moderate growth in the volumes of D.I. pipes during the year under review, coupled with reduced cost of molten metal and captive power, your Company has achieved a pre-tax profit of Rs. 41.42 Crs in the FY 2013-14 as against a net loss of Rs. 21.32 Crs reported in the FY 2012-13.

FUTURE PROSPECTS

During the current year, the company has embarked an investment of Rs. 100 Crores by way of capital expenditure to improve the quality and production level of Ductile Iron Pipes. The company is adding certain balancing facilities which include enhancement of blowing capacity in MBF, additional induction furnace, new spinning machine with higher productivity, additional finishing line and other process automation equipments. This will result in increased production of Ductile Iron Pipes by 50000 MT per annum.

This investment will also enable the company to enter into export market. The project is funded by term loan and internal accruals.

In spite of intense competition in the domestic market, the order position of your company is comfortable for FY 2014-15. Barring unforeseen circumstances, on completion of these investments in 2014, the company will start getting the benefits of higher production from last quarter of current financial year.

CREDIT RATING

Your Company has been rated as "CARE A (Single A)" for long term bank facilities. This indicates adequate degree of safety regarding timely servicing of financial obligations and carry low credit risk. The rating assigned for short term facilities is "CARE A1 (A One)" and indicates having very strong degree of safety regarding timely payment of financial obligations and carries lowest risk.

DIRECTORS

Andhra Pradesh Industrial Development Corporation (APIDC), Hyderabad nominated Smt. Anita Rajendra, IAS on the Board of Directors of your Company with effect from 5th August, 2013 in place of Shri K. Rajendra Prasad.

Shri L. Madhusudhan Rao, Shri G. Bhaskar Rao and Shri L. Sridhar resigned from the Directorship of the Company with effect from 3rd February, 2014.

Your Directors place on record their appreciation for the active participation and valuable services rendered to the Company by Shri K. Rajendra Prasad, Shri L. Madhusudhan Rao, Shri G. Bhaskar Rao and Shri L. Sridhar.

Shri S.Y. Rajagopalan retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Impending notification of section 149 and other applicable provisions of the Companies Act,

2013 your Directors are seeking appointment of Mr. G. Maruthi Rao and Mr. R.K. Khanna as Independent Directors for a term of five consecutive years from the conclusion of this Annual General Meeting.

Details of the proposal for appointment of Mr. G. Maruthi Rao and Mr. R.K. Khanna are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the Annual General Meeting.

The Company has received declarations from the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. A report on Corporate Governance Practices, as stipulated under Clause 49 of the Listing Agreement, the Auditors' Certificate on compliance of mandatory requirements thereof form part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Please refer to the Management Discussion and Analysis section appearing elsewhere.

EMPLOYEES

Your Directors wish to place on record their appreciation for the committed services rendered by the employees of your Company at all levels during the year under review and for their co-operation in maintaining cordial relations.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules,

1975 as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report. However, having regard to the provisions of Section 219(1)(B)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

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, 2014 and its profit 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.

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.

COST AUDITORS

The Company has appointed M/s. Narasimhamurthy & Co., Cost Accountants, Hyderabad, as Cost Auditors and the Central Government has approved the appointment of M/s. Narasimhamurthy & Co., for conducting the audit of cost accounts maintained by the Company for the financial year 2013-14.

Place: Chennai

Date: 3rd May, 2014

ACKNOWLEDGEMENTS

Your Directors wish to convey their appreciation to all of the Company's employees for their enormous personal efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank the employee unions, shareholders, customers, agents, suppliers, bankers, Government authorities and all the other business associates for the continuous support given by them to the Company and the confidence reposed in its management.

For and on behalf of the Board of Directors

S.Y. Rajagopalan

Director

Mayank Kejriwal

Managing Director

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, 2014.

A. CONSERVATION OF ENERGY:

a. Energy Conservation Measures taken:

- Revamping of battery No. 2 of Coke Oven Plant to arrest heat losses, this resulted in increased power generation.
- During power restrictions, reduced operation of DG sets and purchased power through Exchange to minimize diesel consumption.
- Power generation of 12 MW Captive Power Plant increased by 37% to its full capacity and the auxiliary consumption is reduced from 11% to 9%.
- Installed PLC system in D.I. Pipe Plant for energy conservation.
- Installed VFDs in D.I. Pipe Plant and Cement Plant to reduce the energy consumption.
- Modification of BFG system to reduce oil consumption further in annealing furnace.
- Installed Hot Air Generator in Cement plant to control Slag moisture to facilitate higher percentage of slag consumption.
- Installed additional capacitors bank in Coke oven plant and Cement plant to improve power factor.

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

- Installation of 132 KV power sub-station

to improve quality of power and to minimize power intermediates.

- Installing VFDs for annealing furnace ID fan to reduce energy consumption.
- Installing solar street lights in common areas for promoting renewable energy.
- Introduction of cooling tower fan auto on/off system with water temperature to reduce energy consumption.
- Further modification of BFG system to reduce further oil consumption in annealing furnace.
- Initiating infrastructures for supply of steam to replace Oil in existing and upcoming Steam Curing Stations of D.I. Pipe Plant.
- Energy conservation is a continuous activity and it is the constant endeavor of the company to bring in awareness and encourage the employees to conserve energy at every stage through Small Group Activities.

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

With the implementation of aforementioned energy saving measures, generation of DG power has come down significantly and consumption of energy in MBF, Coke oven plant has also reduced. Upon implementation of proposed energy saving measures, the cost of energy is expected to come down further, besides resulting in reduced oil consumption.

B. TECHNOLOGY ABSORPTION:

The Company is in the process of absorbing Chinese Technology for Spinning Machine and additional finishing line.

C. FOREIGN EXCHANGE EARNING AND OUTGO:

| | | |
|----------------------------------------------------|------------------|----------------|
| Foreign Exchange Earning and outgo (Rs. in Lakhs): | 2013-14 | 2012-13 |
| i) Foreign Exchange Earning | – | 224.77 |
| ii) Foreign Exchange Used | 31,883.55 | 21,016.83 |

FORM-A

| A. POWER & FUEL CONSUMPTION | 2013-14 | 2012-13 |
|--------------------------------------------|---------------------|----------------|
| 1. Electricity: | | |
| a. Purchased: | | |
| Units (KWH) | 3,04,25,008 | 3,44,63,393 |
| Total amount (Rs.) | 25,21,34,814 | 24,29,90,109 |
| Rate / Unit (Rs / KWH) | 8.29 | 7.05 |
| b. Own Generation: | | |
| i) Through Diesel Generator | | |
| Units (KWH) | 3,84,719 | 14,63,563 |
| Units/ Ltr. of Diesel Oil | 3.76 | 3.45 |
| Cost / Unit (Rs. / KWH) | 16.30 | 13.78 |
| ii) Through Turbo Generator | | |
| a) 2.5 MW CPP (MBF) | | |
| Units (KWH) | 1,13,55,600 | 1,32,12,500 |
| Cost / Unit (Rs. / KWH) | 0.40 | 0.22 |
| b) 12 MW CPP (COP) | | |
| Units (KWH) | 8,82,07,300 | 6,42,20,200 |
| Cost / Unit (Rs. / KWH) | 0.19 | 0.23 |
| 2. Overall LDO/HSD consumption | | |
| Consumption (KL) | 4,740 | 4,772 |
| Total amount (Rs.) | 29,03,44,098 | 22,66,21,581 |
| Cost/Ltr. (Rs.) | 61.25 | 47.49 |
| B. CONSUMPTION PER MT OF PRODUCTION | | |
| Units of Electricity (KWH) | | |
| Pig iron | 161 | 165 |
| D.I. Pipe | 344 | 344 |
| Cement | 136 | 128 |
| Coke | 19 | 21 |

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

It is the firm belief of the Company that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor confidence. "As a good corporate citizen, the Company is committed to sound corporate practices based on conscience, transparency, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long term success."

We believe that our company shall go beyond adherence to regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy. Transparency, accountability, fairness and intensive communication with stakeholders are fundamental to our functioning. We believe in system driven performance and performance oriented systems. We accord highest priority to these systems and protect the interests of all our stakeholders.

We have tried to blend growth and efficiency with governance and ethics. Our Board of Directors, guided by the mission statement, formulate strategies and policies having focus on optimizing value for various stakeholders like consumers, shareholders and the society at

large. Besides adhering to provisions of Listing Agreement we are also following guidelines on Corporate Governance issued by Department of Public Enterprises, Government of India.

The company is in full compliance with the requirements of Corporate Governance under Clause 49 of the Listing Agreement with the Indian Stock Exchanges, which cast upon the Board of Directors and the Audit Committee, onerous responsibilities to improve the Company's operating efficiencies, the risk management and internal control functions have been geared up to meet the progressive governance standards.

BOARD OF DIRECTORS

The Board of Directors and its Committee consist of highly experienced professionals and provide directions on operational issues, adoption of systems best practices of management and oversight of compliance of various legal and other requirements.

COMPOSITION OF BOARD

The company has an Executive Managing Director. The Board currently comprises of Seven Directors, four of whom are independent non executive directors and two are non executive directors.

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 as on 31st March, 2014 unless otherwise stated 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 Mayank Kejriwal | Managing Director-Executive | 8 | – | |
| Shri G. Maruthi Rao | Non-executive-Independent | – | – | – |
| Shri R.K. Khanna | Non-Executive-Independent | – | – | – |
| Shri Gouri Shankar Rathi | Non-executive | – | – | – |
| Shri S.Y. Rajagopalan | Non-Executive | 1 | – | – |
| Shri G. Bhaskara Rao (i) | Non-Executive | – | – | – |
| Shri L. Madhusudhan Rao (i) | Non-Executive | – | – | – |
| Shri L. Sridhar (i) | Non-Executive | – | – | – |
| Shri A. Joseph Kumar | Non-Executive-Independent | – | – | – |
| Shri K. Rajendra Prasad (ii) Nominee of APIDC (Equity Investor) | Non- Executive-Independent | – | – | – |
| Smt. Anita Rajendra (ii)Nominee of APIDC (Equity Investor) | Non- Executive-Independent | 9 | – | – |

(i) Shri G. Bhaskara Rao, Shri L. Madhusudhan Rao and Shri L. Sridhar resigned from the Directorship with effect from 3rd February, 2014.

(ii) APIDC nominated Smt. Anita Rajendra, IAS as its nominee in place of Shri K. Rajendra Prasad with effect from 5th August, 2013.

* Excluding Private Limited Companies, Foreign Companies and Companies under Section 25 of the Companies Act, 1956.

Only two Committees viz, Audit, 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:

Five Board Meetings were held during the year 2013-14. The dates of the meetings are as follows:

6th May, 2013, 5th August, 2013, 26th August, 2013, 28th October, 2013, and 27th January, 2014.

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 during the year 2013-14:

| Name of Director | Board Meetings | | AGM |
|------------------------------|----------------|----------|-----|
| | Held | Attended | |
| Shri Mayank Kejriwal | 5 | 3 | NO |
| Shri G. Maruthi Rao | 5 | 4 | YES |
| Shri Gouri Shankar Rathi | 5 | 5 | YES |
| Srhi S.Y. Rajagopalan | 5 | 5 | YES |
| Shri R.K. Khanna | 5 | 5 | YES |
| Shri G. Bhaskara Rao | 5 | 0 | NO |
| Shri L. Madhusudhan Rao | 5 | 0 | NO |
| Shri L. Sridhar | 5 | 5 | YES |
| Shri A. Joseph Kumar | 5 | 4 | NO |
| Shri K. Rajendra Prasad (i) | 5 | 0 | NO |
| Smt. Anita Rajendra, IAS (i) | 5 | 3 | YES |

(i) APIDC nominated Smt Anita Rajendra, IAS as its nominee in place of Shri K. Rajendra Prasad with effect from 5th August, 2013.

AUDIT COMMITTEE

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

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.

The Audit Committee during the year ended 31st March, 2014 had four meetings on 6th May, 2013, 5th August, 2013, 28th October, 2013 and 27th January, 2014.

The composition of the Audit Committee as on 31st March, 2014 and attendance during the year are as under:

| Sl. No. | Name of Directors | Position | Executive / Non-Executive / Independent | No. of meetings attended |
|---------|-----------------------|----------|-----------------------------------------|--------------------------|
| 1. | Shri R.K. Khanna | Chairman | Independent, Non-Executive | 4 |
| 2. | Shri G. Bhaskara Rao# | Member | Non-Executive | – |
| 3. | Shri A. Joseph Kumar | Member | Independent, Non-Executive | 4 |
| 4. | Shri G. Maruthi Rao* | Member | Independent, Non-Executive | – |

Shri G. Bhaskara Rao resigned from the Membership of the Audit Committee with effect from 3rd February, 2014.

* Shri G. Maruthi Rao appointed to the Audit Committee with effect from 27th January, 2014.

The Audit Committee met on 3rd May, 2014 for considering finalization of accounts for the year ended 31st March, 2014.

The Managing Director, 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.

Shri R.K. Khanna, Chairman of the Audit Committee attended the last Annual General Meeting of the Company held on 26th August, 2013.

CODE OF CONDUCT

Code of Conduct for the Directors and Senior Management of the Company was adopted by the Board in its meeting held on 31st October, 2005. This Code has been laid down with a view to promote good corporate governance , exemplary personal conduct, fair competition, Corporate Social Responsibility, Safety, Health & Environmental performance, transparency and compliance of laws and regulations and this Code is applicable to all the Directors and Senior Managerial Personnel of the Company. This Code is also available on the website of the Company www.lancoindustries.com.

PREVENTION OF INSIDER TRADING CODE

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. This policy is posted on the website 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. This policy is also posted on the website of the Company.

REMUNERATION TO DIRECTORS

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.

Details of remuneration paid to Directors:

| Name of the Directors | Nature of Payment | (Rs.) |
|------------------------------|--------------------------|--------------------|
| Shri Mayank Kejriwal | Commission | 1,30,00,000 |
| Shri G. Maruthi Rao | Sitting Fees | 80,000 |
| Shri Gouri Shankar Rathi | -do- | 1,00,000 |
| Shri S.Y. Rajagopalan | -do- | 1,00,000 |
| Shri R.K. Khanna | -do- | 1,80,000 |
| Shri G. Bhaskara Rao | -do- | – |
| Shri L. Madhusudhan Rao | -do- | – |
| Shri L. Sridhar | -do- | 1,00,000 |
| Shri A. Joseph Kumar | -do- | 1,60,000 |
| Shri K. Rajendra Prasad | -do- | – |
| Smt. Anita Rajendra, IAS | -do- | 60,000 |
| Total | | 1,37,80,000 |

SHAREHOLDERS COMMITTEE

The composition of Shareholders' / Investors' Grievances Committee is as follows:

| | | |
|--------------------------|---|----------|
| Shri Gouri Shankar Rathi | – | Chairman |
| Shri L. Sridhar | – | Member |
| Shri G. Maruthi Rao | – | Member |

Shri L. Sridhar resigned from the Directorship of the Company with effect from 3rd February, 2014 and accordingly he ceases to be member of the Shareholder's/ Investors Grievances Committee.

