

## **Board of Directors**

### **P. RADHAKRISHNA REDDY**

*Chairman & Managing Director*

### **R. MOHAN REDDY**

*Director*

### **D. SESA REDDY**

*Director*

### **A. BALASUBRAMANIAN**

*Director*

### **P. VIJAYA BHASKAR REDDY**

*Deputy Managing Director*

### **S.K. SIVAKUMAR**

*Chief Financial Officer &  
Company Secretary*

### **Auditors**

#### **J.B. REDDY & CO.**

206, Srinilaya Estate  
Ameerpet  
Hyderabad 500 073

### **Bankers**

State Bank of India  
IDBI Bank Ltd.  
Kotak Mahindra Bank Ltd.

### **Registered Office & Works**

34, Industrial Estate,  
Gudur - 524 101

#### **Ponneri Works**

Madhavaram Village  
Ponneri (Taluk)  
Tiruvallur District  
Tamil Nadu 601 204

### **Administrative Office**

159, T.T.K. Road,  
Alwarpet, Chennai 600 018  
Phone : +044 - 2498 3111  
Fax : +044 - 2498 2111  
E-Mail : nelcast@nelcast.com  
Website : www.nelcast.com



# Annual Report 2009 - 10

Annual  
Report  
2009 - 10

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## DIRECTORS' REPORT

Your Directors are pleased to present the Twenty – Eighth Annual Report along with the Audited Accounts for the financial year ended 31st March 2010:

### PERFORMANCE

#### FINANCIAL RESULTS

	<b>2009-10</b>	2008-09
	<i>(Rupees in Lakhs)</i>	
Net Sales	<b>31960.79</b>	29031.03
PBIDT	<b>2311.01</b>	2297.07
Profit before Taxes (PBT)	<b>999.01</b>	593.29
Less: Provision for Taxes	<b>309.32</b>	203.48
Profit After Taxes (PAT)	<b>689.69</b>	389.81
Less: Prior Year Adjustments	<b>0.63</b>	12.03
Add: Profit brought forward from previous years	<b>1825.37</b>	1751.16
Profit Available for appropriation	<b>2514.43</b>	2128.94
Dividend on Equity Shares	<b>261.00</b>	174.00
Provision for Tax on Dividend	<b>44.36</b>	29.57
Transfer to General Reserve	<b>60.00</b>	100.00
Surplus Carried to Balance Sheet	<b>2149.07</b>	1825.37

#### DIVIDEND

Your Directors recommend a dividend of 15% (Rs.1.50 per share) for the financial year 2009-10 against 10% (Re. 1.00 per share) of previous year.

#### OPERATIONS

During the year, the Company recorded Net Sales of Rs.319.61 crores as against Rs.290.31 crores in 2008-09 registering a growth of 10%. Profit Before Tax increased to Rs. 9.99 crores during the year 2009-10 from Rs. 5.93 crores in 2008-09 representing an increase of 68%. The production during the year was 60761 MT, compared to the previous year's 48961 MT.

Subsequent to the economic recession in 2008-09, the economy has picked up in 2009-10; especially in automobile sector we could see some recovery. Due to this improved economy the Company registered growth both in Turnover and Profit.

#### OUTLOOK

During the year 2009-10 the automobile industry in India started showing recovery. We expect this momentum to continue and lead to overall growth during the current year. Your Company will utilize every opportunity to its best and will be part of this growth.

#### INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has proper and adequate internal controls to ensure all the assets are protected and transactions are recorded and reported expeditiously. The Audit Committee reviews the Internal Audit Report submitted by the Internal Auditors and implementation of suggestions and measures arising there from.



## DIRECTORS' REPORT – (Contd.)

### CONSOLIDATED FINANCIAL STATEMENTS

The Company has prepared Consolidated Financial Statements of Nelcast Ltd and its subsidiary Nelcast USA Inc as at March 31, 2010, in accordance with Accounting Standard 21 (AS 21) on "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India. As required by Clause 41 of the Listing Agreement with the Stock Exchanges, the audited Consolidated Financial Statements are circulated with the Annual Report.

### QUALITY AND CUSTOMER SATISFACTION

The Company totally adheres to the TS 16949 norms, and continuously strives to achieve world class quality by strictly adhering to the quality standards.

The Company has been receiving continuous support from its customers like Tata Motors, Ashok Leyland, TAFE, Mahindra & Mahindra, Eicher Motors, ITL, Eicher Tractors etc., and in exports Arvin Meritor, Dobbie Dico and Wartsila. The growing association with Commercial Vehicle and Tractor majors and the widening spread of the customer base, both in India and abroad, are encouraging the Company to increase its manufacturing facilities and intensify its quality thrust while moving its products up the value chain.

### DEPOSITS

The Company has accepted public deposits during the year. Its deposits as at 31st March 2010 is Rs.129.83 lakhs.

### DIRECTORS

Mr. R. Mohan Reddy, is due to retire by rotation and being eligible offers himself for re-appointment. During the year Mr. A. Balasubramanian has been appointed as Additional Director of Company and he would hold office till the date of the ensuing Annual General Meeting. The Company has received a notice from a shareholder signifying his intention to propose the appointment of Mr. A. Balasubramanian as Director of the Company at the ensuing Annual General Meeting.

### DIRECTORS RESPONSIBILITY STATEMENT

Your Directors hereby make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility.

We confirm that:

- In the preparation of the Annual Accounts for the year ended 31st March 2010, all the applicable Accounting Standards had been followed.
- Such Accounting Policies have been selected and applied consistently supported by management 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 at the end of the financial year and of the Profit and Loss of the Company for that period.
- Proper and sufficient care had been taken for the maintenance of adequate Accounting Records, in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Accounts for the year ended 31st March 2010 have been prepared on a "going concern basis".

## **DIRECTORS' REPORT – (Contd.)**

### **CORPORATE GOVERNANCE**

The Company has been pro-active in following the principles and practices of good Corporate Governance. The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing agreements with the Stock Exchanges are complied in its letter and spirit. The matters relating to Corporate Governance as per the Listing Agreement are attached to this report. A management discussion and analysis report as required by listing agreement is also enclosed which forms part of this report.

### **AUDITORS**

Your Company's Auditors, M/s. J.B.REDDY & CO., Chartered Accountants, will retire at the conclusion of the forthcoming Annual General Meeting and they have consented to be re-appointed for the financial year 2010-11. The Company has received a letter from M/s. J.B.Reddy & Co., stating that their appointment as auditors, if made, would be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

### **INDUSTRIAL RELATIONS**

Overall industrial relations during the year were cordial. The Directors place on record their appreciation of the valuable contribution made by the employees of the Company at all levels towards the performance and growth of the Company.

### **PARTICULARS OF EMPLOYEES**

Information required as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rule 1975, as amended from time to time is given in the Annexure.

### **DISCLOSURE OF PARTICULARS**

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this Report.

### **ACKNOWLEDGEMENTS**

The Directors again would like to express their sincere appreciation for the dedicated efforts of the employees and co-operation of associates, suppliers and customers. We also express our sincere thanks to Company's Bankers namely State Bank of India, IDBI Bank Ltd. and Kotak Mahindra Bank Ltd for their trust and continued support.

**For and on behalf of the Board**

**Date** : 30th May 2010  
**Place** : Chennai

**P. Radhakrishna Reddy**  
Chairman & Managing Director

## Directors' Report – Annexure I

Information as per Section 217(1) (e) of the Companies Act, 1956

### A. CONSERVATION OF ENERGY:

- |  |  |
|--|--|
| (a) Energy conservation measures undertaken  | The Company continues its efforts to improve energy conservation based on recommendations arising out of the Energy Audit. |
| (b) Additional investments and proposals if any being implemented for the reduction of consumption of energy   | NIL  |
| (c) Impact of measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost  | NIL  |
| (d) Total energy consumption and Energy consumption per unit of production as per Form A of the Annexure in respect of industries specified in the Schedule thereto. | NOT APPLICABLE   |

### B. TECHNOLOGICAL ABSORPTION

- |   |                |
|---|----------------|
| (e) Efforts made in technology absorption | NOT APPLICABLE |
|---|----------------|

### C. FOREIGN EXCHANGE EARNING AND OUTGO:

- |  |  |
|--|--|
| (f) Activities relating to export initiatives taken to increase, development of new export markets | Ongoing marketing campaign in the US is expected to yield results in the coming years. |
| (g) Total Foreign Exchange Used  | Rs. 594.53 Lakhs   |
| Total Foreign Exchange Earned  | Rs. 933.85 Lakhs   |

**Directors' Report – Annexure II**

**Statement of Particulars of Employees pursuant to Sec 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975 forming part of the Directors' Report for financial year ended 31<sup>st</sup> March 2010.**

Name	Age	Designation	Remuneration in Rs	Qualification/ Experience	Date of Employment	Previous Employment, Designation
Mr. P. Vijaya Bhaskar Reddy	54	Dy. Managing Director	63,36,000	B.Com, B.L., F. C.A	01.07.1983	Accounts Officer – Pennar Steels Ltd.
Mr. V.P. Prem Kumar	54	Director (Marketing)	26,67,480	M.E (Production)	21.10.1998	General Manager – Rane Engine Components Ltd.
Mr. Aaron Taylor *	41	Chief Operating Officer– Machining Division	70,62,767	BS, MBA	01.07.2008	Vice President (Operations) – Allied Chucker and Engineering Company, USA

\* Employed for part of the year

**For and on behalf of the Board**

**Date** : 30th May 2010  
**Place** : Chennai

**P. Radhakrishna Reddy**  
Chairman & Managing Director



### Directors' Report – Annexure III

**Statement pursuant to Section 212 of the Companies Act, 1956,**  
 Relating to the Company's interest in Subsidiary Company:

1.	Name of the Subsidiary	Nelcast USA Inc.
2.	The financial year of the subsidiary Company ended on	31-3-2010
3.	Extent of Interest of the Holding Company at the end of the financial year of the Subsidiary	100%
4.	Net aggregate amount of Profit / (Loss) of the subsidiary as far as they concern the members of Nelcast Limited	
	(i) For the Financial year of Subsidiary	
	(a) Dealt with in the accounts of the Holding Company	NIL
	(b) Not Dealt with in the accounts of the Holding Company	NIL
	(ii) For the Previous Financial years of Subsidiary	
	(a) Dealt with in the accounts of the Holding Company	NIL
	(b) Not Dealt with in the accounts of the Holding Company	Rs.(3,96,177/-)
5.	As the Financial year of the Subsidiary Company Coincides with that of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable	

**Note:** The figures in US Dollars as per the Audited Financial Statements of the Subsidiary have been converted into Rupees at appropriate rates of conversion.