THE SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE:

This committee administered the following:

a) Redress Shareholders' and Investors'

complaints relating to non-receipt of balance sheet, transfer of shares, non-receipt of dividends etc.

b) Consolidate and sub-divide share certificate(s).

c) Approve transmission and issue of duplicate/ fresh share certificate(s)

In accordance with Clause 49 para VI(D) of the Listing Agreement of the Stock Exchanges, the Board has delegated powers of share transfers to M/s. Karvy Computershare Private Limited (KCPL), Plot No. 17-24, Beside Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad-500 081. KCPL reviews share transfers every fortnight.

DETAILS OF QUERIES/COMPLAINTS RECEIVED AND RESOLVED DURING THE YEAR 2013-14:

The total number of complaints received and resolved during the year was:

| Nature of Complaints | Opening | Received During the year | Resolved | Pending Resolution |
|----------------------------------|---------|--------------------------|----------|--------------------|
| Non-Receipt of Dividend Warrants | Nil | 2 | 2 | Nil |
| Non-Receipt of Securities | Nil | 1 | 1 | Nil |
| Non-Receipt of Annual Reports | Nil | – | – | Nil |
| Non-Receipt of fresh/new Shares | Nil | – | – | Nil |
| Total | Nil | 3 | 3 | Nil |

As confirmed by M/s. Karvy Computershare Private Ltd (RTA of the Company) the complaints are generally attended within 15 days from the date of receipt.

DETAILS OF UN-CLAIMED SHARES

Pursuant to Clause 5A of the listing agreement, three reminders were sent to shareholders, at their registered address in respect of Shares lying un-claimed with the Company. The Company is in the process of opening of Demat Suspense account and transferring all un-claimed shares to such account. As and when such shareholder(s) approach the Company, the Company will credit his/their shares lying

in Demat Suspense account to his/ their demat account(s) or issue share certificate, as the case may be, after proper verification. Shareholders who have not claimed such Share Certificates can write to the Company at its Registered Office or to the Registrar for doing further needful.

COMPLIANCE OFFICER

Atosh R. Surana, Company Secretary, Rachagunneri-517 641, Srikalahasthi Mandal, Chittoor District, Andhra Pradesh, Ph: 08578-286650-55, Fax: 08578-286657, E-mail: arsurana@lancoindustries.com and investors@lancoindustries.com.

GENERAL BODY MEETINGS

Location and time for last three Annual General Meetings:

| Date | Venue | Time |
|------------|--------------------------------------------------|------------|
| 25.08.2011 | Rachagunneri Village, Srikalahasthi Mandal, A.P. | 11.30 A.M. |
| 27.08.2012 | Rachagunneri Village, Srikalahasthi Mandal, A.P. | 11.30 A.M. |
| 26.08.2013 | Rachagunneri Village, Srikalahasthi Mandal, A.P. | 11.30 A.M. |

DISCLOSURES

- The Company has generally complied with all the mandatory requirements as specified in the revised Clause 49 to the extent these apply and extend to the Company.
- Transactions with the related parties are disclosed in Note 34 of Notes on Accounts in Annual Report.
- No transactions were made that may have potential conflict with the interests of the Company at large.
- The Managing Director has given declaration to the Board that he has no personal interest in any material, commercial and financial transactions that may have any potential conflict with the interest of the Company at large.
- There were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for

non-compliance of any matter relating to Capital Market during the last three years.

- The CEO (Managing Director) and the CFO (Sr. General Manager – Finance & Company Secretary) have furnished a Certificate to the Board for the year ended 31st March, 2014 in compliance with the revised Clause 49.V of the Listing Agreement(s) as amended.

MEANS OF COMMUNICATION

Information like quarterly / half yearly / annual financial results that have been announced from time to time, is hosted on the Company's website www.lancoindustries.com and has also been submitted to the Stock Exchanges to enable them to publish on their websites and communicate to their members. The quarterly / half-yearly / annual financial results are published in English and vernacular daily news papers. The Company is electronically

filing specific documents / statements on the corpfilings website viz., www.corpfilings.co.in and NSE's Neaps website www.connect2nse.com.

Further, Management Discussion and Analysis is covered in the Directors' Report to the Shareholders, which forms a part of the Annual Report.

GENERAL SHAREHOLDERS' INFORMATION

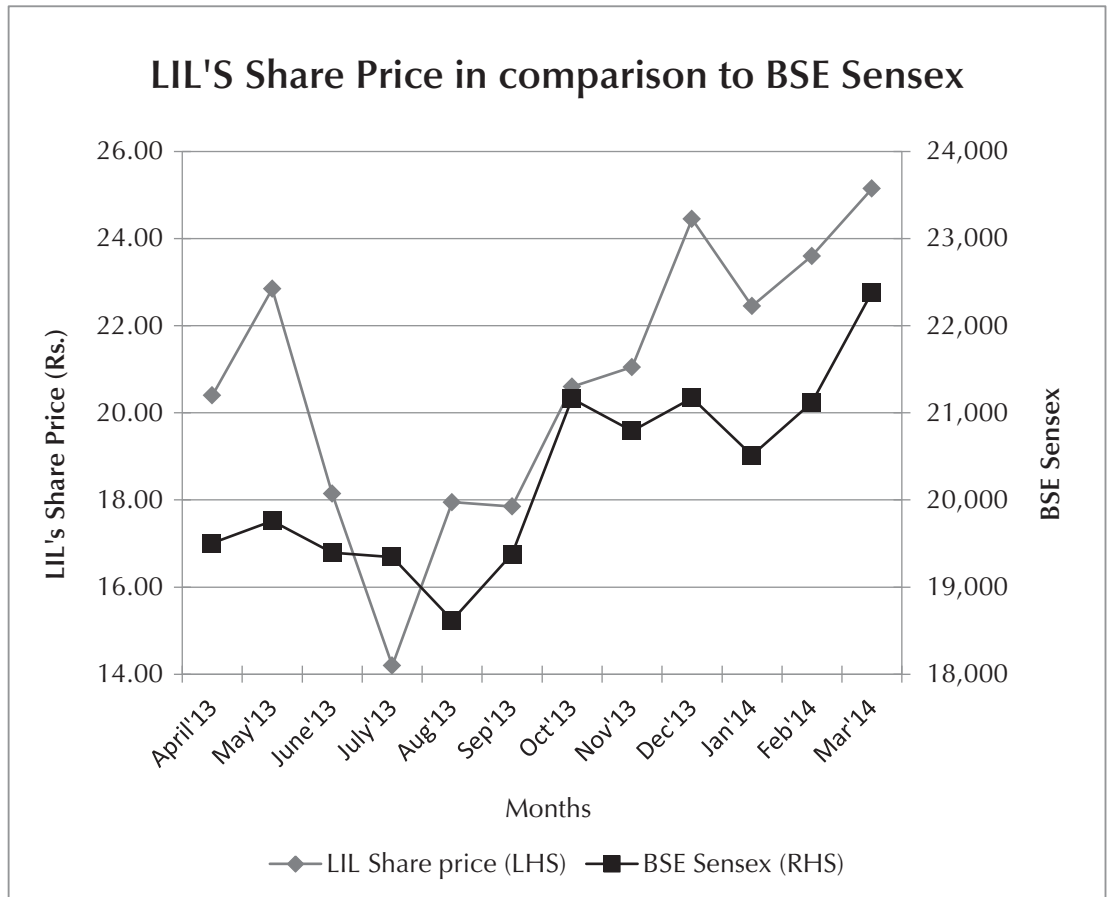
The following information would be useful to our shareholders:

| Sl. No. | Information | |
|---------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 1. | Annual General Meeting | |
| | – Date and Time | 27th September, 2014 at 11.30 AM |
| | – Venue | At Registered Office: Rachaguneri Village-517641 Srikalahasthi Mandal, A.P. |
| 2. | Financial Calendar | Tentative Schedule |
| | Financial Reporting for the Quarter ended June 30, 2014 | End July, 2014. |
| | Financial Reporting for the Quarter ended September 30, 2014 | End October, 2014. |
| | Financial Reporting for the Quarter ended December 31, 2014 | End January, 2015. |
| | Financial Reporting for the Quarter ended March 31, 2015 | End April, 2015. |
| | Annual General Meeting for the year ending March 31, 2015. | End August, 2015. |
| 3. | Book Closure Date (Both days inclusive) | 21st September, 2014 to 27th September, 2014. |
| 4. | Listing Details: | |
| | – Equity Shares | Listed at Bombay Stock Exchange Ltd (BSE) & National Stock Exchange of India Ltd. (NSE) |
| 5. | Stock Code (BSE & NSE) | 513605 & LANCOIN |
| 6. | Demat ISIN Number for NSDL & CDSL | |
| | – Equity Shares | INE943C01027 |
| 7. | Corporate Identity Number | L74999AP1991PLC013391 |
| 8. | Dividend payment date | 1st October 2014 |

9. STOCK MARKET DATA:

| Month | Bombay Stock Exchange | | | National Stock Exchange | | |
|--------|-----------------------|-----------|---------|-------------------------|-----------|---------|
| | High (Rs.) | Low (Rs.) | Volume | High (Rs.) | Low (Rs.) | Volume |
| Apr-13 | 23.20 | 20.00 | 80528 | 23.15 | 20.05 | 190300 |
| May-13 | 23.95 | 19.85 | 452096 | 24.35 | 19.75 | 783307 |
| Jun-13 | 22.00 | 17.90 | 88589 | 22.00 | 17.70 | 194677 |
| Jul-13 | 18.30 | 14.15 | 103196 | 18.35 | 14.20 | 197681 |
| Aug-13 | 17.90 | 13.75 | 120362 | 17.95 | 13.70 | 210060 |
| Sep-13 | 19.20 | 17.25 | 104349 | 19.35 | 17.20 | 330614 |
| Oct-13 | 20.80 | 17.60 | 273139 | 20.80 | 17.50 | 513447 |
| Nov-13 | 22.55 | 20.50 | 8003173 | 22.65 | 20.45 | 1669011 |
| Dec-13 | 24.50 | 21.40 | 410312 | 24.45 | 21.40 | 1643946 |
| Jan-14 | 26.00 | 22.45 | 381994 | 25.95 | 22.25 | 700799 |
| Feb-14 | 24.15 | 22.70 | 191613 | 24.20 | 22.80 | 392906 |
| Mar-14 | 25.15 | 23.45 | 390168 | 25.15 | 23.55 | 783714 |

Share Price Performance of Lanco Industries Ltd in comparison to BSE Sensex



10. REGISTRAR & SHARE TRANSFER AGENTS

Karvy Computershare Private Ltd, Plot No. 17-24, Beside Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad-500 081.

11. SHARE TRANSFER SYSTEM

The turnaround time for completion of transfer of shares in physical form is generally 15 days from the date of receipt, if the documents are clear in all respects.

12. DIVIDEND HISTORY FOR THE LAST 5 YEARS IS AS UNDER:

| Financial Year | Dividend Rate (%) | Amount including Dividend Tax (Rs. Lakhs) |
|----------------|-------------------|-------------------------------------------|
| 2008-09 | 10 | 465.22 |
| 2009-10 | 15 | 697.82 |
| 2010-11 | 15 | 693.21 |
| 2011-12 | – | – |
| 2012-13 | – | – |

13. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2014

| Sl. No. | Category | | Number of Shareholders | % of Shareholders | No. of Shares held | % of Shares held |
|---------|--------------|-----------|------------------------|-------------------|--------------------|------------------|
| | From | To | | | | |
| 1 | 1 | 5000 | 15497 | 90.46 | 1783277 | 4.48 |
| 2 | 5001 | 10000 | 801 | 4.67 | 674756 | 1.70 |
| 3 | 10001 | 20000 | 395 | 2.31 | 615223 | 1.55 |
| 4 | 20001 | 30000 | 151 | 0.88 | 387556 | 0.97 |
| 5 | 30001 | 40000 | 66 | 0.39 | 240450 | 0.60 |
| 6 | 40001 | 50000 | 55 | 0.32 | 259918 | 0.65 |
| 7 | 50001 | 100000 | 83 | 0.48 | 642592 | 1.62 |
| 8 | 100001 | And above | 84 | 0.49 | 35159823 | 88.43 |
| | Total | | 17132 | 100.00 | 39763595 | 100.00 |

14. CATEGORIES OF SHAREHOLDING AS ON 31ST MARCH, 2014

| Sl. No. | Category | No. of shares held | Percentage of shareholding |
|-----------|-------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------------|
| A. | Promoters Holding | | |
| 1. | Promoters | | |
| | a) Indian Promoters | | |
| | i) Electrosteel Castings Limited | 19301218 | 48.54 |
| | ii) Others | 891960 | 2.24 |
| | b) Foreign Promoters | – | – |
| 2. | Persons Acting in Concert | – | – |
| | Sub-Total | 20193178 | 50.78 |
| B. | NON-PROMOTERS HOLDING | | |
| 3. | Institutional Investors | | |
| | a) Mutual Funds and UTI | 3625 | 0.01 |
| | b) Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions) | 268425 | 0.68 |
| | c) FIs | 9700 | 0.02 |
| | Sub-Total | 281750 | 0.71 |
| 4. | Others | | |
| | a) Private Corporate Bodies | 11006633 | 27.68 |
| | b) Indian Public | 7526799 | 18.93 |
| | c) NRIs / OCBs | 736805 | 1.85 |
| | d) Any other (Clearing Members) | 18430 | 0.05 |
| | Sub-Total | 19288667 | 48.51 |
| | GRAND TOTAL | 39763595 | 100.00 |

15. DEMATERIALIZATION OF SHARES AND LIQUIDITY

Since the Company has entered into an agreement with both the depositories namely NSDL and CDSL for dematerialization of its Shares, the Shareholders of the Company have the choice to dematerialize their shares and keep them in dematerialized form with any depository participant. About 98.15% of total equity share capital is held in dematerialized form with NSDL & CDSL as on 31st March, 2014.

16. OUTSTANDING CONVERTIBLE INSTRUMENTS

As on 31.3.2014, there are no outstanding convertible instruments.

17. REGISTERED OFFICE & WORKS

Rachagunneri-517641, Srikalahasthi Mandal, Chittoor District, A.P., India., Ph. No: 08578-286650 – 655 (6 Lines)

18. Members can contact us at our Registered Office as stated above.

19. STATUS OF NON-MANDATORY REQUIREMENTS

i) Audit Qualifications:

There are no qualifications or adverse remarks in the Auditor's Report which require any clarification / explanation. The notes to accounts forming part of the financial statements are self explanatory and needs no further explanation.

ii) Other Items:

The non-mandatory requirements viz., Remuneration Committee, Shareholding Rights, Training of Board Members & Tenure of Independent Directors and Mechanism for performance evaluation of non-executive Board Members will be implemented by the

Company when required and/or deemed necessary by the Board.