**For and on behalf of the Board**

**Date :** 30th May 2010  
**Place :** Chennai

**P. Radhakrishna Reddy**  
 Chairman & Managing Director



## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance

The Company has always focused on corporate governance as a means to maximize the long-term stakeholders' value through sustained growth and value creation. The Company always believes to achieve optimum performance at all levels in adopting good corporate performance. The Company believes that Corporate Governance begins with Company's continuous review of its internal procedures and practices encompassing all its business areas in the most appropriate manner, which would spell fairness and transparency.

### 2. Board of Directors

The Board of Directors along with its Committees provides leadership and guidance to the Company's management. The board reviews strategic business plans, budgets, setting up goals and evaluation performance and investment decision.

#### Composition of the Board of Directors:

The Composition of Board of Directors is in conformity with the Corporate Governance code.

The Board comprises of two executive directors and three non-executive directors, of whom all are independent directors. All non-executive independent directors are persons of eminence and bring a wide range of expertise and experience to the Board.

#### Board Meetings:

During the financial year, meetings of the Board Directors were held on 16th May 2009, 25th July 2009, 31st October 2009, 22nd January 2010 and 15th March 2010.

The attendance by the Directors at Board Meetings and last Annual General Meeting:

Name of the Director	Board Meeting	Annual General Meeting
Mr. P. Radhakrishna Reddy	5	Attended
Mr. R. Mohan Reddy	5	Attended
Mr. D. Sessa Reddy	5	Attended
Mr. P. Vijaya Bhaskar Reddy	5	Attended
Mr. A. Balasubramanian *	3	N.A

\* Appointed as an Additional Director w.e.f October 31, 2009.

Directors' Membership as on March 31, 2010 in the Board or Committees thereof:

Name of the Director	Other Boards	Other Board Committees
Mr. P. Radhakrishna Reddy	2	None
Mr. P. Vijaya Bhaskar Reddy	1	None
Mr. R. Mohan Reddy	1	None
Mr. D. Sessa Reddy	1	None
Mr. A. Balasubramanian	2	1

## REPORT ON CORPORATE GOVERNANCE – (Contd.)

### 3. Audit Committee

#### Terms of Reference:

The broad terms of reference of the Audit Committee are as follows:

- Review of the Company's financial reporting process and its financial statements
- Compliance with Accounting Standards and changes in accounting policies and practices
- Review of the Internal Control and internal audit systems
- Review of the Audit Report / Work of External Auditors
- Review of risk management policies and practices
- Recommend appointment of Statutory Auditors
- Review of Related Party Transactions
- Other matters as set out in the listing agreement

The Audit Committee comprises Shri. A. Balasubramanian (Chairman), Shri. R. Mohan Reddy (Independent Director), Shri D. Sessa Reddy (Independent Director) and Shri P. Vijaya Bhaskar Reddy. There were five meetings held during the year. The dates of the meetings are as follows:

16th May 2009, 25th July 2009, 31st October 2009, 22nd January 2010 and 15th March 2010.

Name of the Member	No. of Audit Committee Meetings attended
Mr. R. Mohan Reddy	5
Mr. D. Sessa Reddy	5
Mr. A. Balasubramanian #	2
Mr. P. Vijaya Bhaskar Reddy	5

# Mr. A. Balasubramanian was appointed as Chairman of the Audit Committee w.e.f October 31, 2009.

### 4. Remuneration Committee

The Board has set up a Remuneration committee for the Company which decides the Remuneration of all the directors and senior management members of the Company. The Committee comprises of Shri D. Sessa Reddy (Chairman), Shri R. Mohan Reddy and Shri A. Balasubramanian.

Particulars of sitting fees paid to non-executive directors during the financial year 2009-10

Name of the non-executive directors	Sitting FeeRs.
Mr. R. Mohan Reddy	80,000
Mr. D. Sessa Reddy	70,000
Mr. A. Balasubramanian	40,000

**REPORT ON CORPORATE GOVERNANCE – (Contd.)**

**Wholetime Directors**

Details	Managing Director Rs.	Whole Time Director Rs.
Remuneration	—	63,36,000

**5. Shareholders / Investors Grievance Committee**

The Shareholders/Investors Grievance Committee comprises of Shri. R. Mohan Reddy (Chairman), Shri D. Sesha Reddy and Shri P. Vijaya Bhaskar Reddy. The Committee will deal with investor/ shareholder complaints.

There were two meetings held during the year. The dates of the meetings are 31st October 2009 and 22nd January 2010.

**Number of pending share transfers**

As on March 31, 2010, there were no share transfers pending. Share Transfers have been effected during the year well within the time prescribed by the Stock Exchanges and a certificate to this effect duly signed by a Practicing Company Secretary has been furnished to Stock Exchanges.

**Compliance Officer:**

S.K. Sivakumar  
 Chief Financial Officer & Company Secretary  
 159 TTK Road, Alwarpet,  
 Chennai – 600 018.  
 Ph: 91 44 24983111 Fax: 91 44 24982111  
 E-mail: sivakumar@nelcast.com

Number of Shareholder complaints received & resolved during the year 2009-10: 14

No. of pending complaints as on 31.3.2010: - Nil -

**6. General Body Meetings :**

**i. Location and time of last 3 Annual General Meetings were:**

Year	Location	Date	Time
2008-09	DNR Community Hall, ICS Road, Gudur-524101	25.07.2009	10.30 am
2007-08	DNR Community Hall, ICS Road, Gudur-524101	31.05.2008	10.30 am
2006-07	Registered Office	28.05.2007	10.00 am

## REPORT ON CORPORATE GOVERNANCE – (Contd.)

### ii. Special Resolutions passed in the previous 3 AGMs:

Year	Subject Matter of Special Resolution	Date of AGM
2008-09	Appointment of Mr. P. Deepak, to hold an office or place of profit as “Manager – Strategy and Planning” under sec 314(1) & 314(1) (B).	25.07.2009
2007-08	Nil	31.05.2008
2006-07	Nil	28.05.2007

### iii. Special Resolutions passed last year through Postal Ballot:

The board sought the consent of shareholders of the Company by way of special resolutions through Postal Ballot as per the notice to the shareholders issued on 22nd January 2010, for (1) inserting a new clauses 5 (a) to 5(h) in clause III (A) in the ‘Main Objects Clause’ of the Memorandum of Association of the Company; and (2) for commencement of business activities mentioned in sub-clause 5 (a) to 5(h) of clause III (A) of the Memorandum of Association of the Company. These special resolutions were passed by the shareholders of the Company with overwhelming majority. The results of the Postal Ballot are given below:

Particulars	No. & % of votes cast in favour	No. & % of votes cast against
Resolution No. 1	13190228 - 99.98%	2071 – 0.02%
Resolution No. 2	13187788 – 99.98%	1981 – 0.02%

These results were published in the newspapers, namely Financial Express and Andhra Prabha on 18th March 2010 and also on the notice board of the registered office of the Company.

### iv. Procedure for Postal Ballot

After receiving the approval of the board, the Notice, Explanatory Statement alongwith the Postal Ballot Form and reply paid self addressed envelope, were dispatched to the members to enable them to consider and vote “For” or “Against” the proposals within a period of 30 days from the date of dispatch. Mr. P.R. Lakshmi Narayanan, Practicing Company Secretary, Chennai was appointed as Scrutinizer for conducting the Postal Ballot exercise. The Calendar of Events of the Postal Ballot process was filed with the Registrar of Companies within the stipulated period. After the last date of receipt of Postal Ballots, the Scrutinizer, after due verification, submitted his report. Thereafter, the results of the Postal Ballot were declared by the Company. The same were published in the newspapers and at the Registered Office of the Company.

### 7. Disclosures

The related party transactions during the year ended 31st March 2010 are disclosed in the report. There are no materially significant related party transactions made by the Company with its promoters, subsidiaries. The Register of Contracts with Directors are being maintained by the Company.