20. RECONCILIATION OF SHARE CAPITAL AUDIT

As stipulated by Securities and Exchange Board of India (SEBI), a qualified practicing Company Secretary carries out the Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to Stock Exchanges and is also placed before the Board of Directors. No discrepancies were noticed during these audits.

Declaration by the Managing Director under Clause 49(I)(D) (ii) of the Listing Agreement

This is to certify that:

In pursuance of the provisions of Clause 49(I)(D) of the Listing Agreement, a Code of Conduct has been laid down by the Company for all the Board Members and the Senior Management Personnel of the Company.

The said Code of Conduct is also uploaded on the website of the Company at www.lancoindustries.com.

All Board Members and Senior Management Personnel have affirmed having complied with the said Code of Conduct, during the year ended 31st March, 2014.

For **Lanco Industries Limited**

Place: Chennai
Date: 3rd May, 2014

Mayank Kejriwal
Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
LANCO INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Lanco Industries Limited ('the Company') for the year ended on 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate

Governance as stipulated. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **K.R. BAPUJI & Co.**
Chartered Accountants
Firm Registration Number: 000395S

K.R. Bapuji
Partner
Membership Number: 021169

Place: Chennai
Date: 3rd May 2014

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

Lanco Industries Limited (LIL) promoted by Lanco Group in 1992 set up a Mini Blast Furnace (MBF) in 1994 with an installed capacity of 90,000 TPA to manufacture and sell Pig Iron to foundry units across India.

In 1998, LIL entered into an arrangement to supply Molten Iron and Pig Iron to Lanco Kalahasthi Castings Limited (LKCL) a company within the same campus engaged in the business of Iron Castings & Forging. LKCL later on added high technology Ductile Iron Pipes (DIP) manufacturing facilities to its portfolio.

In March 2002, India's pioneering D.I. Pipe manufacturer, Electrosteel Castings Limited (ECL) entered into a strategic alliance with LIL and LKCL by acquiring 46.43 and 48.89 percent stake in the companies respectively. In addition to technological support, ECL also infused fresh funds into LIL by way of equity participation and re-modeled the financial structure, thus reducing interest costs.

In 2003, the capacity of MBF was increased from 90,000 TPA to 1,50,000 TPA and the capacity of D.I. Pipes was increased from 60,000 TPA to 90,000 TPA at a capital outlay of approx. Rs. 35 Crores.

In 2003, LKCL got merged with LIL (with effect from 1st April, 2003) to take advantage of the close synergy in the business model of the two companies, since a large part of Pig Iron in liquid form is consumed by LKCL for manufacture of pipes.

In 2004, a major backward integration project comprising of 1,50,000 TPA Coke Oven Plant and 12 MW Waste Heat Recovery Based Co-generating Captive Power Plant at a capital outlay of Rs.88 Crores was started.

In 2005, 1,50,000 TPA Coke Oven Plant was commissioned and commercial production

was stabilized. The coke being produced is at par with international quality of LAM coke.

In 2006, the capacity of D.I. Pipes was further increased from 90,000 TPA to 1,20,000 TPA and the 12 MW Waste Heat Recovery Based Co-Generating Captive Power Plant was set up, which started generating power from March, 2007.

In 2007, Stamp Charging System was successfully implemented at Coke Oven Plant for producing quality metallurgical coke at a lower cost.

In 2008, the Company implemented ERP system (SAP) to support business process and effective resource planning and management.

In 2009, capacity of D.I. Pipes was increased from 1,20,000 TPA to 1,80,000 TPA.

In 2010, capacity of Mini Blast Furnace (MBF) for production of Liquid Metal/Pig Iron was enhanced from 150,000 TPA to 225,000 TPA.

In 2011, the Company's admired project to use primarily treated sewerage water of Tirupati Municipal Corporation for industrial purpose was commissioned successfully.

In 2012, capacity of Coke Oven Plant was enhanced from 150,000 TPA to 225,000 TPA by installing 3rd Coke oven battery. Moreover, installation of additional boiler in the 12 MW Captive Power Plant was also successfully commissioned, resulting in full utilization of capacity of the Power Plant. Further, the project for installation of Sinter Plant has been successfully commissioned in the last quarter of the FY 2012-13, whereby the usage of lump ore in MBF has been substituted with major quantity of iron ore fines.

During the FY 2013-14, the Company has successfully completed the extension of its

railway siding for catering placement of more rakes resulting in improved logistics. Further, the Company has envisaged to augment its DI Pipes production by about 50,000 TPA and in this process is adding certain balancing facilities which include enhancement of blowing capacity in MBF, additional induction furnace, new spinning machine with higher productivity, additional finishing line and other process automation equipments, besides taking up certain modifications for improvement in the overall efficiency of Mini Blast Furnace.

This will result in increased production of Ductile Iron Pipes to 2,25,000 TPA.

VALUE ADDITION

It has been the constant endeavour of the Company to create value addition in every facet of Company's operations, which the Company believes as the major factor in reinforcing the value chain in terms of cost reduction and productivity improvement. Installation of additional boiler and the Sinter plant continued to result in higher power generation and lower input cost.

THE YEAR IN RETROSPECT (2013-14 VS. 2012-13)

The volumes of production and sales of Company's products reflected a moderate growth during the year 2013-14.

| Product | Production (MT) | | Despatches (MT) | |
|-------------------------|-----------------|-----------------|-----------------|----------|
| | 2013-14 | 2012-13 | 2013-14 | 2012-13 |
| Molten Metal/Pig Iron * | 1,98,036 | 1,78,707 | 1,98,470 | 1,79,451 |
| D.I.Pipes | 1,62,892 | 1,57,753 | 1,61,456 | 1,59,358 |
| Cement ** | 67,396 | 66,059 | 67,649 | 65,286 |

* Despatches include 1,80,018 MT (Previous year 1,66,055 MT) used for captive consumption.

** Despatches include 17,429 MT (Previous year 17,283 MT) used for captive consumption.

1,37,339 MT coke was produced in the Coke Oven Plant for captive consumption during 2013-14 vis-à-vis 1,25,239 MT in 2012-13.

The 12 MW Waste Heat Recovery Based Co-Generating Captive Power Plant of the Company generated 882 lakh units of power compared to 642 lakh units in FY 2012-13.

The gross operating revenue of the Company increased from Rs. 897.62 Crs. in FY 2012-13 to Rs. 1,037.16 Crs. in FY 2013-14 registering an increase of 16%. With reduced cost of molten metal and captive power coupled with moderate growth in the volumes of D.I. pipes during the year under review, your Company has achieved a pre-tax profit of Rs. 41.42 Crs in the FY 2013-14 as against a net loss of Rs. 21.32 Crs reported in the FY 2012-13.

INDUSTRY OUTLOOK

The Government of India is committed for higher investment in the water Sector.

It is expected that the demand for Indian pipe industry will continue to remain healthy, considering Government's focus for water infrastructure projects, resulting in growth of the pipe industry.

BUSINESS

Raw Materials Management

The full-fledged operation of Sinter Plant of the Company during the year under review has helped the Company in reducing the dependence on lump ore to a greater extent, as the same is replaced with iron ore fines. As iron is one of the major raw material components of the Company, the cost of raw material has come down compared to previous FY 2012-13.

Quality

The Company renews its commitment to ensure reliable quality and in turn earns customer satisfaction, through continuous perseverance of its Quality Assurance Policy.

In order to accomplish this, the company strives to detect and prevent any non-conformance during production and implement the means to prevent its recurrence. We emphasize on upgrading technology and improving techniques, systems, procedures and to carry out continuous innovation to meet changing customer needs. We continuously focus on creating most congenial and healthy working environment for attainment of quality goals with excellence.

We remain focused on strict adherence to international quality standards and as a mark of quality assurance and our commitment to total customer satisfaction, we are accredited with ISO 9001:2000 certification and the Ductile Iron Pipes manufactured by the Company are Kite Mark licensed as approved by BSI, UK.

Safety, Health & Environment

The Health, Safety and Environment Committee has been constituted, inter alia, to monitor and ensure maintaining the highest standards of environmental, health and safety norms and compliance with applicable pollution and environmental laws at all plants across the Complex and to recommend measures, if any, for improvement in this regard.

The Committee reviews the Health, Safety and Environment Policy of the Company, performance on health, safety and environment matters and the procedures and controls being followed across the plant and compliance with the relevant statutory provisions.

The objective of our comprehensive health care programme and Group Medical Insurance is to provide medical coverage to employees and their families, so as to make them medically

secure and improve the quality of life. In order to meet the health care objectives, we have a Primary Health Center, which is fully staffed with a professional Medical Officer assisted by para-medicos.

We have implemented environmental management systems that have been certified as meeting the requirements of international standard ISO14001 and these systems provide us with a framework for managing compliance and achieving continuous improvement. Our overall environmental performance is subject to ongoing and detailed scrutiny by the top Management, which continuously guides the Team in maintaining and ensuring highest level of environmental standards.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We recognize and embrace our commitment to the communities in which we operate and we believe the private sector plays a vital role in creating a level playing field, driving innovation and building an environment that enhances education and entrepreneurship to foster economic growth. Our social investment strategy is based on our vision to help the society run better and improving people's lives.

We are committed to making a positive contribution to society in a number of ways. As a policy, we promote and encourage economic, social and educational development within the communities; we operate – while also giving active support to local initiatives.

It has been our constant endeavour to provide preventive healthcare services to the public in the nearby villages to improve levels of health amongst the community. Medical Camps are regularly conducted in the villages by our Medical Officer and the treatment is extended to the people visiting the Camps.

While recognizing the threat of global warming, we have been taking several initiatives to

counter this impact. Acknowledging this, we are committed to reducing greenhouse gas emissions by effectively utilizing the same in our Captive Power Plant for power generation and for gas firing in the Annealing Furnace.

INFORMATION TECHNOLOGY

We strongly believe that Information Technology (IT) is a vital and integral part of our business and it is the best tool that improves the quality and efficiency of our work. The strategic use of information technology can help organizations increase their competitive advantage and make considerable improvements in operating performance.

We are continuously focused on developing a business strategy with an IT component that is aligned with business objectives and is supported by sound business justification, which enable the organization to improve performance, increase productivity, and serve customers more effectively. It will also help mitigate the risks involved with technology decisions.

SAP has been adopted in all spheres of Organization's transaction system and the Company has been able to reap the benefits from industry-specific ERP solutions, which helped in developing comprehensive set of integrated, cross functional business processes, leading to enhancing the overall reporting and analytics environment to a greater level that facilitates operational management.

HUMAN RESOURCES

We believe that human resource management system of a company has a significant impact on individual and organizational effectiveness and brings consistency in human resource management practices and improves human relations in the company. With this object the Company has set up an effective HRMS, which is continuously focused on a strategic objective and works by improving employee

knowledge, skills, motivation and contribution opportunities. Based on their overarching goal, human resource management systems contribute to organizational effectiveness in multiple ways.

As part of Company's learning and development initiatives, the exercise of identifying skill sets of employees and career mapping is carried out on a regular basis and job-specific/need based training programmes are conducted across all levels of employees for skill upgradation and career development. The Company has also embarked on developing a Performance Linked Incentive Scheme for all the employees directly involved in the production. The Company also supported development of employees at managerial level with a Key Result Area (KRA) based Performance Management System.

Greater emphasis is given for employee participation for productivity improvement and operational efficiency involving all levels of employees through Kaizens and formation of Small Group Activities.

RISKS AND CONCERN

This has been dealt with separately in the Annual Report under "Risk Management".

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has an adequate system of internal controls in place. It has documented procedures covering all financial and operating functions. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliances with regulations and for ensuring reliability of financial reporting. The Company has continued its efforts to align all its processes and controls with global best practices in these areas as well.

The Company has a well-established multi-disciplinary Internal Audit team, which reviews and reports to management and the Audit Committee about the compliance with internal controls and the efficiency and effectiveness of operations and the key process risks. Audit Committee of the Board of Directors, comprising independent directors, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with Accounting Standards as well as reasons for changes in accounting policies and practices, if any.

OPPORTUNITIES & THREATS

Govt. of India's emphasis on rural water management, water and sewerage infrastructure development will be fulfilled only when there will be proper transportation of water to the end-user. This is one of the major demand drivers of the pipe industry. However, intense competition in the domestic market and volatility in the prices of major inputs may affect the margins.

OUTLOOK

With the completion of the expansion, the production of D.I. Pipes is expected to go up by 50,000 MT per annum, resulting in improved top-line and bottom-line of the Company. This apart, the continued surge in the demand for DI pipes is likely to contribute positively for the growth of the Company.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis and Directors' Report describing the Company's objectives, projections, estimates, expectations may constitute a "forward-looking statement" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates, changes in the Government Regulations, tax laws and other statutes and other incidental factors.

RISK MANAGEMENT

The Company is continuously focused on recognizing the risks involved in its business and is determined to put in place a sound risk management system, which reinforces its risk management competency. Risk management forms an integral part of the business planning and review cycle. The company's risk management system is designed to provide reasonable assurance that objectives are met by integrating management control into the daily operations.

ECONOMIC RISK

Due to high level of un-predictability in the prices of major raw materials used by the Company, it is open to the risk of narrowed margin.

To avoid this risk, the Company has been initiating various actions from time to time like entering long term contracts for supply of critical and major raw materials to ensure that impact of price volatility is minimized. Further, in order to reduce the dependence on procurement of major raw materials from outside sources like coke, iron ore etc., the Company has already installed additional battery at its Coke Oven Plant and set up Sinter plant to replace usage of high cost calibrated ore with iron ore fines to a greater extent. In addition to this, it has been the constant endeavour of the Company to stay focused on various cost cutting measures to minimize the margin risk.

COMPETITOR RISK

Intense competition in the domestic market may have an effect on the capacity utilization and profitability of the Company. However, the proposed developmental project enable the Company to enter into export market and the Company is determined on its continued efforts for expanding its foot prints in the overseas markets.

Besides, the high water & sewerage infrastructure investments and urbanization will continue to trigger demand for the DI pipes in the country.

ENVIRONMENT RISK

By virtue of its manufacturing process, the Company is exposed to the risk of environment pollution.

The company has implemented environmental management systems that have been certified as meeting the requirements of international standard ISO14001 and these systems provide us with a framework for managing compliance and achieving continuous improvement. Further, it has been the constant endeavour of the Company to emphasize regular focus on sustainable improvement of its Environmental Management System, which lowers the ramifications of its process on the environment.

INDUSTRIAL RISK

The Company, being labour concentrated, is open to the threat of labour unrest and instability.

The Company continuously stay focused on initiating various welfare measures, which helps in keeping the morale and motivation of its people high so as to attract and retain the employees for a longer duration. The Company has been able to maintain harmonious and cordial labour relations by implementing good IR practices and there have been no loss of man-days and production disturbance on this account.

FOREIGN EXCHANGE RISK

Considering overseas procurement of raw materials, machinery and exposure to External Commercial Borrowings, the Company is exposed to foreign exchange risk.