## REPORT ON CORPORATE GOVERNANCE – (Contd.)

### 8. Means of Communication:

- The Quarterly/ Half-yearly financial results published in one National Edition (English Language) and one in Regional Edition.
- The quarterly shareholding pattern are posted in BSE & NSE websites and in Company website [www.nelcast.com](http://www.nelcast.com)

### 9. General Shareholder Information:

Registered Office	34 Industrial Estate, Gudur – 524 101, Andhra Pradesh. Phone No.91 8624 251266, Fax No. 91 8624 252066	
Annual General Meeting	Date and Time : 24.07.2010 & 10.30 am Venue: DNR Community Hall I.C.S Road, Gudur – 524101. Andhra Pradesh.	
Financial Year	1st April to 31st March	
Financial Calendar (Tentative)	<ul style="list-style-type: none"> <li>• Results for the quarter ending 30th June 2010 – Last week of July 2010-</li> <li>• Results for the quarter and half year ending 30th September 2010 – Last week of October 2010</li> <li>• Results for the quarter and nine months ending 31st December 2010 – Last week of January 2011-</li> <li>Results for the year ending 31st March 2011 – by May 2011</li> </ul>	
Date of Book Closure	19th July 2010 to 24th July 2010 (both days inclusive)	
Dividend Payment Date	Within 30 days from 24th July 2010	
Listing of Stock Exchanges	<b>Name of Exchange</b>	<b>Stock Code</b>
	1. Bombay Stock Exchange Limited, (BSE) P J Towers, Dalal Street, Mumbai – 400 001.	532864
	2. National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051.	NELCAST
ISIN	INE189I01016	
Payment of Listing Fees	The Company has paid in advance the Listing Fees to both stock exchanges above for the financial year 2010-11.	

## REPORT ON CORPORATE GOVERNANCE – (Contd.)

### Market price data: High, Low during each month in the financial year 2009-10:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
Apr 09	33.50	22.05	37.00	22.00
May 09	50.65	26.15	50.00	27.00
June 09	50.30	34.30	50.00	34.25
July 09	57.70	29.00	57.75	29.00
August 09	59.95	42.00	61.70	42.25
September 09	52.80	46.10	52.75	45.25
October 09	62.80	50.25	62.75	49.70
November 09	64.95	54.10	65.00	55.00
December 09	69.50	56.35	69.20	56.50
January 10	85.00	65.00	84.00	64.05
February 10	77.00	65.00	76.70	64.25
March 10	78.80	66.00	78.90	66.35

### Share Price Performance in comparison to broad based indices – BSE Sensex:

Month	BSE		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
Apr 09	33.50	22.05	11492.10	9546.29
May 09	50.65	26.15	14930.54	11621.30
June 09	50.30	34.30	15600.30	14016.95
July 09	57.70	29.00	15732.81	13219.99
August 09	59.95	42.00	16002.46	14684.45
September 09	52.80	46.10	17142.52	15356.72
October 09	62.80	50.25	17493.17	15805.20
November 09	64.95	54.10	17290.48	15330.56
December 09	69.50	56.35	17530.94	16577.78
January 10	85.00	65.00	17790.33	15982.08
February 10	77.00	65.00	16669.25	15651.99
March 10	78.80	66.00	17793.01	16438.45

**REPORT ON CORPORATE GOVERNANCE – (Contd.)**

**Registrar and Share Transfer Agents :** Bigshare Services Pvt. Ltd  
E-2 Ansa Industrial Estate  
Saki Vihar Road, Saki Naka  
Andheri (East), Mumbai – 400 072.

**Share Transfer System :** All the transfers in physical form are processed and approved by the Share Transfer and Shareholder/Investor Grievance Committee. The Company's Registrar's and Share Transfer Agent Bigshare Services Pvt. Ltd have adequate infrastructure to process the share transfers. The Committee approves the transfers etc as required from time to time.

**Distribution of shareholding within various categories (as on 31st March 2010)**

No. of Equity Shares held	No. of Shareholders	% of Share Holders	No. of Shares	% of Share holding
1 – 500	18,028	95.57	16,73,190	9.62
501 – 1000	405	2.15	3,18,843	1.83
1001 – 2000	197	1.04	3,02,460	1.74
2001 – 3000	56	0.30	1,40,775	0.81
3001 – 4000	49	0.26	1,74,718	1.00
4001 – 5000	30	0.16	1,41,341	0.81
5001 – 10000	43	0.22	2,98,488	1.72
10001 and above	56	0.30	1,43,50,425	82.47
<b>Total</b>	<b>18,864</b>	<b>100.00</b>	<b>1,74,00,240</b>	<b>100.00</b>

**Shareholding Pattern as on 31.3.2010**

Category	No. of Shares held	% to Total
Promoter & Promoter Group	1,19,56,376	68.71
Mutual Funds/ UTI	91,719	0.53
Foreign Institutional Investors	6,078	0.03
Bodies Corporate	8,32,384	4.78
Individuals	36,70,960	21.10
Directors	4,43,190	2.55
Clearing Members	5,789	0.03
Trust	1,25,625	0.72
NRI	1,43,679	0.83
Employees	1,24,440	0.72
<b>Total</b>	<b>1,74,00,240</b>	<b>100.00</b>



## REPORT ON CORPORATE GOVERNANCE – (Contd.)

**Dematerialization of Shares and liquidity :** Shares of the Company can be held and traded in electronic form. 25.35% of the total equity capital is held in dematerialized form with NSDL & CDSL as on 31.3.2010.

**Plant Locations:**

**Gudur Units**

No. 34 & No. 9 Industrial Estate,  
Gudur, Andhrapradesh – 524 101  
Phone: 08624 – 251266 / 251766  
Fax: 08624-252066

**Ponneri Unit:**

Madhavaram Village, Amur Post, Ponneri - 601 204.  
Phone: 044 – 27974165 / 27971506  
Fax: 044 - 27973620

**Address for Correspondence**

159 TTK Road, Alwarpet, Chennai – 600 018.  
Ph: 044 – 2498 3111  
Fax: 044 – 2498 2111  
E-mail: nelcast@nelcast.com  
www.nelcast.com

### NON-MANDATORY REQUIREMENTS

**(a) Remuneration Committee:**

The Company has a remuneration committee

**(b) Publication of half yearly results:**

The half yearly results of the Company are published in an English Daily having a wide circulation and in a Telugu Daily. The results are not sent to the shareholders individually. However, the Company is displaying the financial results in its web site.

### CEO/CFO Certification

Mr. P. Radhakrishna Reddy, CEO and Mr. S.K. Sivakumar, CFO have furnished the certificate as per the requirement of Clause 49 (V) of the Listing Agreement.

### Compliance Certificate of the Auditors:

The Company has obtained a Certificate from the Statutory Auditors confirming compliance of Conditions of the Code of Corporate Governance as stipulated in Clause 49 and the same is annexed.

### Declaration – Code of Conduct

As per Clause 49 of the Listing Agreement with the Stock Exchanges, all Board Members and Senior Management personnel have affirmed compliance with the applicable Code of Conduct.

**Date:** 30th May 2010  
**Place:** Chennai

**P. Radhakrishna Reddy**  
Chairman & Managing Director



**Auditors' Certificate regarding compliance of conditions of Corporate Governance:**

**To the Members of Nelcast Limited**

We have examined the compliance of the conditions of Corporate Governance by Nelcast Ltd, for the year ended March 31, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. 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 the above mentioned Listing Agreements.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Registrar and Share Transfer Agent.

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 JB Reddy and Co,  
Chartered Accountants**

**A.V. REDDY**

Partner

Membership No.23983

Firm Regn. No. 003256S



## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Structure and Developments

Subsequent to economic recession in the previous year, the automobile sector in India has seen some recovery sign in the current year. Due to this positive sign, the demand has increased and Indian GDP grew by 7.2% in the year 2009-10. This growth will sustain for some more time and the industries will register further growth in the coming year. India has also come to be recognized abroad as reliable source for auto components and hence the potential for sourcing castings from India is very high.

### Opportunities & Threats

The Company has got excellent opportunities and good potential for growth, both in domestic and export markets and intends to expand its product base, to cater to other segments such as Earth Moving Equipments and Trailers. It is facing growing competition with new foundries being established and existing foundries expanding. The Company is facing threat of continued increase in commodity prices such as Steel scrap.

### Segment-wise Performance

The company deals in only one segment i.e. Iron Castings. Therefore, segment wise performance is not applicable for our Company.

### Outlook

Gradually, the automotive industry is showing signs of revival in domestic market which leads to improvement in the automotive components industry. As far as export demand is concerned, the Indian automotive components industry has strong potential to increase exports due to optimal cost, adherence to quality controls etc. Your Company will continue to focus on expanding export market and developing new products for original equipment manufacturers.

### Risks & Concerns

Demand for automobile products globally may be adversely affected in any country by factors such as changes in economic policy, fiscal policy, export-import policy, taxation policy, political and financial instability, declining growth rates of the economy, increases in the import tariffs and domestic duties on the raw materials required for automobile component production. There has been sluggishness in demand in the auto sector due to economic slow down which may adversely affect the Company. However, this can be mitigated by diversifying the client base and activities.

In the normal course of business, the Company is exposed to external risks such as overall demand fluctuations in the market segment in which it operates reduction in relative market share for its products due to the impact of competition as well as external risks such as variations in operational efficiency and cost structure.

## MANAGEMENT DISCUSSION AND ANALYSIS – (Contd.)

### **Internal Control Systems and their Adequacy**

The Company has proper and adequate systems of internal controls so as to safeguard its assets, employees and to keep check and control costs. The Management and Audit Committee of the Board periodically review the reports and recommendations.

### **Discussion on Financial Performance with Respect to Operational Performance**

During the year, the Company recorded a Net Sales of Rs.319.61 crores as against Rs.290.31 crores in 2008-09 registering a growth of 10%. Profit Before Tax increased to Rs. 9.99 crores during the year 2009-10 from Rs. 5.93 crores in 2008-09 representing an increase of 68%. The production during the year was 60761 MT, compared to the previous year's 48961 MT. The Board has recommended a dividend of Rs. 1.50 per share (being 15% on the par value per equity share). The Company continuously putting its efforts to meet price pressure from OEMs and improve its productivity.