To mitigate this risk, the Company's Forex Management Committee frequently reviews its foreign exchange exposure and adopts comprehensive risk management system and hedges its foreign exchange exposure by implementing strategy of selective and systematic hedging of instruments forward contract, options etc.

PAYMENT RISK:

The company's major customers being Govt.

Bodies and PSUs, it is exposed to the risk of payment.

The Company regularly reviews its debtors position and take appropriate actions for the recovery of receivables. Besides, the strict evaluation process adopted by the Company for assessing credit worthiness of its customers and the strategy of covering majority of supplies through Letters of Credit and Bank Guarantee has minimized the risk of default.

INDEPENDENT AUDITOR'S REPORT

To
The Members of
LANCO INDUSTRIES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **LANCO INDUSTRIES LIMITED** ("the Company") which comprise the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about

whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- ii) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.; and
 - e) On the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **K.R. BAPUJI & Co.**
Chartered Accountants
Firm Registration Number: 000395S

K.R. BAPUJI
Partner
Membership Number: 021169

Place: Chennai
Date: 3rd May 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

Referred to in Paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our report of even date to the members of Lanco Industries Limited for the year ended 31st March, 2014.

- i) In respect of its Fixed Assets:
- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) As explained to us, the fixed assets have been physically verified by the management during the year as per a detailed program drawn for the said purpose, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- c) The fixed assets disposed off during the year do not constitute a substantial part of the fixed assets, and therefore, there is no affect on the going concern status of the Company.
- ii) In respect of its Inventories:
- a) As explained to us, the management has conducted physical verification of inventories during the year, except the materials in transit/materials lying with third parties. In our opinion, the frequency of the said verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
- c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to /from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) to (iii) (g) of paragraph 4 of the Order are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- v) In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
- a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) According to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in v (a) above and the value aggregating to more than Rupees five Lakhs in respect of each

such party, have been made at the prices which are reasonable having regard to prevailing market prices.

- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii) We have broadly reviewed the books of account maintained by the Company relating to its products, where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however not made a detailed examination of the records with

a view to determining whether they are accurate or complete.

- ix) In respect of statutory dues
 - a) According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues as applicable, with the appropriate authorities and there were no undisputed dues outstanding as at 31st March, 2014 for a period exceeding six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of Wealth tax, Service tax and Cess which have not been deposited on account of any dispute and the following are the details of dues of Sales tax, Income tax and Excise duty that have not been deposited on account of disputed matters pending before appropriate authorities as at 31st March, 2014:

| Name of the Statute | Nature of Dues | Amount (Rs. in Lakhs) | Period to which the amount relates | Forum where the dispute is pending |
|-----------------------------|---------------------------|------------------------------|-------------------------------------------|-------------------------------------------|
| APGST Act, 1957 | Sales Tax | 67.52* | 1999-00 | Sales Tax Appellate Tribunal |
| -do- | -do- | 40.51* | 1999-00 | -do- |
| -do- | -do- | 194.70* | 2002-03 | -do- |
| APVAT Act, 2005 | Interest on tax | 22.46* | 2012-13 | ADC (CT) |
| Central Sales Tax Act, 1956 | Sales Tax | 158.71* | 2000-01 | Sales Tax Appellate Tribunal |
| -do- | -do- | 41.60 | 2000-01 | High Court of Andhra Pradesh |
| Income Tax Act, 1961 | Income Tax | 10.87 | 2003-04 | High Court of Andhra Pradesh |
| -do- | -do- | 1.85 | 2004-05 | -do- |
| Central Excise Act, 1944 | Central Excise & Interest | 174.75 | 2007-08 & 2008-09 | CESTAT, Bangalore |

* Stay of collection granted for the demands.

- x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks. The Company did not have outstanding dues to debenture holders.
- xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund / society.
- xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, on overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of balance sheet of the Company, funds raised on short-term basis have not been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act.
- xix) During the year, the Company did not have any outstanding debentures.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) During the course of our examination of the books and other records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, no instance of fraud on or by the Company was reported during the year, nor have we been informed of such case by the management.

For **K.R. BAPUJI & Co.**

Chartered Accountants

Firm Registration Number: 000395S

K.R. BAPUJI

Partner

Membership Number: 021169

Place: Chennai

Date: 3rd May 2014

BALANCE SHEET AS AT 31ST MARCH 2014

| | Note No. | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|----------------------------------------------------------------|----------|----------------------------------|----------------------------------|
| A. EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| a) Share capital | 2 | 3,976.36 | 3,976.36 |
| b) Reserves and surplus | 3 | 18,572.05 | 15,400.51 |
| | | <u>22,548.41</u> | <u>19,376.87</u> |
| 2. Non-current liabilities | | | |
| a) Long-term borrowings | 4 | 17,462.43 | 15,065.58 |
| b) Deferred tax liabilities (Net) | 5 | 3,041.84 | 2,770.22 |
| c) Other long-term liabilities | 6 | 4,946.64 | 7,403.56 |
| d) Long-term provisions | 7 | 290.64 | 146.68 |
| | | <u>25,741.55</u> | <u>25,386.04</u> |
| 3. Current liabilities | | | |
| a) Short-term borrowings | 8 | 23,557.34 | 27,670.82 |
| b) Trade payables | 9 | 19,570.17 | 10,479.90 |
| c) Other current liabilities | 10 | 9,451.62 | 7,372.74 |
| d) Short-term provisions | 11 | 945.72 | 274.20 |
| | | <u>53,524.85</u> | <u>45,797.66</u> |
| | | <u>101,814.81</u> | <u>90,560.57</u> |
| B. ASSETS | | | |
| 1. Non-current assets | | | |
| a) Fixed assets | 12 | | |
| i) Tangible assets | | 43,470.03 | 44,029.70 |
| ii) Intangible assets | | 75.42 | 107.68 |
| iii) Capital work-in-progress | | 2,004.23 | 1,701.64 |
| | | <u>45,549.68</u> | <u>45,839.02</u> |
| b) Long-term loans and advances | 13 | 5,586.22 | 6,520.20 |
| | | <u>51,135.90</u> | <u>52,359.22</u> |
| 2. Current assets | | | |
| a) Investment | | - | - |
| b) Inventories | 14 | 23,675.14 | 20,826.10 |
| c) Trade receivables | 15 | 14,800.88 | 11,942.71 |
| d) Cash and Bank Balances | 16 | 5,735.02 | 1,020.62 |
| e) Short-term loans and advances | 17 | 2,651.99 | 1,385.25 |
| f) Other Current assets | 18 | 3,815.88 | 3,026.67 |
| | | <u>50,678.91</u> | <u>38,201.35</u> |
| Significant Accounting Policies & Notes on Accounts | 1 | <u>101,814.81</u> | <u>90,560.57</u> |

As per our report attached
For **K.R. Bapuji & Co.**
Firm Registration No. 000395S
Chartered Accountants

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 3rd May 2014

For and on behalf of the Board

R.K. Khanna
Director

Mayank Kejriwal
Managing Director

A.R. Surana
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2014

| | Note No. | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|----------------------------------------------------------------|-------------|----------------------------------|----------------------------------|
| 1. Revenue from operations (Gross) | 19 | 103,715.95 | 89,762.13 |
| Less: Excise duty | | <u>4,776.39</u> | <u>3,373.20</u> |
| Revenue from operations (net) | 19 | 98,939.56 | 86,388.93 |
| 2. Other Income | 20 | <u>724.06</u> | <u>1,002.43</u> |
| 3. Total revenue (1+2) | | <u>99,663.62</u> | <u>87,391.36</u> |
| 4. Expenses | | | |
| a) Cost of materials consumed | 21 | 54,436.78 | 56,974.38 |
| b) Purchases of traded goods | 22 | 5,503.70 | 1,038.37 |
| c) Changes in inventories of finished goods & work-in-progress | 23 | (1,440.22) | 763.19 |
| d) Employee benefits expense | 24 | 4,436.27 | 3,798.94 |
| e) Finance costs | 25 | 5,489.61 | 6,041.80 |
| f) Depreciation and amortisation expense | 12 | 2,794.28 | 2,218.42 |
| g) Other expenses | 26 | <u>24,301.55</u> | <u>18,688.91</u> |
| Total expenses | | <u>95,521.97</u> | <u>89,524.01</u> |
| 5. Profit / (Loss) before tax (3 – 4) | | 4,141.65 | (2,132.65) |
| 6. Tax expenses: | | | |
| a) Current tax | | (902.49) | – |
| – MAT Credit | | 902.49 | – |
| b) Deferred tax | | <u>(271.62)</u> | <u>823.03</u> |
| 7. Profit / (Loss) for the year (5 – 6) | | <u>3,870.03</u> | <u>(1,309.62)</u> |
| Earnings per share (of Rs 10/- each): | | | |
| a) Basic | | 9.73 | (3.29) |
| b) Diluted | | 9.73 | (3.29) |

Significant Accounting Policies & Notes on Accounts 1

As per our report attached
For **K.R. Bapuji & Co.**
Firm Registration No. 000395S
Chartered Accountants

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 3rd May 2014

For and on behalf of the Board

R.K. Khanna
Director

Mayank Kejriwal
Managing Director

A.R. Surana
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|-----------------------------------------------------------|----------------------------------|----------------------------------|
| A. Cash Flow from operating activities | | |
| Net Profit Before Tax | 4,141.65 | (2,132.65) |
| Adjustments for: | | |
| Interest & Financial Charges | 5,489.61 | 6,041.80 |
| Depreciation/Amortisation | 2,794.28 | 2,218.42 |
| (Profit)/Loss on Sale of Fixed Assets | 1.97 | 1.71 |
| (Profit) /Loss on sale of Investments | – | (0.25) |
| | <u>8,285.86</u> | <u>(0.25)</u> |
| Operating Profit before working Capital changes | <u>12,427.51</u> | <u>6,129.03</u> |
| Adjustments for: | | |
| (Increase)/decrease in Long term Loans & Advances | 933.98 | 511.81 |
| (Increase)/decrease in short Term Loans & Advances | (1,266.74) | 690.77 |
| (Increase)/decrease in Other Current assets | (1,411.27) | (1,050.47) |
| (Increase)/decrease in Trade & Other Receivables | (2,858.17) | 294.48 |
| (Increase)/decrease in Inventories | (2,849.04) | 11,050.89 |
| Increase/(decrease) in Long term liabilities & provisions | (2,312.96) | 2,116.29 |
| Increase/(decrease) in current liabilities | <u>11,099.49</u> | <u>(1,227.54)</u> |
| | <u>1,335.29</u> | <u>12,386.23</u> |
| Cash Generated from Operations | 13,762.80 | 18,515.26 |
| Direct Taxes Paid | 750.00 | – |
| Prior period adjustment -Taxation | (0.67) | – |
| Cash from Operating Activities | <u>14,512.13</u> | <u>18,515.26</u> |
| B. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (2,510.13) | (10,599.33) |
| Sale of Fixed Assets | 3.21 | 3.29 |
| Income on Investments | – | 0.25 |
| Net Cash Flow From Investing Activities | <u>(2,506.92)</u> | <u>(10,595.79)</u> |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

| C. Cash Flow from Financing Activities | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|-------------------------------------------------------------------|----------------------------------|----------------------------------|
| Long Term Borrowings-Receipts/ (Repayments)[Net] | 2,396.85 | 2,106.86 |
| Short Term Borrowings-Receipts/ (Repayments)[Net] | (4,113.48) | (4,442.05) |
| Interest Paid | (5,446.24) | (6,013.20) |
| Dividend Paid | - | - |
| Tax on Dividend | - | - |
| Net Cash flow From Financing Activities | <u>(7,162.87)</u> | <u>(8,348.39)</u> |
| Net Increase/(Decrease) in cash & Cash Equivalents (A+B+C) | 4,842.34 | (428.92) |
| Cash & Cash Equivalent as at Beginning of Year | <u>431.66</u> | <u>860.58</u> |
| Cash & Cash Equivalent as at End of the Year (Refer Note 16.1) | <u>5,274.00</u> | <u>431.66</u> |
| Components of Cash & Cash Equivalents | | |
| Cash On Hand | 1.78 | 3.59 |
| Balances with Banks | | |
| In Current Account | 5,252.90 | 407.32 |
| In Unpaid Dividend | <u>19.32</u> | <u>20.75</u> |
| | <u>5,274.00</u> | <u>431.66</u> |

Note:

The Cash Flow Statement has been prepared under indirect method as set out in the Accounting Standard-3 on "Cash Flow Statements" notified by Companies Accounting Standards Rules, 2006 (as amended).

As per our report attached
For **K.R. Bapuji & Co.**
Firm Registration No. 000395S
Chartered Accountants

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 3rd May 2014

For and on behalf of the Board

R.K. Khanna
Director

Mayank Kejriwal
Managing Director

A.R. Surana
Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2014

Corporate Information

Lanco Industries Limited (the company), incorporated under the Companies Act, 1956, in the year 1991, is engaged in the manufacture and supply of Ductile Iron Pipe as its core business with its domicile presence in the State of Andhra Pradesh, India. The company is a leading Public Utility Services company predominantly catering to the needs of Water Infrastructure Development. The company also produces Low Ash Metallurgical Coke, Sinter and Power for captive consumption in its integrated complex. It also manufactures and supply Pig Iron and Cement, in the process. The company's shares are listed on the National Stock Exchange Limited and the Bombay Stock Exchange Limited and the shares are traded regularly.

1. SIGNIFICANT ACCOUNTING POLICIES:**A) Basis of Preparation**

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in India (GAAP) under the historical cost convention on the accrual basis except as disclosed in the notes and materially comply with the mandatory Accounting Standards as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 2013 (to the extent notified) and the Companies Act, 1956 (to the extent applicable) and guidelines issued by the Securities and Exchange Board of India (SEBI) and the Institute of Chartered Accountants of India except to the extent disclosed in the following notes. The accounting policies adopted in preparation of financial statements are consistent with those of previous year except for change in accounting policy initially adopted or a revision to the existing accounting policy that requires a change as against the one hitherto in use.

B) Use of Estimates

The preparation of financial statements

requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures relating to contingent liabilities as at the Balance Sheet date and the reported amounts of income and expenses during the year.

Contingencies are recorded when it is probable that a liability will be incurred and the amounts can reasonably be estimated. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

C) Fixed Assets and Depreciation:**1) Tangible Assets:****i) Gross Block:**

- a) Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenses related to acquisition with due adjustments for Cenvat / VAT credits.
- b) Capital Work-in-progress includes Machinery to be installed, Construction & Erection Materials, and unallocated preoperative expenses etc.

ii) Depreciation:

- a) Leasehold land is amortized on straight-line method over the period of the lease.
- b) Depreciation is provided on fixed assets used during the year under Straight Line Method at the rates specified in the Schedule XIV of the Companies Act, 1956.
- c) From accounting year commencing on or after 1.4.2011, the company adjusts exchange difference arising on translation / settlement of long-term foreign currency monetary items by reinstating the liabilities as at balance sheet date pertaining to acquisition of a depreciable asset to the cost of the asset and depreciates the same at the applicable rate in respect of such asset.