### **Material Development in Human Resources/ Industrial Relations Front**

The management is pleased to mention that the employer-employee relations have been very cordial during the year and the management has been successful in keeping the employees motivated and committed towards achievement of company goals. The Company continues to maintain its record on industrial relations. The Company believes that human resources are its most valuable assets and is thus committed to the welfare of its employees and their families. Systematic training is given at all levels to improve the knowledge and skill level of its employees.

### **Health, Safety and Environment**

The Company ensures protection and up-gradation of the environment by adopting safe processes and by eliminating hazardous operations.

### **Cautionary Statement**

The above mentioned statements are only "forward looking statements" based on certain assumptions/ expectations and current scenario and the input available. Any extraneous developments and force majeure conditions may have an impact on the above perceptions.



## AUDITORS' REPORT

### **J. B. REDDY & Co.**

Chartered Accountants

Ph: 23736593, 23756229  
206, 2nd Floor, Srinilaya Estate,  
Ameerpet,  
HYDERABAD –500 073

Date: 30th May 2010

To  
**THE MEMBERS OF  
NELCAST LIMITED**

1. We have audited the attached Balance Sheet of NELCAST LIMITED, as at 31st March, 2010, the Profit & Loss Account and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our Audit provides reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that:
  - (a) We have obtained all the information and explanation, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of the books of the Company;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Company.
  - (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with all the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

**AUDITORS' REPORT – (Contd.)**

- (e) On the basis of written representations received from the Directors as on 31st March, 2010 and taken on record by the Board of Directors, in our opinion, none of the Directors are disqualified from being appointed as Director under Section 274(1)(g) of Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes on accounts, give the information required by the Companies Act, 1956 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, 2010;
  - (ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
  - (iii) in the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

For **J.B.REDDY & CO.**,  
Chartered Accountants

**A.V.REDDY**  
Partner.

Membership No. 23983  
Firm Regn. No. 003256S

## ANNEXURE TO THE AUDITORS' REPORT

**(This is the Annexure referred to in our Report of even date)**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) All fixed assets have not been physically verified by the Management during the year, but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its Assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of substantial fixed assets during the year.
- (ii) (a) The Management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) 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.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weaknesses have been noticed in the internal controls in these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices, which are reasonable, having regard to the prevailing market prices at the relevant time.
- (vi) The Company has accepted deposits from the public. In our opinion, the directives issued by the Reserve Bank of India and the provisions of sections 58 A and 58 AA or any other relevant provisions of the Act and the rules framed there under, where applicable have been complied with.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956 for any of its products.
- (ix) (a) According to the records provided to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and any other statutory dues applicable to it with the appropriate authorities.

**ANNEXURE TO THE AUDITORS' REPORT – (Contd.)**

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs Duty, Excise Duty, Service Tax, and Cess were in arrears as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and on the basis of information and explanations given to us, there are no dues of Sales-tax, Income-tax, Customs Duty, Wealth tax, Excise Duty, Service Tax, Cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses and as at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to the Financial Institutions or Banks or Debenture holders.
- (xii) The Company has not granted any loans or advance on the basis of security by the way of pledge of shares, debentures or other securities.
- (xiii) In our opinion, the Company is not a chit fund, or a nidhi / mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.  
Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- (xvi) In our opinion, term loans were applied for the purpose for which the said loans were obtained.
- (xvii) The funds raised on short-term basis have not been used for long-term Investment and whereas part of long-term funds were used for working capital requirement of the Company.
- (xviii) The Company has not made, during the year, any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures and hence creation of Securities for debentures does not arise.
- (xx) As per the checks carried out by us, no fraud on or by the Company has been noticed or reported during the year under report.

For **J.B.REDDY & CO.**,  
Chartered Accountants

**A.V.REDDY**  
Partner.  
Membership No. 23983  
Firm Regn. No. 003256S

**BALANCE SHEET AS AT 31ST MARCH 2010**

S.No	PARTICULARS	SCHEDULE	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SOURCES OF FUNDS</b>				
<b>1</b>	<b>Shareholders Funds :</b>			
a)	Share Capital	<b>A</b>	<b>17,40,02,400</b>	17,40,02,400
b)	Reserves & Surplus	<b>B</b>	<b>140,83,19,578</b>	136,99,49,789
			<b>158,23,21,978</b>	<b>154,39,52,189</b>
<b>2</b>	<b>Loan Funds :</b>			
a)	Secured Loans	<b>C</b>	<b>156,18,43,595</b>	157,76,21,822
b)	Unsecured Loans	<b>D</b>	<b>16,91,37,061</b>	14,89,20,544
			<b>173,09,80,656</b>	<b>172,65,42,366</b>
<b>3</b>	<b>Deferred Tax Liability</b>		<b>18,22,42,165</b>	<b>15,67,12,665</b>
	<b>TOTAL</b>		<b>349,55,44,799</b>	<b>342,72,07,220</b>
<b>APPLICATION OF FUNDS</b>				
<b>4</b>	<b>Fixed Assets :</b>	<b>E</b>		
a)	Gross Block		<b>175,65,57,380</b>	145,96,07,039
b)	Less: Depreciation		<b>46,71,78,253</b>	39,44,12,552
c)	Net Block		<b>128,93,79,127</b>	<b>106,51,94,487</b>
	Capital WIP		<b>99,87,45,170</b>	98,74,67,597
<b>5</b>	<b>Investments</b>	<b>F</b>	<b>27,59,350</b>	27,59,350
<b>6</b>	<b>Current Assets, Loans &amp; Advances</b>			
	Inventories	<b>G</b>	<b>91,90,57,875</b>	83,32,36,570
	Sundry Debtors	<b>H</b>	<b>56,74,56,757</b>	54,60,87,570
	Cash and Bank Balances	<b>I</b>	<b>55,14,115</b>	53,02,904
	Loans and Advances	<b>J</b>	<b>24,52,06,551</b>	28,09,68,101
	Other Current Assets	<b>K</b>	<b>88,50,715</b>	47,29,211
			<b>174,60,86,013</b>	<b>167,03,24,356</b>
<b>7</b>	<b>Less: Current Liabilities &amp; Provisions</b>			
	Current Liabilities	<b>L</b>	<b>51,03,84,499</b>	27,81,81,159
	Provisions	<b>M</b>	<b>3,10,40,362</b>	2,03,57,411
			<b>54,14,24,861</b>	<b>29,85,38,570</b>
	Net Current Assets		<b>120,46,61,152</b>	<b>137,17,85,786</b>
	<b>TOTAL</b>		<b>349,55,44,799</b>	<b>342,72,07,220</b>
<b>8</b>	<b>Notes on Accounts</b>	<b>U</b>		

As per our report of even date

**For J.B.REDDY & CO.,**  
Chartered Accountants

**A.V.REDDY**

Partner

Membership No. 23983

Firm Regn. No. 003256S

Place : Hyderabad

Date : 30.05.2010

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

**For and on behalf of the Board**

D.Sesha Reddy  
Director

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

Place : Chennai

Date : 30.05.2010



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

PARTICULARS	SCHEDULE	For the year ended 31.03.2010 Rs.	For the year ended 31.03.2009 Rs.
<b>INCOME</b>			
Gross Sales		346,49,22,154	322,70,62,395
<b>Less : Excise Duty</b>		<b>26,88,42,808</b>	<b>32,39,59,765</b>
Net Sales		<u>319,60,79,346</u>	<u>290,31,02,630</u>
Other Income	N	76,84,599	2,47,60,723
Increase in stock	O	<u>6,33,36,902</u>	<u>19,08,59,375</u>
<b>TOTAL</b>		<b><u>326,71,00,847</u></b>	<b><u>311,87,22,728</u></b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	P	152,04,53,623	146,75,10,809
Consumables Stores and Spares		45,67,71,147	44,81,34,803
Power and Fuel		39,36,81,656	34,36,62,250
Employee cost	Q	17,53,91,716	13,90,21,177
Other Manufacturing Expenses	R	29,92,08,575	27,49,41,114
Transport Charges		9,47,16,149	11,51,93,682
Administration, Selling & Other exps.	S	9,57,77,026	10,05,51,644
Interest & Other Financial Charges	T	5,82,85,433	10,47,65,368
Depreciation		<u>7,29,14,973</u>	<u>6,56,12,820</u>
<b>TOTAL</b>		<b><u>316,72,00,298</u></b>	<b><u>305,93,93,667</u></b>
Profit Before Tax		<u>9,99,00,549</u>	<u>5,93,29,061</u>
<b>Less : Provision for tax</b>		<b>1,71,56,513</b>	<b>68,06,603</b>
MAT Credit		(1,17,89,637)	-
Provision for FBT		-	16,67,631
Wealth Tax		35,629	-
Deffered Tax		<u>2,55,29,500</u>	<u>1,18,73,458</u>
<b>Profit After Tax</b>		<b>6,89,68,544</b>	<b>3,89,81,369</b>
Less: Prior year adjustments		62,639	12,02,744
<b>Net profit</b>		<b>6,89,05,905</b>	<b>3,77,78,625</b>
<b>Add : Profit brought forward</b>		<b>18,25,37,156</b>	<b>17,51,15,942</b>
Profits available for appropriations		<u>25,14,43,061</u>	<u>21,28,94,567</u>
<b>Less : Appropriations :</b>			
Dividend		2,61,00,360	1,74,00,240
Tax on Dividend		44,35,756	29,57,171
Transfer to General Reserve		<u>60,00,000</u>	<u>1,00,00,000</u>
<b>Balance carried to Balance Sheet</b>		<b><u>21,49,06,945</u></b>	<b><u>18,25,37,156</u></b>
<b>Basic and Diluted Earnings Per Share of face value of Rs.10/- each</b>		<b>3.96</b>	<b>2.17</b>