2) Intangible Assets:

Intangible assets are stated at cost of acquisition less accumulated amortization. This includes computer software packages (ERP and others). Amortization is done on straight line basis at the rates specified in the Schedule XIV of the Companies Act, 1956.

D) Revenue Recognition:

All expenses and income to the extent considered payable and receivable respectively unless specifically stated to be otherwise are accounted for on mercantile basis.

E) Sales:

Sales include excise duty, wherever applicable and rebate, discounts, claims, expenses incurred on consignment sales etc. are excluded there from. Sales on consignment and expenses there against are being accounted for based on account sales from the respective consignee.

F) Investments:

Long Term Investments are stated at cost less permanent diminution, if any, in value. Current Investments are carried at lower of cost or fair value.

G) Inventories:

- i) Inventories are valued at lower of the cost or net realizable value. Cost in respect of raw materials, Stores and Spares have been calculated on weighted average basis, which includes expenses incidental to procurement of the same.
- a) By-Products are valued at net realizable value.
- b) Cost in respect of finished goods includes manufacturing expenses, factory and administrative overheads and excise duty.
- c) Cost in respect of work in progress represents, cost incurred upto the stage of completion.

H) Foreign Currency Transactions:

Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of the date of transaction. Foreign currency assets and liabilities are retranslated at exchange rates prevailing at the reporting date.

The loss or gain thereon and also on exchange differences on settlement of the foreign currency transactions during the year are adjusted to the Statement of Profit and Loss. The difference between the forward rate and exchange rate at the date of transaction is recognized as income or expense over the life of the contracts. For accounting period commencing from 1.4.2011, the exchange differences arising on long term foreign currency monetary items related to acquisition of fixed assets are capitalized and depreciated at the applicable rate in respect of such asset. For this purpose, the company treats a foreign monetary item as long term foreign currency monetary item if it has a term of more than 12 months at the date of its origination.

I) Retirement Benefits:

- i) **Provident & Family Pension Fund:** In accordance with the provisions of the Employee Provident Funds and Miscellaneous Provisions Act, 1952, eligible employees of the company are entitled to receive benefits with respect to provident fund, a defined contribution plan, in which both the company and employee contribute monthly to Provident Fund Scheme, by the Central Government at a determined rate and the Company's contribution is charged off to the Statement of Profit & Loss.
- ii) **Leave Encashment Benefits:** Leave encashment benefits payable to employees while in service, retirement and death while in service or on termination of employment with respect to accumulated leaves outstanding at the year end are accounted

for on basis of actuarial valuation at the balance sheet date. The present value of such obligation is determined by the projected unit credit method as at the balance sheet date through which the obligations are settled. The resultant actuarial gain or loss on change in present value of defined benefit obligation or change in return of the plan assets is recognized as an income or expense in the Statement of Profit and Loss.

- iii) Gratuity: Contributions under the scheme for defined benefit under the Payment of Gratuity Act, 1972, is determined on the basis of actuarial valuation and are funded to Life Insurance Corporation of India and recognized as year's expenditure.

J) Miscellaneous Expenses:

Preliminary Expenses and expenditure in connection with issue of shares are being written off over a period of ten years or earlier.

K) Borrowing Costs:

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of cost of such asset till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

In accordance with Accounting Standard 16 Borrowing cost includes interest, amortization of ancillary cost incurred with the arrangement of borrowing and exchange differences arising from foreign currency borrowing to the extent they are regarded as an adjustment to the interest cost.

L) Contingent Liabilities:

Contingent liabilities are generally not provided for and are disclosed by way of notes to the accounts.

M) Segment Reporting:

The accounting policies adopted for segment reporting are in line with the accounting policies adopted in financial statements.

N) Export Benefits:

Export benefits arising on account of entitlement for duty free imports are accounted for through import of materials. Such benefits under Duty Entitlement Pass Books (DEPB) are accounted for on accrual basis.

O) Government Grants & Other Claims

Revenue grants including subsidy / rebates, refunds, claims etc. are credited to Statement of Profit and Loss Account under 'Other Income' or deducted from the related expenses. Grants relating to fixed assets are credited to Capital Reserve Account or adjusted in the cost of such assets as the case may be, as and when the ultimate realizability of such grants etc. are established/ realized.

P) Income Tax

Provision for Tax is made for both current and deferred taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences, which are capable of reversal in subsequent periods are recognized using tax rates and tax laws, which have been enacted or substantively enacted.

Q) Derivative Instruments:

Derivative transactions of Interest and Foreign Currency Swap and Option contracts are accounted for on their settlement and accordingly the gains / losses arising there from are recognized in the Statement of Profit & Loss as and when the settlement takes place in accordance with the terms of respective contracts.

2. SHARE CAPITAL

| | 31st March '14 | | 31st March '13 | |
|-----------------------------------------------------------------------------------------------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | No. of Shares (in Lakhs) | Rs. in Lakhs | No. of Shares (in Lakhs) | Rs. in Lakhs |
| Authorized Shares | | | | |
| Equity Shares of Rs. 10/- each | <u>530.00</u> | <u>5,300.00</u> | <u>530.00</u> | <u>5,300.00</u> |
| Issued, Subscribed and Paid up Shares | | | | |
| Equity Shares of Rs. 10/- each | <u>397.63</u> | <u>3,976.36</u> | <u>397.63</u> | <u>3,976.36</u> |
| Total | <u>397.63</u> | <u>3,976.36</u> | <u>397.63</u> | <u>3,976.36</u> |
| Reconciliation of Shares outstanding at the beginning and at the end of the reporting period | | | | |
| Opening number of Shares Outstanding | <u>397.63</u> | <u>3,976.36</u> | <u>397.63</u> | <u>3,976.36</u> |
| Closing number of Shares Outstanding | <u>397.63</u> | <u>3,976.36</u> | <u>397.63</u> | <u>3,976.36</u> |

Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

A dividend of 15% has been recognized as distribution to equity shareholders for the year ended 31.03.2014 (31st March 2013:Nil)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Details of shareholders holding more than 5% shares in the company

| Particulars | 31st March '14 | | 31st March '13 | |
|--------------------------------------------------------------------------------------|------------------------|---------------------|------------------------|---------------------|
| | No. of Shares in Lakhs | % holding | No. of Shares in Lakhs | % holding |
| Equity shares with voting rights | | | | |
| M/s. Electrosteel Castings Ltd | 193.01 | 48.54 | 193.01 | 48.54 |
| Avis-Tie Up Private Limited | 72.00 | 18.11 | – | – |
| Dalmia Securities Private Limited | 27.35 | 6.88 | – | – |
| Shri L. Madhusudhan Rao | – | – | 22.85 | 5.75 |
| Shri G. Bhaskara Rao | – | – | 22.85 | 5.75 |
| Shri L. Sridhar | – | – | 22.83 | 5.74 |
| Shri L. Rajagopal | – | – | 22.84 | 5.75 |
| 3. Reserves and Surplus | Rs. in Lakhs | Rs. in Lakhs | Rs. in Lakhs | Rs. in Lakhs |
| a) Capital Reserve | | | | |
| Opening Balance | | 55.97 | | 55.97 |
| b) General Reserve | | | | |
| Opening Balance | 15,500.00 | | 15,500.00 | |
| Add: Transfer from Statement of profit & loss | 2,000.00 | | – | |
| Closing Balance | | 17,500.00 | | 15,500.00 |
| c) Surplus | | | | |
| Opening Balance | (155.46) | | 1,154.16 | |
| Add/(Less): Profit/(Loss) during the year | 3,870.03 | | (1,309.62) | |
| (Less): Prior period Adjustment – Taxation | (0.67) | | – | |
| (Less): Transfer to General Reserve | (2,000.00) | | – | |
| (Less): Proposed equity dividend (amount per share Rs. 1.50 (Previous year Rs. Nil)) | (596.45) | | – | |
| (Less): Tax on equity dividends | (101.37) | | – | |
| Closing Balance | | 1,016.08 | | (155.46) |
| Total | | 18,572.05 | | 15,400.51 |

| 4. Long Term Borrowings | 31st March '14 | | 31st March '13 | |
|-------------------------------------------------------------------------|------------------|-----------------|------------------|----------|
| | Rs. in Lakhs | | Rs. in Lakhs | |
| Secured – from Banks | Non Current | Current | Non Current | Current |
| Rupee Term loans | 5,062.50 | 1,312.50 | 1,375.00 | 1,875.00 |
| External Commercial Borrowing | 12,399.93 | 2,636.76 | 13,629.30 | 1,574.70 |
| Unsecured | | | | |
| Sales tax Deferment | – | 61.28 | 61.28 | 491.42 |
| | 17,462.43 | 4,010.54 | 15,065.58 | 3,941.12 |
| Less: Amount shown under other current liabilities (Note No. 10) | – | 4,010.54 | – | 3,941.12 |
| Total | 17,462.43 | – | 15,065.58 | – |

Terms of Repayment and rate of interest:

- Rupee Term Loan of Rs. 5000 Lakhs is repayable in 16 Quarterly installments of Rs. 312.50 Lakhs each starting from 31/03/2015 and it carries an interest @ 11% p.a. payable monthly.
- Rupee Term Loan of Rs. 625 Lakhs is repayable in 2 Quarterly installments of Rs. 312.50 Lakhs each and it carries an interest @ 11.82% p.a. payable monthly.
- Rupee Term Loan of Rs. 750 Lakhs repayable in 8 Quarterly installments of Rs. 93.75 Lakhs each and it carries an interest @ 13.50% p.a. payable monthly.
- Foreign Currency loan of Rs. 9345.24 Lakhs (US\$ 155.998 Lakhs) is repayable in 13 half yearly installments of US\$ 12,00,600 and carries an interest at LIBOR plus 4.6494% p.a payable half yearly.
- Foreign Currency loan of Rs. 5691.45 Lakhs (US\$ 95 Lakhs) is repayable in 7 half yearly installments of US\$10 Lakhs each on 22/5/2014, 22/11/2014, 22/5/2015, US\$ 15 Lakhs each on 22/11/2015, 22/5/2016, 22/11/2016 and US\$ 20 Lakhs on 22/5/2017 and carries an interest at LIBOR plus 3.7455% p.a payable half yearly.
- Sales tax Deferment – Rs. 61.28 Lakhs is due on 20/09/2014 and is interest free.

Nature of security:

Rupee term loan of Rs. 5000 Lakhs is secured by way of first pari-passu charge on the movable & immovable Fixed Assets of the company and subservient charge of raw materials, semi finished goods and finished goods, consumables, stores and spares, book debts, both present and future.

Rupee term loans of Rs. 1375 Lakhs and Foreign Currency loans from Banks are secured by way of first pari-passu charge on the movable & immovable Fixed Assets of the company both present and future.

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|-----------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| 5. Deferred tax liabilities (Net): | | |
| Deferred Tax Liability | | |
| Fixed Asset – Impact of Difference between tax depreciation and Depreciation charged in the financial statement | 5,314.83 | 5,110.88 |
| Gross Deferred Tax Liability | <u>5,314.83</u> | <u>5,110.88</u> |
| Deferred Tax Asset | | |
| Impact of Expenditure charged to statement of Profit & Loss but allowed only on actual payment for tax purpose | 193.61 | 112.44 |
| Provision for Doubtful debts and advances | 573.96 | 366.86 |
| Unabsorbed Depreciation carried forward | 1,505.42 | 1,861.36 |
| Gross Deferred Tax Asset | <u>2,272.99</u> | <u>2,340.66</u> |
| Net deferred tax liability | <u>3,041.84</u> | <u>2,770.22</u> |
| 6. Other long term liabilities | | |
| Foreign Currency Loan | – | 2,009.64 |
| Other Payables | 1,242.88 | 1,211.55 |
| Advances from related party | 3,632.62 | 4,134.00 |
| Deposits from Customers | 71.14 | 48.37 |
| Total | <u>4,946.64</u> | <u>7,403.56</u> |
| 7. Long Term Provisions | | |
| For Employee Benefits (Refer Note No – 31) | | |
| - Unavailed Leave | 290.64 | 146.68 |
| Total | <u>290.64</u> | <u>146.68</u> |
| 8. Short Term Borrowings – from Banks Secured | | |
| Working Capital Loans – from Banks | | |
| Rupee Loan | 13,417.50 | 13,852.09 |
| Foreign Currency Loan | 10,139.84 | 13,818.73 |
| Total | <u>23,557.34</u> | <u>27,670.82</u> |

Nature of Security and rate of interest

Working Capital facilities availed from banks are secured by hypothecation of raw materials, semi finished goods and finished goods, consumables, stores and spares, book debts, both present and future of the company and rank pari-passu among themselves and the rate of interest ranges from 10% to 13.5% p.a. and are payable on demand.

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|---------------------------------------------------------------|----------------------------------|----------------------------------|
| 9. Trade payables | | |
| Trade payables | <u>19,570.17</u> | <u>10,479.90</u> |
| Total | <u>19,570.17</u> | <u>10,479.90</u> |
| (Refer Note No. 34 for amount due to related parties) | | |
| 10. Other Current Liabilities | | |
| Current maturities of long-term borrowings (Refer Note No 4) | 4,010.54 | 3,941.12 |
| Interest accrued but not due on borrowings | 313.63 | 357.00 |
| Unpaid dividends | 19.32 | 20.75 |
| Others | | |
| – Creditors for capital goods | 2,217.26 | 478.95 |
| – Statutory Dues | 292.14 | 556.87 |
| – Provision for Taxation (Net of Advance Tax of Rs 750 Lakhs) | 152.49 | – |
| – Amount due to Employees and Others | 322.22 | 280.72 |
| – Advance from Customers | 809.04 | 680.56 |
| – Retention Money | 160.49 | 190.35 |
| – Outstanding Expenses | 1,154.49 | <u>866.42</u> |
| Total | <u>9,451.62</u> | <u>7,372.74</u> |
| 11. Short Term Provisions | | |
| Proposed Dividend | 697.81 | – |
| Employee Benefits | 247.91 | <u>274.20</u> |
| Total | <u>945.72</u> | <u>274.20</u> |

12. Fixed Assets

i) Tangible Assets

Rs. in Lakhs

| S.No. | DESCRIPTION NAME OF THE ASSET | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|-------|----------------------------------|-------------------------|-----------|----------------------|-------------------------|-------------------|-----------------|----------------------|-------------------|--------------------|--------------------|
| | | Cost as on 01-Apr-13 | Additions | Sales/ Adjustment | Cost as on 31-Mar-14 | Upto 31-Mar-13 | For the year | Sales/ Adjustment | Upto 31-Mar-14 | As on 31-Mar-14 | As on 31-Mar-13 |
| 1. | a) Land | 1,483.78 | - | - | 1,483.78 | - | - | - | - | 1,483.78 | 1,483.78 |
| | b) Leasehold Land | 93.67 | - | - | 93.67 | 7.53 | 3.12 | - | 10.65 | 83.02 | 86.14 |
| 2. | a) Factory Building | 6,850.62 | - | - | 6,850.62 | 2,025.50 | 228.81 | - | 2,254.31 | 4,596.31 | 4,825.12 |
| | b) Non Factory Building | 1,342.46 | - | - | 1,342.46 | 163.58 | 21.88 | - | 185.46 | 1,157.00 | 1,178.88 |
| 3. | Plant & Machinery | 47,299.07 | 2,126.06 | - | 49,425.13 | 12,410.39 | 2,295.87 | - | 14,706.26 | 34,718.87 | 34,888.68 |
| 4. | Electrical Installation | 2,660.01 | 5.28 | - | 2,665.29 | 1,513.81 | 126.55 | - | 1,640.36 | 1,024.93 | 1,146.20 |
| 5. | Office Equipment | 490.05 | 16.70 | - | 506.75 | 249.43 | 27.16 | - | 276.59 | 230.16 | 240.62 |
| 6. | Furniture | 171.35 | 2.69 | - | 174.04 | 124.00 | 6.43 | - | 130.43 | 43.61 | 47.35 |
| 7. | Vehicles | 573.31 | 40.02 | 11.67 | 601.66 | 440.38 | 35.42 | 6.49 | 469.31 | 132.35 | 132.93 |
| | TOTAL | 60,964.32 | 2,190.75 | 11.67 | 63,143.40 | 16,934.62 | 2,745.24 | 6.49 | 19,673.37 | 43,470.03 | 44,029.70 |
| | Previous Year figures | 45,782.83 | 15,195.66 | 14.17 | 60,964.32 | 14,773.80 | 2,170.01 | 9.18 | 16,934.62 | 44,029.70 | 31,009.03 |

ii) Intangible Assets

| S.No. | DESCRIPTION NAME OF THE ASSET | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | | |
|-------|----------------------------------|-------------------------|-----------|----------------------|-------------------------|-------------------|-----------------|----------------------|-------------------|--------------------|--------|
| | | Cost as on 01-Apr-13 | Additions | Sales/ Adjustment | Cost as on 31-Mar-14 | Upto 31-Mar-13 | For the year | Sales/ Adjustment | Upto 31-Mar-14 | As on 31-Mar-13 | |
| 1. | Computer Software | 302.57 | 16.78 | - | 319.35 | 194.89 | 49.04 | - | 243.93 | 75.42 | 107.68 |
| | Previous Year figures | 286.66 | 15.91 | - | 302.57 | 146.48 | 48.41 | - | 194.89 | 107.68 | 140.18 |

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|---------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| 13. Long Term Loans and Advances (Unsecured) | | |
| 13.1 Capital Advances | | |
| – Considered good | 59.91 | 0.64 |
| 13.2 Security Deposits | | |
| – Considered good | 5,526.31 | 6,519.56 |
| – Doubtful | 1,045.73 | 752.41 |
| | <u>6,572.04</u> | <u>7,271.97</u> |
| Less: Provision for Doubtful security deposits | 1,045.73 | 752.41 |
| | <u>5,526.31</u> | <u>6,519.56</u> |
| Total | <u>5,586.22</u> | <u>6,520.20</u> |
| 14. Inventories (Valued at lower of Cost and Net Realisable Value) | | |
| Raw Materials | 16,311.47 | 14,650.58 |
| Raw Materials in Transit | – | 73.43 |
| Work-in-Progress | 1,558.34 | 1,000.80 |
| Finished Goods | 1,806.39 | 923.71 |
| Stores & Spares | 3,998.94 | 4,177.58 |
| | <u>23,675.14</u> | <u>20,826.10</u> |
| Total | <u>23,675.14</u> | <u>20,826.10</u> |
| 15. Trade Receivables (Unsecured) | | |
| Exceeding Six Months | | |
| – Considered good | 1,042.12 | 1,776.71 |
| – Doubtful | 642.88 | 559.18 |
| | <u>1,685.00</u> | <u>2,335.89</u> |
| Less: Provision for doubtful Receivables | 642.88 | 559.18 |
| | <u>1,042.12</u> | <u>1,776.71</u> |
| – Other Receivables considered good (Refer Note No. 34 for amount due from related parties) | 13,758.76 | 10,166.00 |
| | <u>14,800.88</u> | <u>11,942.71</u> |
| Total | <u>14,800.88</u> | <u>11,942.71</u> |

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------------------|
| 16. Cash and Bank Balances | | |
| 16.1 Cash and Cash Equivalents | | |
| Cash on Hand | 1.78 | 3.59 |
| Balances with Banks | | |
| in current account | 5,252.90 | 407.32 |
| in Unpaid Dividend | 19.32 | 20.75 |
| | <u>5,274.00</u> | <u>431.66</u> |
| 16.2 Others | | |
| Margin Money | 377.60 | 29.53 |
| Deposit with bank with 3 – 12 months maturity | 64.31 | 541.27 |
| Deposit with bank more than 12 months maturity | 19.11 | 18.16 |
| Total | <u>5,735.02</u> | <u>1,020.62</u> |
| Fixed Deposits with banks include fixed deposit of Rs. 83.42 Lakhs (Previous Year Rs. 59.43 Lakhs) lodged with Government departments and customers. | | |
| 17. Short Term Loans and Advances (Unsecured) | | |
| – Considered good | 2,651.99 | 1,385.25 |
| (Refer Note no. 42(ii) for advances to employees) | | |
| Total | <u>2,651.99</u> | <u>1,385.25</u> |
| 18. Other Current Assets | | |
| Balance with Government Authorities | 1,449.80 | 1,854.44 |
| Tax Refunds Receivable | 858.77 | 657.25 |
| MAT Credit Entitlement | 902.79 | 0.30 |
| Interest Receivable | 131.54 | 89.78 |
| Prepaid Expenses | 472.98 | 424.90 |
| Total | <u>3,815.88</u> | <u>3,026.67</u> |
| 19. Revenue from operations | | |
| 19.1 Sale of Manufactured Products | | |
| – D I Spun Pipes | 73,991.46 | 71,170.63 |
| – Pig Iron | 5,299.13 | 4,249.65 |
| – Cement | 1,908.84 | 1,998.05 |
| – Coke | 5,346.29 | 476.64 |
| – Other Products | 11,031.53 | 10,199.09 |
| 19.2 Sale of Traded Products | | |
| – Coal | 5,920.81 | 1,023.37 |
| 19.3 Other Operating Revenue | | |
| – Sales Tax Subsidy | 217.89 | 419.93 |
| – Carbon Credit | – | 224.77 |
| Total | <u>103,715.95</u> | <u>89,762.13</u> |

(Refer Note No. 34 for sales to related parties)

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|--------------------------------------------------------------------------|----------------------------------|----------------------------------|
| 20. Other Income | | |
| Interest Income | 706.54 | 873.92 |
| Net Gain / (Loss) on Sale of Investments | - | 0.25 |
| Miscellaneous Income | 17.52 | 128.26 |
| Total | <u>724.06</u> | <u>1,002.43</u> |
| 21. Cost of materials consumed | 54,436.78 | 56,871.04 |
| Details of Materials consumed | | |
| Coking Coal | 22,902.59 | 24,640.69 |
| Iron Ore / Iron Ore Fines | 14,498.78 | 20,032.44 |
| CRC / MS Scrap | 4,818.26 | 6,633.93 |
| Others | 12,217.15 | 5,563.98 |
| Total | <u>54,436.78</u> | <u>56,871.04</u> |
| 22. Details of Traded goods purchased | | |
| Coal | 5,503.70 | 1,036.10 |
| Others | 0.00 | 2.27 |
| Total | <u>5,503.70</u> | <u>1,038.37</u> |
| 23. Changes in inventories of Finished goods and work in progress | | |
| Opening Stock | | |
| Work in process | 1,000.80 | 979.16 |
| Finished Goods | 923.71 | 1,708.54 |
| Closing Stock | | |
| Work in process | 1,558.34 | 1,000.80 |
| Finished Goods | 1,806.39 | 923.71 |
| Total | <u>(1,440.22)</u> | <u>763.19</u> |
| Details of Inventory | | |
| Work in Progress | | |
| D.I. Pipes | 707.11 | 439.65 |
| Scrap | 372.52 | 261.97 |
| Others | 478.71 | 299.18 |
| Total | <u>1,558.34</u> | <u>1,000.80</u> |
| Finished Goods and By-Products | | |
| D.I. Pipes | 1,109.07 | 560.30 |
| Pig Iron | 70.28 | 173.70 |
| Others | 627.04 | 189.71 |
| Total | <u>1,806.39</u> | <u>923.71</u> |

| | 31st March '14 (Rs. in Lakhs) | 31st March '13 (Rs. in Lakhs) |
|-------------------------------------------------------------------------------|-----------------------------------------|----------------------------------|
| 24. Employee Benefit Expense | | |
| Salaries, Wages, Bonus and Other Benefits | 3,632.62 | 3,122.34 |
| Contribution to Provident and Other Fund | 243.23 | 211.80 |
| Employees Welfare | 560.42 | 464.80 |
| Total | 4,436.27 | 3,798.94 |
| (Refer Note No. 30 for amount Capitalised) | | |
| 25. Finance Cost | | |
| Interest Expenses | 4,934.95 | 5,285.10 |
| Other Finance Cost | 703.65 | 297.90 |
| Loss/(Gain) on Exchange difference to the extent considered as finance cost | (148.99) | 458.80 |
| Total | 5,489.61 | 6,041.80 |
| (Refer Note No. 30 for amount Capitalised) | | |
| 26. Other Expenses | | |
| Power & Fuel | 5,410.33 | 5,171.23 |
| Consumption of Stores, Spares & Consumables | 11,456.61 | 8,001.59 |
| Handling & Transport charges | 2,871.55 | 2,276.14 |
| Directors' Remuneration | 137.62 | 7.40 |
| Rent | 76.68 | 54.77 |
| Professional and consultancy | 205.09 | 176.06 |
| Rates & Taxes (including Wealth Tax Rs. 0.42 Lakhs, Previous year 0.35 Lakhs) | 194.71 | 117.02 |
| Insurance | 133.08 | 123.93 |
| Freight, Packing, Forwarding & LD Charges | 837.43 | 334.48 |
| Commission to Selling Agents | 980.16 | 963.38 |
| Loss on sale/discard of fixed Assets (net) | 1.97 | 1.71 |
| Repairs & Maintenance: | | |
| – Plant & Machinery | 809.19 | 639.90 |
| – Buildings | 147.17 | 90.85 |
| – Others | 1.17 | 3.30 |
| Provision for doubtful receivables & advances | 506.33 | 331.15 |
| Auditors' Remuneration: | | |
| – Audit fee | 3.50 | 3.50 |
| – Tax Audit | 1.50 | 1.50 |
| – Certification fee | 2.41 | 1.50 |
| – Out of Pocket Expenses | 0.84 | 0.49 |
| Bad debts written off | 129.29 | 545.82 |
| Less: Transferred from Bad Debts Provision | 129.29 | 545.82 |
| Donations | 0.87 | – |
| Miscellaneous Expenses | 523.34 | 389.01 |
| Total | 24,301.55 | 18,688.91 |

27. Contingent Liabilities not provided for:

| | 2013-14 Rs. in Lakhs | 2012-13 Rs. in Lakhs |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------|
| a) Guarantees given by banks on behalf of the Company. | 927.31 | 1031.67 |
| b) Bills discounted with banks | 2874.28 | 7984.53 |
| c) Outstanding Letter of Credits | 455.69 | – |
| d) Various demands raised, which in the opinion of the management are not tenable and are pending with various forums / authorities: | | |
| i) Sales Tax | 1514.66 | 1364.76 |
| ii) Excise, Custom Duty & Service Tax | 183.00 | 395.68 |
| iii) Income Tax | 37.72 | 37.72 |

27.1. Commitments not provided for:

| | 2013-14 Rs. in Lakhs | 2012-13 Rs. in Lakhs |
|--------------------------------------------------------|---------------------------------|-------------------------|
| Estimated amount of Capital contracts not provided for | 1405.63 | 237.67 |
| Export Obligations to be fulfilled | Nil | 39.07 |

28.In the opinion of the Management, Current Assets and Loans & Advances have the value at which these are stated in the Balance Sheet, if, realized in the ordinary course of business, unless otherwise stated and adequate provisions for all known liabilities have been made and are not in excess of the amount reasonably required.

29.Disclosure of Trade Payables under current/Non Current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the “Micro, Small and Medium Enterprises Development Act, 2006” (the Act). There are no delays in payment made to such suppliers and there is no overdue amount outstanding as at the Balance Sheet date. Based on the above the relevant disclosure u/s 22 of Act are as follows:

| | Rs. in Lakhs |
|-----------------------------------------------------|---------------------|
| Principal amount outstanding at the end of the year | Nil |
| Interest amount due at the end of the year | Nil |
| Interest Paid to suppliers | Nil |

30.A) Pursuant to the Companies (Accounting Standards) Amendment Rules, 2011 vide GSR 914(E) dated 29th December, 2011, the Company has exercised the option of adjusting the cost of assets, for the exchange differences arising on long term foreign currency monetary items, in respect of accounting periods commencing from 1st April, 2011, which were hitherto recognized as income or expenses in the period in which they arose. As a result, such exchange differences so far as they relate to the acquisition of depreciable capital assets have been adjusted with the cost of such assets, to be depreciated over the balance useful life of the respective assets. Consequently, the Fixed Assets – Rs.1692.29 Lakhs (Previous year Rs.496.24 Lakhs) and Capital work-in-progress – Rs.104.30 Lakhs (Previous year Rs.28.29 Lakhs) is higher and charge to the Statement of Profit and Loss is lower to that extent.