*As per our report of even date*

**For J.B.REDDY & CO.,**  
Chartered Accountants

**A.V.REDDY**  
Partner

Membership No. 23983  
Firm Regn. No. 003256S

Place : Hyderabad  
Date : 30.05.2010

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

*For and on behalf of the Board*

D.Sesha Reddy  
Director

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

Place : Chennai  
Date : 30.05.2010

<b>SCHEDULES TO THE BALANCE SHEET</b>		
	<b>As at 31.03.2010 Rs.</b>	<b>As at 31.03.2009 Rs.</b>
<b>SCHEDULE - A</b>		
<b>Share Capital</b>		
<b>Authorised :</b>		
2,50,00,000 Equity Shares of Rs.10/- each	<b>25,00,00,000</b>	25,00,00,000
<b>Issued, Subscribed and Paidup :</b>		
1,74,00,240* Equity Shares of Rs.10/- each subscribed and paid up in full	<b>17,40,02,400</b>	17,40,02,400
*(Includes 82,35,000 Equity Shares of Rs.10/- each allotted as fully paid up by way of Bonus Shares)		
<b>TOTAL</b>	<b>17,40,02,400</b>	17,40,02,400
<b>SCHEDULE - B</b>		
<b>Reserves &amp; Surplus</b>		
General Reserve:-		
Opening Balance	<b>31,00,00,000</b>	30,00,00,000
Add: Transfer from Profit & Loss A/c.	<b>60,00,000</b>	1,00,00,000
	<b>31,60,00,000</b>	31,00,00,000
Share Premium	<b>87,74,12,633</b>	87,74,12,633
Profit & Loss Account	<b>21,49,06,945</b>	18,25,37,156
	<b>140,83,19,578</b>	136,99,49,789
<b>SCHEDULE - C</b>		
<b>Secured Loans</b>		
Term Loans from Industrial Development Bank of India	<b>52,39,31,596</b>	64,75,00,324
Term Loan from Kotak Mahindra Bank Ltd.	<b>25,00,00,000</b>	—
Working Capital Loan from State Bank of India	<b>78,79,11,999</b>	92,94,03,828
Amount due under the Hire Purchase Agreement for Purchase of Vehicle	---	7,17,670
<b>TOTAL</b>	<b>156,18,43,595</b>	157,76,21,822
<b>SCHEDULE - D</b>		
<b>Unsecured Loans</b>		
From Companies	<b>13,00,00,000</b>	10,00,00,000
Deposits from Public	<b>1,29,83,321</b>	83,83,620
Interest free Sales Tax Loans	<b>2,61,53,740</b>	4,05,36,924
<b>TOTAL</b>	<b>16,91,37,061</b>	14,89,20,544

**SCHEDULES TO THE BALANCE SHEET**

**SCHEDULE – E**

**FIXED ASSETS**

(Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost upto 31.03.2009	Additions	Disposal	Cost upto 31.03.2010	Upto 31.03.2009	For the year	Accu. Depn on disposal	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	12,43,85,976	4,15,82,673	-	16,59,68,649	-	-	-	-	16,59,68,649	12,43,85,976
Buildings	30,01,88,240	3,50,44,513	-	33,52,32,753	5,64,27,969	1,05,01,610	-	6,69,29,579	26,83,03,174	24,37,60,271
Plant & Machinery	100,41,29,714	21,36,47,891	-	121,77,77,605	32,68,38,247	5,83,89,711	-	38,52,27,958	83,25,49,647	67,72,91,467
Computers	1,80,78,536	5,27,091	-	1,86,05,627	60,48,053	29,73,201	-	90,21,254	95,84,373	1,20,30,483
Office Equipment	12,42,544	6,80,112	-	19,22,656	5,88,274	64,809	-	6,53,083	12,69,573	6,54,270
Vehicles	32,32,185	42,19,108	7,20,500	67,30,793	9,41,877	4,16,945	1,49,272	12,09,550	55,21,243	22,90,308
Furniture & Fittings	83,49,844	19,69,453	-	1,03,19,297	35,68,132	5,68,697	-	41,36,829	61,82,468	47,81,712
<b>TOTAL</b>	<b>145,96,07,039</b>	<b>29,76,70,841</b>	<b>7,20,500</b>	<b>175,65,57,380</b>	<b>39,44,12,552</b>	<b>7,29,14,973</b>	<b>1,49,272</b>	<b>46,71,78,253</b>	<b>128,93,79,127</b>	<b>106,51,94,487</b>

**SCHEDULES TO THE BALANCE SHEET – (Contd.)**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE - F</b>		
<b>Investments</b>		
(Trade, Unquoted)		
<b>Nelcast Inc., USA</b> (10,000 Equity shares of US\$ 5/- each including additional paid in capital)	<b>23,59,350</b>	23,59,350
<b>Nelcast Energy Corporation Limited</b> (15,000 Equity shares of Rs. 10/-each)	<b>1,50,000</b>	1,50,000
<b>Saheli Exports P Ltd</b> (25,000 Equity shares of Rs. 10/- each)	<b>2,50,000</b>	2,50,000
<b>TOTAL</b>	<b>27,59,350</b>	27,59,350
<b>SCHEDULE - G</b>		
<b>Inventories</b>		
(As certified by Management)		
Loose Tools	<b>1,87,85,530</b>	1,34,37,321
Consumable Stores & Spares	<b>6,55,51,158</b>	4,26,83,337
Raw Materials	<b>6,12,20,010</b>	4,86,80,063
Stocks - in - process	<b>35,72,51,777</b>	28,06,24,375
Finished Goods	<b>34,80,37,000</b>	36,13,27,500
Moulding Boxes & Patterns	<b>6,82,12,400</b>	8,64,83,974
	<b>91,90,57,875</b>	83,32,36,570
<b>SCHEDULE - H</b>		
<b>Sundry Debtors : (Unsecured Considered good)</b>		
(a) Debts outstanding for more than six months	<b>1,26,49,664</b>	1,10,24,600
(b) Other debts	<b>55,48,07,093</b>	53,50,62,970
	<b>56,74,56,757</b>	54,60,87,570
<b>SCHEDULE - I</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	<b>6,57,724</b>	11,70,315
Balance with Scheduled Banks:		
– In Current Accounts	<b>30,02,391</b>	37,57,589
– In Fixed Deposits	<b>18,54,000</b>	3,75,000
	<b>55,14,115</b>	53,02,904

**SCHEDULES TO THE BALANCE SHEET – (Contd.)**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE - J</b>		
<b>Loans and Advances :</b>		
Deposits	6,92,62,303	8,64,40,861
<b>Advances recoverable in cash or in kind or for value to be received :</b>		
Call Deposits	5,46,34,043	5,00,00,000
Prepaid Taxes (Net of Provisions)	–	2,38,34,716
MAT Credit Entitlement	1,17,89,637	–
Other Advances & Receivables	10,95,20,568	12,06,92,524
	<b>24,52,06,551</b>	<b>28,09,68,101</b>
<b>SCHEDULE - K</b>		
<b>Other Current Assets:</b>		
Accrued Interest	88,50,715	47,29,211
	<b>88,50,715</b>	<b>47,29,211</b>
<b>SCHEDULE - L</b>		
<b>Current Liabilities :</b>		
<b>Sundry Creditors :</b>		
– For Supplies	39,50,50,677	17,89,81,482
– For Expenses	7,29,42,327	8,91,93,795
Other Liabilities	4,23,91,495	1,00,05,882
	<b>51,03,84,499</b>	<b>27,81,81,159</b>
<b>SCHEDULE - M</b>		
<b>Provisions :</b>		
Proposed Dividend	2,61,00,360	1,74,00,240
Provision for Tax on Dividend	44,35,756	29,57,171
Provision for Taxes (Net of Pre-paid Taxes)	5,04,246	–
	<b>3,10,40,362</b>	<b>2,03,57,411</b>

## SCHEDULES TO THE PROFIT & LOSS ACCOUNT

SCHEDULE - N	For the year ended 31.03.2010 Rs.	For the year ended 31.03.2009 Rs.
<b>Other Income</b>		
Interest Receipts (TDS Rs. 5,46,235; Previous year 11,10,089)	39,44,741	48,98,894
Export Incentives	37,35,018	1,48,27,823
Profit on Foreign Exchange Fluctuation	–	47,21,837
Miscellaneous Income	4,840	3,12,169
	<b>76,84,599</b>	<b>2,47,60,723</b>
<b>SCHEDULE - O</b>		
<b>Increase In Stock</b>		
<b>Closing Stock</b>		
Finished Goods	34,80,37,000	36,13,27,500
Stocks - in - process	35,72,51,777	28,06,24,375
	<b>70,52,88,777</b>	<b>64,19,51,875</b>
<b>Opening Stock</b>		
Finished Goods	36,13,27,500	24,02,23,500
Stocks - in - process	28,06,24,375	21,08,69,000
	<b>64,19,51,875</b>	<b>45,10,92,500</b>
<b>Increase in Stock</b>	<b>6,33,36,902</b>	<b>19,08,59,375</b>
<b>SCHEDULE - P</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	4,86,80,063	7,78,34,374
<b>Add : Purchases</b>	<b>153,29,93,570</b>	<b>143,83,56,498</b>
	<b>158,16,73,633</b>	<b>151,61,90,872</b>
Less : Closing Stock of Raw Materials	6,12,20,010	4,86,80,063
<b>CONSUMPTION</b>	<b>152,04,53,623</b>	<b>146,75,10,809</b>
<b>SCHEDULE - Q</b>		
<b>Employee Cost</b>		
Salaries, Wages and Bonus	14,24,23,343	11,12,50,122
Staff Welfare Expenses	1,86,21,539	1,31,97,203
PF, Gratuity Contribution	1,43,46,834	1,45,73,852
	<b>17,53,91,716</b>	<b>13,90,21,177</b>

**SCHEDULES TO THE PROFIT & LOSS ACCOUNT – (Contd.)**

SCHEDULE - R	For the year ended 31.03.2010 Rs.	For the year ended 31.03.2009 Rs.
<b>Other Manufacturing Expenses</b>		
Fettling and Other Manufacturing Expenses	25,35,78,314	22,08,43,747
<b>Repairs and Maintenance:</b>		
– Plant and Machinery	3,91,52,294	4,96,76,485
– Buildings	64,77,967	44,20,882
	29,92,08,575	27,49,41,114
<b>SCHEDULE - S</b>		
<b>Administration, Selling &amp; Other Expenditure</b>		
Printing & Stationery	16,70,172	17,22,096
Communication Charges	41,81,196	41,90,324
Rent	96,70,508	97,92,425
Rates and taxes	19,99,715	8,98,722
Insurance	42,98,045	78,07,303
Travelling & Conveyance	2,83,37,389	3,22,32,280
Advertisement	6,71,227	9,42,081
Legal & Professional Charges	82,09,624	77,35,669
Sales Commission	30,863	68,616
<b>Payment to Auditors :</b>		
– Audit Fee	6,00,000	5,00,000
– Tax Audit Fee	1,00,000	1,00,000
Sitting Fee to Directors	1,90,000	2,70,000
Books, Periodicals & Subscriptions	3,25,854	4,26,593
Vehicle and Office Maintenance	13,12,173	13,75,935
Selling Expenses	3,09,13,160	3,19,48,360
Loss on Foreign Exchange Fluctuation	21,20,287	–
Loss on Sale of Asset	2,17,228	–
Other Expenses	9,29,585	5,41,240
	9,57,77,026	10,05,51,644
<b>SCHEDULE - T</b>		
<b>Interest &amp; Other Financial Charges</b>		
Interest on Term Loans	73,26,147	1,80,09,474
Other Interest and Financial Charges	6,07,93,414	9,85,26,524
Less: Interest on Short Term Deposits (TDS Rs. 9,83,413; Previous Year Rs. 18,05,846/-)	( 98,34,128)	(1,17,70,630)
<b>Net Other Interest and Financial Charges</b>	5,09,59,286	8,67,55,894
<b>Total Interest and Other Financial Charges</b>	5,82,85,433	10,47,65,368

## NOTES ON ACCOUNTS

### SCHEDULE – U

#### NOTES ON ACCOUNTS

#### 1. ACCOUNTING POLICIES :

<i>Basis of Accounting</i>	:	Financial statements are prepared in accordance with the generally accepted accounting principles including accounting standards in India under historical cost convention on accrual basis.
<i>Revenue Recognition</i>	:	Income of the Company is derived from Sale of Products including Excise duty but excluding Sales Tax and net of sales returns. The revenue and expenditure are accounted on a going concern basis.
<i>Inventories</i>	:	Finished goods and stocks-in-process are valued at lower of the cost and net realisable value. Raw materials are taken at cost (under FIFO method) which is either equal to or less than the realisable value. Moulding boxes and patterns are valued at lower of cost (estimated) and net realisable value.
<i>Fixed Assets</i>	:	Fixed Assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its use.
<i>Depreciation</i>	:	Depreciation for the year on fixed assets is provided under the Straight Line method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
<i>Foreign Currency Transactions</i>	:	Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets and current liabilities are translated at the year end rate. The difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of current assets and current liabilities at the end of the year is recognised as income or expense as the case may be.
<i>Employee Benefits</i>	:	<p>(I) <b>Defined Contribution Plan:</b></p> <p>(a) Company's contribution to Employees Provident fund and Employees State Insurance are made under a Defined Contribution Plan, and are accounted for at actual cost in the year of accrual.</p> <p>(b) Company's contribution to the Superannuation fund in respect of employees who are members are made under a defined contribution plan, being administrated by the Life Insurance Corporation of India and are charged to Profit and Loss account in the year in which employee has rendered service.</p> <p>(II) <b>Defined Benefit Plan :</b></p> <p>Company's liability to Gratuity on retirement of its eligible employees is funded and is being administrated by the Life Insurance Corporation of India. The incremental expense thereon for each year is arrived at as per actuarial valuation and is recognised and charged to the Profit and Loss Account in the year in which the employee has rendered service.</p>



## NOTES ON ACCOUNTS – (Contd.)

<i>Borrowing Costs</i>	: The Company capitalizes interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset, the Company uses the interest rates applicable to that specific borrowing as the capitalisation rate. Where borrowings cannot be specifically identified to fixed assets, the capitalisation rate applied is the weighted average of the interest rates applicable to all borrowings of the Company. Capitalisation of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete.												
<i>Investments</i>	: Investments, which are Long-term in nature, are stated at cost after providing for decline in value, if any, other than temporary.												
<i>Leases</i>	: Leases, where the Lessor retains substantially all the risks and rewards incidental to the ownership are classified as operating leases. Operating lease payments are recognised as an expense in Profit & Loss Account on straight-line basis over the lease term.												
<i>Deferred Tax</i>	: Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.												
<i>Impairment of Assets</i>	: The Company carrying out Impairment of Assets at balance sheet date and recognize Impairment Gain / Loss based on internal/external factors.												
2. Loans from Industrial Development Bank of India & Kotak Mahindra Bank Ltd are secured by equitable mortgage of land, building and hypothecation of plant and machinery, both present and future.													
3. Working Capital Loan from State Bank of India is fully secured by hypothecation of raw materials, stocks in process, finished goods, stores and book debts and second charge on fixed assets. The said loan is further guaranteed by personal guarantee of two directors of the Company including the Chairman.													
4. <b>Provision, Contingent Liabilities and Contingent Assets :</b>	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; width: 20%;"><b>31.03.2010</b></td> <td style="text-align: right; width: 20%;">31.03.2009</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>Rs.</b></td> <td style="text-align: right;">Rs.</td> </tr> <tr> <td style="padding-left: 20px;">a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee</td> <td style="text-align: right;"><b>1,27,43,200</b></td> <td style="text-align: right;">3,75,000</td> </tr> <tr> <td style="padding-left: 20px;">b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for</td> <td style="text-align: right;"><b>2,06,21,000</b></td> <td style="text-align: right;">2,47,93,000</td> </tr> </table>		<b>31.03.2010</b>	31.03.2009		<b>Rs.</b>	Rs.	a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee	<b>1,27,43,200</b>	3,75,000	b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	<b>2,06,21,000</b>	2,47,93,000
	<b>31.03.2010</b>	31.03.2009											
	<b>Rs.</b>	Rs.											
a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee	<b>1,27,43,200</b>	3,75,000											
b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	<b>2,06,21,000</b>	2,47,93,000											
5. Travelling expenses in Schedule S include Rs.13,866/- out of pocket expenses reimbursed to the Auditors. (Previous year Rs. 14,992/-)													
6. <b>Composition of Deffered Tax Liability :</b>													
Difference between Book and Tax Depreciation	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; width: 20%;"><b>18,22,42,165</b></td> <td style="text-align: right; width: 20%;">15,67,12,665</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>18,22,42,165</b></td> <td style="text-align: right;">15,67,12,665</td> </tr> </table>		<b>18,22,42,165</b>	15,67,12,665		<b>18,22,42,165</b>	15,67,12,665						
	<b>18,22,42,165</b>	15,67,12,665											
	<b>18,22,42,165</b>	15,67,12,665											

**NOTES ON ACCOUNTS – (Contd.)**

	2009-10 Rs.	2008-09 Rs.
<b>7. Remuneration to Directors:</b>		
<b>Whole-time Director:</b>		
Salary & Allowance	<b>63,36,000</b>	<b>63,36,000</b>
The total remuneration stated above is within the permissible limit under the Act.		
<b>8. Installed Capacity :</b>		
	<b>2009-10 TPA</b>	2008-09 TPA
Iron Castings	<b>1,50,000</b>	1,26,000

**9. Details of production, turnover and stocks of finished goods :**

	Opening Stock		Production	Sales		Closing Stock	
	Quantity (MT)	Value (Rs.)	Quantity (MT)	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)
Iron Castings	7,155	36,13,27,500	60,761.00	61,158.00	319,54,69,279	6,758	34,80,37,000
	(4,853)	(24,02,23,500)	(48,961.00)	(46,659.00)	(290,20,42,000)	(7,155)	(36,13,27,500)
Wind Energy					<b>6,10,067</b> (10,60,630)		

**NOTE :** Figures in brackets represent figures for the previous year.

**10. Details of Raw Materials consumed:**

	2009-10		2008-09	
	Quantity (Kgs.)	Value (Rs.)	Quantity (KgS)	Value (Rs.)
Steel Scrap	<b>63,534,650</b>	<b>130,13,29,684</b>	50,601,000	130,56,68,126
Others		<b>21,91,23,939</b>		16,18,42,683
Total		<b>152,04,53,623</b>		146,75,10,809

**NOTES ON ACCOUNTS – (Contd.)**

**11. Value of Imported and Indigenous raw materials consumed and their percentage to consumption:**

	2009-10		2008 – 09	
	%	Value	%	Value
Imported	1.19	1,80,60,772	7.67	11,25,56,723
Indigenous	98.81	150,23,92,851	92.33	135,49,54,086
Total	100.00	152,04,53,623	100.00	146,75,10,809

12.