B) During the year the company has capitalized the following interest during construction and Pre-operative expenses, allocating them to respective Fixed Assets, consequently the expenses disclosed under the respective heads are net of amounts capitalized by the company:

| Particulars | 2013-14 Rs. in Lakhs | | 2012-13 Rs. in Lakhs | |
|--------------------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | Fixed Assets | Capital work in Progress | Fixed Assets | Capital work in Progress |
| Interest and Finance Charges | 109.22 | 19.17 | 728.46 | 116.45 |
| Salaries, Wages, Gratuity & other Benefits | 10.80 | 1.20 | 99.88 | 4.47 |

31. The disclosures required under Accounting Standard 15 “Employee Benefits” notified in the Companies (Accounting Standards) Rules 2006, are given below:-

| | 31.3.2014 | | 31.3.2013 | |
|----------------------------------------------------------------|--------------------------|-------------------------|-------------------|------------------|
| | Rs. in Lakhs | | Rs. in Lakhs | |
| Defined Contribution Plan: | | | | |
| Employers Contribution to Provident Fund | 188.76 | | 172.55 | |
| | Benefits | | Benefits | |
| | Gratuity (Funded) | Leave (Unfunded) | Gratuity (Funded) | Leave (Unfunded) |
| Present Value of Obligations: | | | | |
| Balance as at the beginning of the year | 431.78 | 293.35 | 374.85 | 235.50 |
| Service Cost | 54.76 | 54.84 | 51.57 | 39.32 |
| Interest Cost | 34.54 | 21.93 | 29.99 | 18.80 |
| Benefits Paid | -27.27 | -31.48 | -18.04 | -33.87 |
| Actuarial (Gain)/Loss | 4.58 | 54.36 | -6.59 | 33.60 |
| Balance as at the closing of the year | 498.39 | 393.00 | 431.78 | 293.35 |
| Fair Value of Plan Assets: | | | | |
| Balance as at the beginning of the year | 419.10 | – | 370.52 | – |
| Expected Return of Plan Assets | 39.41 | – | 35.71 | – |
| Actuarial (Gain)/Loss | – | – | – | – |
| Contributions | 77.44 | 31.48 | 30.91 | 33.87 |
| Benefits Paid | -27.27 | -31.48 | -18.04 | -33.87 |
| Balance as at the closing of the year | 508.68 | – | 419.10 | – |
| Reconciliation of fair value of assets and obligations: | | | | |
| Fair Value of Plan Assets | 508.68 | – | 419.10 | – |
| Present Value of Obligations | 498.39 | 393.00 | 431.78 | 293.35 |
| Amount recognized in Balance Sheet | -10.29 | 393.00 | 12.68 | 293.35 |
| Expenses recognized during the year: | | | | |
| Current Service Cost | 54.76 | 54.84 | 51.57 | 39.32 |
| Interest Cost | 34.54 | 21.93 | 29.99 | 18.80 |
| Expected Return of Plan Assets | -39.41 | – | -35.71 | – |
| Actuarial (Gain)/Loss | 4.58 | 54.36 | -6.59 | 33.60 |
| Net Cost | 54.47 | 131.13 | 39.26 | 91.72 |

| Investment Details: | | | | |
|--------------------------------------------|-------------------------------|-------------------------------|-----------------------|-----------------------|
| Funds Managed by the Insurer | 100% | 0% | 100% | 0% |
| Others | 0% | 0% | 0% | 0% |
| Total | 100% | 0% | 100% | 0% |
| Actuarial Assumptions: | | | | |
| Mortality Table (LIC) | 1994-96 (ultimate) | 2006-08 (ultimate) | 1994-96 (ultimate) | 2006-08 (ultimate) |
| Discount Rate (per annum) | 8% | 9% | 8% | 8% |
| Expected Return of Plan Assets (per annum) | 8.75% | 0% | 9.25% | 0% |
| Rate of escalation in salary (per annum) | 7% | 10% | 7% | 10% |

32. Balances of Sundry Debtors/Creditors are subject to confirmation and reconciliation, if any.

33. Segment Reporting:

The Company's main business is manufacturing and selling pipes. In addition, the Company is also manufacturing & selling Cement and producing Pig Iron and LAM Coke for captive use, which does not qualify as a reportable segment as per Accounting Standard – 17 on segment reporting issued by the Institute of Chartered Accountants of India. Accordingly, in the opinion of the management Pipes is the only reportable segment.

34. Disclosure of Related Parties/Related Party Transactions:

Name of the Related Parties with whom transactions were carried out during the year and description of relationship:

a) Associate Company:

M/s. Electrosteel Castings Limited

M/s. Electrosteel Steels Limited

b) Key Management Personnel & their relatives (KMP):

Shri Mayank Kejriwal, Managing Director

c) Enterprise where other directors have significant influence or control:

1) Lanco Infratech Limited*

Disclosure of Related Party Transactions (Rs. in Lakhs):

| Sl. No. | Nature of Transaction | Year | Associate Company | Key Management Personnel | Enterprise where other Directors have control |
|---------|-----------------------|---------|-------------------|--------------------------|-----------------------------------------------|
| 1. | Sale of goods | 2013-14 | 11272.90 | – | 7.99 |
| | | 2012-13 | 6165.31 | – | 83.33 |
| 2. | Trade Receivables | 2013-14 | 1482.13 | – | – |
| | | 2012-13 | 22.26 | – | – |
| 3. | Purchases | 2013-14 | 3077.27 | – | – |
| | | 2012-13 | 1135.45 | – | – |
| 4. | Trade Payables | 2013-14 | – | – | – |
| | | 2012-13 | 26.06 | – | – |

| | | | | | |
|-----|---------------------------------|---------|----------------|---------------|---|
| 5. | Loan Taken & Repaid | 2013-14 | – | – | – |
| | | 2012-13 | 2000.00 | – | – |
| 6. | Interest Paid | 2013-14 | – | – | – |
| | | 2012-13 | 3.18 | – | – |
| 7. | Reimbursement of Exp Paid | 2013-14 | 16.69 | – | – |
| | | 2012-13 | 3.34 | – | – |
| 8. | Reimbursement of Exp received | 2013-14 | 1.22 | – | – |
| | | 2012-13 | – | – | – |
| 9. | Rent Received | 2013-14 | 0.09 | – | – |
| | | 2012-13 | – | – | – |
| 10. | Commission to Managing Director | 2013-14 | – | 130.00 | – |
| | | 2012-13 | – | – | – |
| 11. | Deposit received & Outstanding | 2013-14 | 3632.62 | – | – |
| | | 2012-13 | 4134.00 | – | – |

*Shri. L. Madhusudhana Rao, Shri. L. Sridhar and Shri. G. Bhaskara Rao directors of the Company are interested in Lanco Infratech Limited.

35. As stipulated in AS-28, the Company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing business are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly, the management is of the view that no impairment provision is called for in these accounts.

36. The Company has operating lease arrangement for office accommodation etc. with tenure extending upto one year. Expenditure incurred on account of rent during the year amounting to Rs. 57.84 Lakhs (Previous year Rs. 57.37 Lakhs) is recognized in the Statement of Profit and Loss.

37. a) Category wise outstanding derivatives contracts entered for hedging as on 31st March 2014:
in Lakhs

| Sl. No. | Category | Currency | Current Year | | Previous Year | | Underlying Purpose |
|---------|----------|----------|--------------|----------------|---------------|----------------|-------------------------------|
| | | | No. of Deals | Amount In US\$ | No. of Deals | Amount In US\$ | |
| 1. | Forward | USD/INR | 14 | 216.06 | 18 | 330.07 | Buyers Credit and Imports |
| 2. | Option | USD/INR | 7 | 190.25 | – | – | Buyers Credit and Imports |
| 3. | Forward | USD/INR | – | – | 6 | 35.00 | External Commercial Borrowing |
| 4. | Swap | USD | 6 | 250.90 | 4 | 180.00 | Interest |

b) Un-hedged foreign Currency Exposures as on 31st March 2014:

in Lakhs

| Sl. No. | Nature | Currency | Current Year | Previous Year |
|---------|------------------------------------------|----------|--------------|---------------|
| 1 | Imports | USD | 43.11 | 32.12 |
| 2 | Buyers Credit & Interest | USD | 0.64 | 15.00 |
| | | Euro | – | 7.14 |
| 3 | External Commercial Borrowing & Interest | USD | 256.72 | 251.39 |

38. Value of Imported & Indigenous Raw Materials, Spare Parts, Components Consumed:

| | 2013-14 | | 2012-13 | |
|------------|--------------|--------|--------------|--------|
| | Rs. in Lakhs | % | Rs. in Lakhs | % |
| Imported | 28021.71 | 42.53 | 28152.59 | 43.40 |
| Indigenous | 37871.67 | 57.47 | 36720.03 | 56.60 |
| Total | 65893.38 | 100.00 | 64872.62 | 100.00 |

39. CIF Value of Imports:

| | 2013-14 Rs. in Lakhs | 2012-13 Rs. in Lakhs |
|-----------------|-------------------------|-------------------------|
| Raw Materials | 31354.37 | 15756.12 |
| Stores & Spares | 3729.18 | 1164.36 |
| Capital Goods | 51.20 | 1804.37 |

40. Expenditure in Foreign Currency:

| | 2013-14 Rs. in Lakhs | 2012-13 Rs. in Lakhs |
|------------------------------|-------------------------|-------------------------|
| Interest & Finance Charges | 1117.32 | 1270.31 |
| Traveling Expenses | 0.93 | 0.33 |
| Legal & Professional Charges | 8.85 | 77.42 |

41. Earnings in Foreign Currency:

| | 2013-14 Rs. in Lakhs | 2012-13 Rs. in Lakhs |
|------------------------|-------------------------|-------------------------|
| Sale of Carbon Credits | – | 224.77 |

42. Disclosure of loans and advances as per the requirement of Clause 32 of the listing agreement with the Stock Exchanges in India.

- i) The Company does not have any subsidiary and has not given any loans and advances in the nature of loans to its associates.

- ii) Interest free loans as per general rules of the Company have been given to its employees. Aggregate amount of such advances and loans outstanding at the year end is Rs. 14.43 Lakhs (Previous year Rs. 10.76 Lakhs).

43. Previous year figures

The Previous Year's Figures have been re-grouped / re-arranged wherever necessary.

As per our report attached
For **K.R. Bapuji & Co.**
Firm Registration No. 000395S
Chartered Accountants

K.R. Bapuji
Partner
Membership No. 021169

Place: Chennai
Date: 3rd May 2014

For and on behalf of the Board

R.K. Khanna
Director

Mayank Kejriwal
Managing Director

A.R. Surana
Company Secretary

LANCO INDUSTRIES LIMITED

Regd. Office: Rachagunneri-517641, Srikalahasthi Mandal, Chittoor District, A.P. India

Website: www.lancoindustries.com, CIN: L74999AP1991PLC013391

NOTICE

NOTICE is hereby given that Twenty Second Annual General Meeting of Lanco Industries Limited will be held at the Registered Office of the Company at Rachagunneri, Srikalahasthi Mandal, Chittoor District, Andhra Pradesh on Saturday, the 27th day of September, 2014 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2014 and Profit & Loss Account for the year ended as on that date, together with the Auditors' Report and Directors' Report thereon.
2. To declare Dividend.
3. To appoint a Director in place of Shri S.Y. Rajagopalan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration and for this purpose to consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"Resolved that pursuant to Section 139 of the Companies Act, 2013 and the Rules made thereunder, M/s K.R. Bapuji & Co, Chartered Accountants (Registration No. 000395S), Hyderabad be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting of the Company at a remuneration to be decided mutually between the Board of Directors and the Auditors including reimbursement of out of pocket expenses".

SPECIAL BUSINESS:

5. To change the name of the Company and in this regard to consider and if thought fit to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 13 of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013, and rules there under (including any statutory modification or re-enactment thereof for the time being in force) and subject to the approval of the Registrar of Companies, Andhra Pradesh and any other authority as may be necessary, the consent of the shareholders of the Company be and is hereby accorded to change the name of the Company from "Lanco Industries Limited" to "Srikalahasthi Pipes Limited", and that the name of "Lanco Industries Limited", wherever it appears in Memorandum, Articles, Statutory records and Registers, Documents, Contracts, Agreements, Approvals etc., or any other documents whatsoever be substituted by the new name "Srikalahasthi Pipes Limited" in due course."

"RESOLVED FURTHER THAT any Director or the Company Secretary of the Company is hereby authorized severally to do all such acts and things as may be deemed necessary to change the name of the Company."

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Section 149, 150, 152, 160 and other applicable provisions of the Companies

Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. G. Maruthi Rao (DIN: 00083950) be and is hereby appointed as a non-executive and Independent Director of the Company, to hold office for a term of five consecutive years from the conclusion of this Annual General Meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the Board and/or Committees and profit related commission in terms of applicable provisions of the Companies Act, 2013, as determined by the Board from time to time."

7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT subject to the provisions of Section 149, 150, 152, 160 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. R.K. Khanna (DIN: 05180042) be and is hereby appointed as a non-executive and Independent Director of the Company, to hold office for a term of five consecutive years from the conclusion of this Annual General Meeting and to receive remuneration by way of fees, reimbursement of expenses for participation in the meetings of the Board and/or Committees and profit related commission in terms of applicable provisions of the Companies Act, 2013, as determined by the Board from time to time."

8. To approve the payment of remuneration to non-executive Directors and in this regard to consider and if thought fit to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 197, 198 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), any or some of the non-executive directors of the Company (i.e. directors other than the Managing Director and / or the Whole-time Directors), as the Board of Directors may from time to time determine be paid remuneration, in addition to the sitting fees for attending the meetings of the Board of Directors or Committees thereof, not exceeding in aggregate one percent of the net profits of the Company, as computed in the manner laid down in Sections 197 and 198 of the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, for the relevant financial year, subject to a maximum limit to be decided by the Board every year starting from the FY 2014-15."

"RESOLVED FURTHER THAT the Board of Directors of the Company (including the Nomination and Remuneration Committee) be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

9. To approve increase in the payment of remuneration to Managing Director and in this regard to consider and if thought fit to pass with or without modification(s), the following resolution as Special Resolution:

"RESOLVED THAT in supersession of the resolutions previously passed by the shareholders in this regard and pursuant to the provisions of Sections 197, 198 and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for

the time being in force), the remuneration by way of commission being paid to Shri Mayank Kejriwal, Managing Director of the Company be increased from 3% of the net profits of the Company to 5% of the net profits of the Company as computed in the manner laid down in Sections 197 and 198 of the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof, for the relevant financial year, subject to a maximum limit to be decided by the Board

every year starting from the FY 2014-15, till expiry of his present term.

“RESOLVED FURTHER THAT the Board of Directors of the Company (including the Nomination and Remuneration Committee) be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board
For Lanco Industries Limited

A.R. Surana

Sr. General Manager – Finance &
Company Secretary

Place: Chennai

Dated: 28th July, 2014

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote, instead of himself / herself. The proxy, so appointed, need not be a member of the company. In order to be effective, the proxy form(s) duly completed and signed should reach the registered office of the company at least 48 hours before the commencement of the meeting. A person shall not act as a proxy for more than 50 members and holding in aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a proxy for a member holding more than ten percent of the total voting share capital of the Company provided that such person shall not act as a proxy for any other person.
2. The explanatory statement, pursuant to Section 102 of the Companies Act, 2013 in respect of the special business as set out in the Notice and intimation required to be furnished as per Clause 49 of the Listing Agreement are annexed hereto.
3. The register of members and the Share Transfer Books of the Company shall remain closed from 21st September, 2014 to 27th September, 2014 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend for the FY 2013-14. The cut-off date for determining voting rights for e-voting on resolutions that will be listed for Annual General Meeting will be 22nd August, 2014.
4. Dividend in respect of equity shares held in electronic form will be payable to the beneficial owners of shares as on the closing hours of business on 20th September, 2014 as per the downloads furnished to the Company by Depositories for this purpose. In case of shares held in physical form, dividend will be paid to the shareholders, whose names shall appear on the Register of Members as on 27th September, 2014.
5. Members are requested to furnish their Bank Account details, change of address etc., to the Registrar and Share Transfer Agents in respect of shares held in physical form. If the shares are held in electronic form, then the said particulars should be furnished to their respective Depository Participants (DPs).