	2009-10	2008-09
(a) <b>C.I.F. Value of Imports :</b> Machinery spares & others	30,00,010	43,40,979
Raw materials	1,80,60,772	11,25,56,723
(b) <b>F.O.B. Value of Exports:</b> Finished Goods	8,80,28,031	39,39,93,460
(c) <b>Expenditure in Foreign Currency:</b> On account of travel	26,81,400	13,67,246
On account of Other Matters	3,57,11,298	365,89,730

13. During the year, a sum of Rs.8.21Crores (Previous year Rs. 10.06 Crores) being interest on borrowings attributable to qualifying assets has been capitalized.

14. **Earnings Per Share is calculated in accordance with the Accounting Standard:**

	2009-10	2008-09
EPS	Rs. 3.96	Rs. 2.17

## NOTES ON ACCOUNTS – (Contd.)

**15. Disclosure required by the AS – 15 (Revised) – Employee Benefits – Gratuity**

The Company has a defined benefit gratuity plan covering eligible employees. The following tables summarise the components of net benefit expenses recognised in the profit and loss account and the funded status and amounts recognised in the Balance Sheet.

**1. Table Showing changes in present value of Obligation as on 31/03/2010**

	<b>2009–10</b>	<b>2008–09</b>
Present value of obligations as at beginning of year	1,19,79,605	1,03,23,100
Interest cost	9,58,368	7,97,065
Current Service Cost	14,63,219	15,03,098
Benefits Paid	(10,04,110)	(7,33,677)
Actuarial (gain)/ loss on obligations	34,67,971	90,019
Present value of obligations as at end of the year	1,68,65,053	1,19,79,605

**2. Table showing changes in the fair value of plan assets as on 31/03/2010**

Fair value of plan assets at beginning of year	71,98,361	57,00,834
Expected return on plan assets	7,55,472	4,91,385
Contributions	23,86,431	16,33,966
Benefits Paid	(10,04,110)	(7,33,677)
Actuarial gain/(loss) on Plan assets	NIL	1,05,853
Fair value of plan assets at the end of year	93,36,154	71,98,361

**3. Table showing fair value of plan assets**

Fair value of plan assets at beginning of year	71,98,361	57,00,834
Actual return on plan assets (Expected Return + Actuarial Return)	7,55,472	5,97,238
Contributions	23,86,431	16,33,966
Benefits Paid	(10,04,110)	(7,33,677)
Fair value of plan assets at the end of year	93,36,154	71,98,361
Funded status	(75,28,899)	(47,81,244)
Excess of Actual over estimated return on plan assets (Actual rate of return = Estimated rate of return as ARD falls on 31st March)	NIL	NIL

**4. Actuarial Gain/Loss recognized As On 31/03/2010**

Actuarial (gain)/ loss on benefit obligations	(34,67,971)	90,019
Actuarial (gain)/ loss for the year - plan assets	NIL	1,05,853
Actuarial (gain)/ loss on obligations	34,67,971	(15,834)
Actuarial (gain)/ loss recognized in the year	34,67,971	(15,834)

**5. The amounts to be recognized in the balance sheet and statements of profit and loss:**

Actuarial Present value of benefit obligations as at the end of year	1,68,65,053	1,19,79,605
Fair value of plan assets as at the end of the year	93,36,154	71,98,361
Funded status	(75,28,899)	(47,81,244)
Net asset/(liability) recognized in balance sheet	75,28,899	47,81,244

**6. Expenses Recognised in statement of Profit and loss:**

Current Service cost	14,63,219	15,03,098
Interest Cost	9,58,368	7,97,065
Expected return on plan assets	(7,55,472)	(4,91,385)
Net Actuarial (gain)/ loss recognized in the year	(34,67,971)	(15,834)
Expenses recognised in statement of Profit and loss	51,34,086	17,92,944

**7. Actuarial Assumptions**

Discount Rate	8.00%	8.00%
Salary Escalation Rate per Unit	7.00%	7.00%
Mortality Rate	LIC 1994-96	LIC 1994-96
Expected Rate of Return	8.00%	8.00%

**NOTES ON ACCOUNTS – (Contd.)**

16. Balances of Sundry Debtors, Sundry Creditors, Loans & Advances or receivables are subject to confirmations to be obtained from the parties.
17. Amount payable to Micro, Small and Medium Enterprises (MSMEs) as defined under the Micro Small and Medium Enterprises Development Act 2006, is Rs. 3,75,88,903/- as on 31.3.2010 and there is no overdue amount.
18. **Interim Financial Reporting :**  
The quarterly financial results are published in accordance with the requirements of Listing agreement with stock exchanges.
19. **Segment Information :**  
The Company is principally engaged only in the business of manufacture and sale of Iron Castings, there are no reportable segments as per Accounting Standard No.17 issued by The Institute of Chartered Accountants of India on "Segmental Reporting".
20. **Related Party Disclosure :**

Disclosure as required by the Accounting Standard 18 on "Related Party Disclosures" are given below:

**(a) List of Related Parties.( 2009-10)**

<b>Subsidiary Company:-</b>	<b>Nelcast USA Inc</b>
<b>Associate company:-</b>	<b>Nelcast Energy Corporation Limited</b>
<b>Key Management personnel</b>	1. Mr.P.Radhakrishna Reddy, <i>Chairman and Managing Director</i>
	2. Mr. P.Vijaya Bhaskar Reddy, <i>Deputy Managing Director</i>

**(b) Transactions with related parties (2009-10)**

Nature of Transactions	Subsidiary Company	Associate Company	Key management Personnel (Mr.P.Vijaya Bhaskar Reddy)
	Rs.	Rs.	Rs.
Managerial Remuneration	-	-	63,36,000
Reimbursement of Expenses	2,99,21,543	-	-
Balance outstanding Debit(Credit)	(22,50,309)	-	-
Investment in Shares	-	1,50,000	-
Share Application Money	-	88,12,706	-

**NOTES ON ACCOUNTS – (Contd.)**

**(a) List of Related Parties.( 2008-09)**

<b>Subsidiary Company:-</b>	<b>Nelcast USA Inc</b>
<b>Associate company:-</b>	<b>Nelcast Energy Corporation Limited</b>
<b>Key Management personnel</b>	<ol style="list-style-type: none"> <li>1 . Mr.J.Joseph, Managing Director (Part of the year)</li> <li>2. Mr.P.Radhakrishna Reddy, Chairman and Managing Director</li> <li>3 Mr. P.Vijaya Bhaskar Reddy, Deputy Managing Director</li> </ol>

**(b) Transactions with related parties(2008-09)**

Nature of Transactions	Subsidiary Company	Associate Company	Key management Personnel (Mr.J.Joseph, Mr.P.Vijaya Bhaskar Reddy)
	Rs.	Rs.	Rs.
Managerial Remuneration	–	–	63,36,000
Reimbursement of Expenses	3,14,43,248	–	–
Sale of Goods	76,05,768	–	–
Balance Outstanding Dr / (Cr.)	6,92,405	–	(17,72,484)
Investment in Shares		1,50,000	–
Share Application Money		3,70,000	–

21. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the figures for the current period.

**Signatures to Schedules A to U**

*As per our report of even date*

***For and on behalf of the Board***

**For J.B.REDDY & CO.,**  
*Chartered Accountants*

P. Radhakrishna Reddy  
Chairman & Managing Director

D.Sesha Reddy  
Director

**A.V.REDDY**  
*Partner*  
Membership No. 23983  
Firm Regn. No. 003256S

A. Balasubramanian  
Director

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

Place : Hyderabad  
Date : 30.05.2010

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

Place : Chennai  
Date : 30.05.2010

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

PARTICULARS	For the Year ended 31.03.2010 Rs.	For the Year ended 31.03.2009 Rs..
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit Before Tax	9,99,00,549	5,93,29,061
Adjustments for:		
Depreciation	7,29,14,973	6,56,12,820
Interest income	(39,44,741)	(48,98,894)
(Profit)/Loss on sale of assets	2,17,228	—
Interest expenditure	5,82,85,433	10,47,65,368
<b>Operating Profit before Working Capital Changes</b>	<b>22,73,73,442</b>	<b>22,48,08,355</b>
Adjustment for:		
Trade & Other Receivables	2,84,36,611	13,77,20,092
Inventories	(8,58,21,305)	(19,02,46,953)
Trade Payables	22,42,29,428	(13,11,65,807)
<b>Cash generated from Operations</b>	<b>39,42,18,176</b>	<b>4,11,15,687</b>
Direct Taxes Paid	(1,51,25,550)	(2,85,38,546)
<b>Cash flow before Extraordinary/Prior-period Items</b>	<b>37,90,92,626</b>	<b>1,25,77,141</b>
Extraordinary/ Prior Period Items :	(62,639)	(12,02,744)
<b>Net Cash Flow from Operating Activities TOTAL A</b>	<b>37,90,29,987</b>	<b>1,13,74,397</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(29,76,70,841)	(7,48,29,397)
Increase in Capital Work - In- Progress	(1,12,77,573)	(87,02,20,964)
Sale of fixed assets	3,54,000	—
Interest received	39,44,741	48,98,894
<b>Net Cash used in Investing Activities TOTAL B</b>	<b>(30,46,49,673)</b>	<b>(94,01,51,467)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Decrease)/Increase in Long Term borrowings	(1,57,78,227)	93,21,97,656
Increase/(Decrease) in Unsecured Loans	2,02,51,968	5,07,80,883
Interest paid	(5,82,85,433)	(10,47,65,368)
Dividend Paid (Including Dividend Tax)	(2,03,57,411)	(6,10,72,232)
<b>Net Cash from Financing Activities TOTAL C</b>	<b>(7,41,69,103)</b>	<b>817,1,40,939</b>
<b>Net increase in Cash and Cash equivalents TOTAL A+B+C</b>	<b>2,11,211</b>	<b>(11,16,36,131)</b>
<b>Cash and Cash equivalents as at - Opening Balance</b>	<b>53,02,904</b>	<b>11,69,39,035</b>
<b>Cash and Cash Equivalents as at - Closing Balance</b>	<b>55,14,115</b>	<b>53,02,904</b>