6. Members desirous of getting any information in respect of the Accounts of the Company are requested to send their queries in writing to the Company at the Registered Office so as to reach at least 7 days before the date of the meeting so that the required information can be made available at the meeting. Members/Proxies attending the meeting are requested to bring their copy of the Annual Report for reference at the meeting as also the Attendance Slip duly filled in for attending the meeting.
7. a) Members holding the shares in electronic mode may please note that their dividend would be paid through National Electronic Clearing System (NECS) or Electronic Clearing Services (ECS) at the available RBI locations. The dividend would be credited to their bank account as per the mandate given by the members to their DPs. In the absence of availability of NECS/ECS facility, the dividend would be paid through warrants and the Bank details as furnished by the respective Depositories to the Company will be printed on their dividend warrants as per the applicable Regulations.

b) Members are requested to send their Bank Account particulars (viz. Account No., Name & Branch of the Bank and the MICR Code) to their DPs in case the shares are held in electronic mode or to the Registrar and Share Transfer Agents in case the shares are held in physical mode for printing on dividend warrant to ensure that there is no fraudulent encashment of the warrants.
8. Equity Shares of the Company fall under the category of compulsory demat trading by all investors. Considering the advantages of scripless trading, shareholders are requested to consider dematerialization of their shareholding so as to avoid inconvenience.
9. Members who have not received their dividend paid by the Company in respect of earlier years are requested to check with

the Company's Registrar & Transfer Agent – Karvy Computer Share Pvt. Ltd., Plot No. 17-24, Beside Image Hospital, Vittal Rao Nagar, Madhapur, Hyderabad-500 081. Members are requested to note that in terms of Section 124 (2) of the Companies Act, 2013, dividend declared by the Company, for earlier years, which remain unclaimed for a period of 7 years from the date when it first became due for payment will be transferred on due dates for transfer of such unclaimed dividends to the Central Government to the credit of the Investor Education & Protection Fund. Thereafter, no claim shall be entertained in respect of the dividend transferred to the Fund.

Members who have not encashed their dividend warrants in respect of the above period are requested to make their claim(s) by surrendering the un-encashed warrants immediately to the Company/Registrar.

10. Pursuant to Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amount lying with Companies) Rules, 2012, the Company will provide/host the required details of unclaimed amounts referred under Section 124 (2) of the Companies Act, 2013 on its website and also in the website of the Ministry of Corporate Affairs (MCA) in the relevant form every year.
11. Electronic copy of the Annual Report and the Notice of the Annual General Meeting of the Company inter alia indicating the process and manner of e-voting along with Attendance slip and Proxy Form are being sent to all the members whose email IDs are registered with the Company for communication purposes, unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the above documents are being sent in the permitted mode.

12. Members may also note that the Annual Report and the Notice of the Annual General Meeting will also be available on the Company's website www.lancoindustries.com for their download. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same by post free of cost.
13. Members are requested to affix their signatures at the space provided on the Attendance Slip annexed to Proxy Form and handover the Slip at the entrance of the meeting hall. Corporate members are requested to send a duly certified copy of the Board Resolution/ Power of attorney authorizing their representatives to attend and vote at the Annual General Meeting.
14. Members are requested to give us their valuable suggestions for improvement of our investor services.
15. Voting through electronic means
- The Company is pleased to provide members a facility to exercise their right to vote on the resolutions as set out in the Notice calling for the Annual General Meeting by "Electronic Means" and all the businesses may be transacted through e-voting services in compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014.
 - Voting rights are reckoned on the basis of the shares registered in the names of the members/beneficial owners as on the cut-off date fixed for this purpose i.e. 22nd August, 2014.
 - The Company has appointed Mr. S. Chidambaram, Company Secretary in Practice as the Scrutinizer for conducting the e-voting process in a fair and transparent manner.
 - Members are requested to read the instructions given below for e-voting:
 - Open your web browser during the voting period and navigate to <https://evoting.karvy.com>
 - Enter the login credentials (i.e., user-id & password) mentioned on the Attendance slip of AGM/E-mail. Your folio/DP Client ID will be your User-ID.

| | |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| User – ID | For Members holding shares in De-mat Form: a) For NSDL: 8 Character DP ID followed by 8 Digits Client ID b) For CDSL: 16 digits beneficiary ID For Members holding shares in Physical Form: Event No. followed by Folio Number registered with the company |
| Password | Your Unique password is printed on the Attendance Slip / via email forwarded through the electronic notice |
| Captcha | Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons. |

- Please contact our toll free No. **1-800-34-54-001** for any further clarifications.
- Members can cast their vote online from **9.00 am on 21st September, 2014 to 5.00 pm 23rd September, 2014.**
- After entering these details appropriately, click on "LOGIN".
- Members holding shares in De-mat/ Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9)

and a special character. Kindly note that this password can be used by the De-mat holders for voting for resolution of any other Company on which they are eligible to vote, provided that Company opts for e-voting through **Karvy Computershare Private Limited e-Voting platform**. System will prompt you to change your password and update any contact details like mobile #, email ID, etc on 1st login. You may also enter the Secret Question and Answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

vii) You need to login again with the new credentials.

viii) On successful login, system will prompt to select the 'Event' i.e., '**Company Name**'.

ix) If you are holding shares in De-mat form and had logged on to "https://evoting.karvy.com" and casted your vote earlier for any company, then your exiting login id and password are to be used.

x) On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding.

If the shareholder do not want to cast, select 'ABSTAIN'

xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

xii) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.

xiii) Corporate / Institutional Members (corporate / Fls / Flls / Trust / Mutual Funds / Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to schid285@gmail.com with a copy to evoting@karvy.com. The file scanned image of the Board Resolution should be in the naming format "Corporate Name Event no.".

e) The Scrutinizer shall within a period of not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast "in Favour" or "Against", if any, forthwith to the Company.

f) Results declared along with the Scrutinizer's Report will be placed on the Company's website www.lancoindustries.com within two days of passing of resolutions at the AGM and communicated to the Stock Exchanges where Company's shares are listed.

Place: Chennai
Dated: 28th July, 2014

A.R. Surana
Sr. General Manager – Finance &
Company Secretary

**(EXPLANATORY STATEMENT PURSUANT TO SECTIONS 102 AND 110
OF THE COMPANIES ACT, 2013)**

Item No. 5

The Directors of the Company believe that as the core business activity of the Company is manufacturing and selling of Ductile Iron Pipes, it is prudent to reflect the core business in the name of the Company. In order to reflect the main business activity of the Company in its name and the Unit being located at Srikalahasthi, the Board of Directors of the Company are in accord for changing the name of the Company from “Lanco Industries Limited” to “**Srikalahasthi Pipes Limited**”.

The Directors also feel that the Company will still enjoy better market reputation and customer’s reliance upon change of name, which is consequential to the modification/alteration in the name of the Company.

On an application made by the Company, the Registrar of Companies confirmed the availability of the proposed name, however, subject to the approval of the same by a special Resolution by the members, and approval of the Registrar of Companies.

With the change of name as proposed, if approved, the share certificates will be required to be exchanged with new certificates and with the new name of the Company inserted by replacing the same scrip and consecutive

numbers and all other documents as applicable, as per the provisions of the Companies Act, 2013.

None of the Directors or key managerial personnel of the Company or their relatives, except to the extent of their shareholding in the Company, if any, is concerned or interested, financially or otherwise in the resolution as set out in Item No.5 of the Notice.

The Directors recommend the special resolution set forth in the Notice above for the approval of the members.

Item No. 6 & 7

The Companies Act, 2013, inter alia, prescribed certain specific procedures for selection, appointment and remuneration of Independent Directors (IDs), besides their term can be for a period upto five consecutive years and are not liable to retire by rotation during this period.

Accordingly, the following Directors appointed earlier in terms of the erstwhile applicable provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement, are proposed to be appointed as non-executive independent directors for a term of five consecutive years, in compliance with the provisions of Companies Act, 2013.

| Item No. | Name of the Director | Earlier appointment |
|----------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | Mr. G. Maruthi Rao Non-executive Independent Director | Co-opted as a Director of the Company on 30th March, 2002. He is a member of the Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee. |
| 7 | Mr. R.K. Khanna Non-executive Independent Director | Co-opted as a Director of the Company on 9th February, 2013. He is the Chairman of the Audit Committee and a member of Nomination and Remuneration Committee, Stakeholders’ Relationship Committee and Corporate Social Responsibility Committee. |

In terms of Clause 49 (IV) (G) of the Listing Agreement with the Stock Exchanges, a brief profile of these Directors, who are proposed to be appointed as Directors in this meeting for a term of five years in terms of the applicable provisions of the Act, 2013, nature of their expertise in specific functional areas, their other directorships and committee membership are appended to the Notice annexed hereto.

The aforesaid Directors satisfy the criteria and other attributes for appointment as IDs as per the requirements of the Companies Act, 2013 and, being eligible, offer themselves for appointment, for a term of five consecutive years from the conclusion of the AGM.

Both the Nomination and Remuneration Committee and the Board were of the Opinion, after evaluation of their performance and other attributes, that their continued association would be of immense benefit to the Company and it is desirable to avail their services as IDs for the said term of five consecutive years. Both the directors fulfill the terms and conditions specified under the Act, 2013 and rules made thereunder for the appointment as IDs by the shareholders and are independent of the management. The IDs are entitled to receive remuneration by way of fees and reimbursement of expenses for participation in the meetings of the Board and / or Committees and profit related commission in terms of Section 197 and other applicable provisions of the Companies Act, 2013, as determined by the Board from time to time, within the overall limits specified under the Companies Act, 2013.

Notices have been received from member of the Company under Section 160 of the Companies Act, 2013 along with requisite deposit amount signifying the intention to propose the candidatures of the aforesaid IDs and to move the resolutions set out in item Nos. 6 & 7 in the Notice to be approved by the shareholders, by way of Ordinary Resolution.

Except Mr. G. Maruthi Rao & Mr. R.K. Khanna, none of the other Directors or key managerial personnel of the Company or their relatives, except to the extent of their shareholding in the Company, if any, is concerned or interested, financially or otherwise in their respective resolutions for appointment as set out in Item Nos. 6 & 7 of the Notice.

Item No. 8

Under the Companies Act, 2013, Directors have been entrusted with new responsibilities to make their role more objective and purposeful. Keeping in view the enhanced role, responsibilities and duties of Directors, it is considered appropriate that the remuneration payable to the Directors by the Company should be commensurate with their increased role, responsibilities and duties.

Section 197 of the Act provides for payment of remuneration to the directors as under:

- a) Payment of remuneration to more than one managing director / whole-time director shall not exceed 10% of the net profits of the Company to all such directors; and
- b) Payment of remuneration to directors who are neither managing directors nor whole-time directors (that is non-executive directors) shall not exceed 1% of the net profits of the Company.

The Board of Directors of the Company has, subject to the approval of members of the Company, proposed to remunerate any or some of the Non-executive Directors (i.e. directors other than the Managing Director and the Whole-time Directors), as decided by the Board from time to time, not exceeding in aggregate one percent of the net profits of the Company for each financial year, starting from the FY 2014-15 as computed in the manner laid down in Section 198 of the Act; and the said remuneration to Non-executive Directors shall be in addition to the sitting fee payable to

them for attending meetings of the Board and Committees thereof.

Except the non-executive directors to whom the payment of remuneration is proposed, none of the other Directors or key managerial personnel of the Company or their relatives, except to the extent of their shareholding in the Company, if any, is concerned or interested, financially or otherwise in the resolution set out at Item No.8 of the Notice.

The Directors recommend the special resolution set forth in the Notice above for the approval of the members.

Item No. 9

The Board of Directors at its meeting held on 27th April, 2012 and the Shareholders at the Annual General Meeting of the Company held on 27th August, 2012 had approved payment of remuneration not exceeding 3% of net profits of the Company within the overall limits specified in the provisions of erstwhile Companies Act, 1956 to Shri Mayank Kajriwal, Managing Director of the Company till the period of his tenure.

In view of the contributions made by Shri Mayank Kejriwal in taking the Company to the new heights and considering his extensive knowledge of Company's operations and rich experience and expertise in managing the affairs of the Company, the Nomination and Remuneration Committee of the Company at its meeting held on 3rd May, 2014 felt it appropriate to increase the overall remuneration payable to him by way of commission from 3% of the net profits of the Company to 5% of the net profits starting from the FY 2014-15 till expiry of his present term and accordingly

recommended the same for the approval of the Board.

The Board of Directors of the Company, subject to the approval of members of the Company, proposed to increase the remuneration payable to Srhi Mayank Kejriwal, Managing Director from 3% of the net profits of the Company to 5% of the net profits of the Company starting from the FY 2014-15, till expiry of his present term, as computed in the manner laid down in Section 198 of the Companies Act, 2013. The said increase in the remuneration of Managing Director is within the overall limits prescribed under Section 197 of the Companies Act, 2013.

The Committee members discussed the matter and thereafter recommended for the approval of the Board the proposed increase in the overall ceiling of payment of remuneration payable to the Managing Director from 3% of the net profits of the Company to 5% with effect from the FY 2014-15, as computed in the manner laid down in Sections 197 and 198 of the Companies Act, 2013, which is now placed before the shareholders for their approval.

Except Shri Mayank Kejriwal, Managing Director, none of the other Directors or key managerial personnel of the Company or their relatives, except to the extent of their shareholding in the Company, if any, is concerned or interested, financially or otherwise in the resolution set out at Item No. 9 of the Notice.

By Order of the Board
For Lanco Industries Limited

A.R. Surana

Place: Chennai Sr. General Manager – Finance &
Dated: 28th July, 2014 Company Secretary

Intimation required to be furnished as per Clause 49 of the Listing Agreement:

As required under the listing agreement, the particulars of Directors who are proposed to be appointed / re-appointed are given below:

| | | | |
|-------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Name of Director(s) | Shri G. Maruthi Rao | Shri S.Y. Rajagopalan | Shri R.K. Khanna |
| Date of Birth | 14th April, 1939 | 21st November, 1934 | 19th October, 1952 |
| Date of earlier appointment | 30th March, 2002 | 7th May, 2011 | 9th February, 2013 |
| Qualifications | BSc (Hons.) | FCA | Graduate in Management, Finance, Certificate in Infrastructure & Housing Finance from USA |
| Special Expertise | Expertise in Administrative and General Management. | Expertise in Financial Management & Corporate and related laws. | Expertise in Financial Management & Infrastructure development. |
| Directorship in other Public Limited Companies. | – | Electrosteel Castings Limited. | Electrosteel Steels Limited |
| Membership in other Board Committees: 1) Audit Committee | – | – | Chairman – Audit Committee |
| 2) Remuneration Committee | – | – | – |
| 3) Stakeholders' Relationship Committee | – | – | – |



A view of the Sinter Plant

A section of the villagers at the medical camp organized by the company





Regd. Office & Works

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