**For and on behalf of the Board**

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

D.Sesha Reddy  
Director

Place : Chennai  
Date : 30th May 2010

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

**AUDITORS' REPORT**

We have verified the above Cash Flow Statement of Nelcast Limited, for the year ended 31st March 2010. The statement is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet.

**For J.B.REDDY & CO.,**  
Chartered Accountants

**A.V.REDDY**  
Partner  
Membership No. 23983  
Firm Regn. No. 003256S

Place : Hyderabad  
Date : 30th May 2010



**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**BALANCE SHEET EXTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(Amount in Rs.'000)

**I. Registration Details**

Registration number	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	State code	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Balance sheet date	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>								

**II. Capital raised during the year**

Public issue	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Rights issue	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bonus issue	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Private Placement	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**III. Position of Mobilization and Deployment of funds**

Total liabilities and shareholders' funds	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Sources of Funds**

Paid up capital	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Secured loans	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Share Application money	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Unsecured Loans	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Reserves and Surplus	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Deferred Tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Application of Funds**

Net Fixed Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Investments	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Capital work-in-Progress	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Net Current Assets	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Miscellaneous Expenditure	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>								

**IV. Performance of Company**

Turnover (Includes other income)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Total Expenditure	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Profit before Tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Profit after Tax	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Earning per share	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Dividend Rate	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**V. Generic names of three principal products/services of the Company**

Item Code No.(ITC Code)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	Product Description	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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## NELCAST USA Inc. INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS  
NELCAST USA Inc.**

**6th, April 2010**

We have audited the accompanying balance sheets of Nelcast USA Inc. (a wholly-owned subsidiary of Nelcast Ltd.) as of March 31, 2010 and 2009, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nelcast USA Inc. as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with auditing standards generally accepted in the United States of America.

Lipschultz, Levin & Gray  
L.L.C. Certified Public Accountants

425 Huehl Road, Bldg. 7, Northbrook, Illinois 60062-2322  
847.272.5300 Fax : 847.272.9351 www.TheThinkers.com

### STATEMENTS OF INCOME AND RETAINED EARNINGS Years Ended March 31, 2010 and 2009

	2010 \$	2009 \$
<b>NET SALES</b>	—	223,128
<b>COST OF GOODS SOLD</b>	—	253,340
<b>GROSS LOSS</b>	<u>—</u>	<u>(30,212)</u>
<b>OPERATING EXPENSES:</b>		
Automobile Expense	31,559	21,093
Bank Service Charges	1,216	789
Depreciation	1,008	2,372
Freight and Storage for Parent Company	18,963	
Insurance	22,974	16,422
Miscellaneous	1,608	327
Office Expense	5,813	5,758
Professional Fees	19,970	17,558
Rent	12,369	11,760
Salaries and Wages	446,450	523,400
Supplies	2,891	
Taxes - Payroll	22,541	24,998
Telephone	9,739	9,888
Travel and Entertainment	38,458	23,779
<b>TOTAL OPERATING EXPENSES</b>	<u>635,559</u>	<u>658,144</u>
<b>NET LOSS BEFORE REIMBURSEMENT FROM PARENT COMPANY</b>	<u>(635,559)</u>	<u>(688,356)</u>
<b>REIMBURSEMENTS FROM PARENT COMPANY</b>	635,559	679,790
<b>NET INCOME</b>	<u>—</u>	<u>(8,566)</u>
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>6,065</u>	<u>14,631</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>6,065</u>	<u>6,065</u>

See Auditor's Report and Accompanying Notes to Financial Statements.



**NELCAST USA Inc. BALANCE SHEET MARCH 31, 2010 and 2009**

ASSETS	2010	2009
<b>CURRENT ASSETS:</b>	\$	\$
Cash	35,112	8,152
Reimbursement Receivable from Parent Company	56,022	43,579
Prepaid Expenses and Others	2,568	6,957
<b>TOTAL CURRENT ASSETS</b>	<u>93,702</u>	<u>58,688</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Furniture and Fixtures	13,258	13,258
Less – Accumulated Depreciation	9,791	8,783
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>3,467</u>	<u>4,475</u>
<b>OTHER ASSET -</b>		
Security Deposit	2,850	850
<b>TOTAL ASSETS</b>	<u>100,019</u>	<u>64,013</u>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	3,314	7,948
Due to Parent Company	40,640	–
<b>TOTAL CURRENT LIABILITIES</b>	<u>43,954</u>	<u>7,948</u>
<b>BANK LINE OF CREDIT AND OPERATING LEASES</b>		
<b>STOCKHOLDER'S EQUITY:</b>		
Common Stock - No Par Value - Authorized, Issued and Outstanding 10,000 Shares	1,000	1,000
Additional Paid-in Capital	49,000	49,000
Retained Earnings	6,065	6,065
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<u>56,065</u>	<u>56,065</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<u>100,019</u>	<u>64,013</u>

See Auditor's Report and Accompanying Notes to Financial Statements.



## NELCAST USA Inc. STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2010 AND 2009	2010	2009
<b>CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:</b>	<b>\$</b>	<b>\$</b>
Net Loss		( 8,566)
Adjustments to Reconcile Net Income (Loss) to Net Cash Flows from (Used By) Operating Activities:		
Depreciation	<b>1,008</b>	2,372
(Increase) Decrease in:		
Accounts Receivable - Trade	-	57,512
Reimbursement Receivable from Parent Company	<b>(12,634)</b>	25,108
Inventories	-	53,297
Prepaid Expenses and Others	<b>2,389</b>	(4,741)
Increase (Decrease) in:		
Accounts Payable	<b>(4,634)</b>	-
Due to Parent Company	<b>40,640</b>	(148,894)
<b>NET CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES</b>	<b>26,960</b>	(23,912)
<b>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES:</b>		
Purchase of Property and Equipment	-	(3,285)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>26,960</b>	(27,197)
<b>CASH - BEGINNING OF YEAR</b>	<b>8,152</b>	35,349
<b>CASH - END OF YEAR</b>	<b>35,112</b>	8,152
<b>SUPPLEMENTAL INFORMATION:</b>		
Income Taxes paid during the Year	-	460



## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### TO THE BOARD OF DIRECTORS OF NELCAST LIMITED

We have examined the attached Consolidated Balance Sheet of Nelcast Limited and its subsidiary Nelcast USA Inc as at March 31st, 2010, the consolidated Profit and Loss Account for the year then ended annexed thereto and the consolidated cash flow statement for the year ended on that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the wholly owned subsidiary Nelcast USA Inc. This financial statements has been audited by other auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary Nelcast USA Inc, is based solely on the report of the other auditors.

We report the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standards (AS) 21, consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of Nelcast Limited and its subsidiary Nelcast USA Inc included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Nelcast Limited and its aforesaid subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Nelcast Limited and its subsidiary as at March 31st, 2010.
- (b) The consolidated Profit and Loss account gives a true and fair view of the consolidated results of operations of Nelcast Limited and its subsidiary for the year then ended.
- (c) The consolidated Cash Flow Statement of the consolidated cash flows for the year ended on that date.

**for J.B.REDDY & Co.,  
Chartered Accountants**

**(A.V.Reddy)**  
Partner  
Membership No. 23983  
Firm Regn. No. 003256S

Place : Hyderabad  
Date : 30th May 2010

**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

PARTICULARS	SCHEDULE		As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>Sources of Funds</b>				
<b>1 Shareholders Funds :</b>				
a) Share Capital	<b>A</b>	<b>17,40,02,400</b>		17,40,02,400
b) Reserves & Surplus	<b>B</b>	<b>140,84,23,970</b>		137,04,34,054
			<b>158,24,26,370</b>	<b>154,44,36,454</b>
<b>2 Loan Funds :</b>				
a) Secured Loans	<b>C</b>	<b>156,18,43,595</b>		157,76,21,822
b) Unsecured Loans	<b>D</b>	<b>16,91,37,061</b>		14,89,20,544
			<b>173,09,80,656</b>	<b>172,65,42,366</b>
<b>3 Deferred Tax Liability</b>			<b>18,22,42,165</b>	15,67,12,665
<b>TOTAL</b>			<b>349,56,49,191</b>	<b>342,76,91,485</b>
<b>Application of Funds</b>				
<b>4 Fixed Assets :</b>	<b>E</b>			
a) Gross Block		<b>175,71,52,664</b>		146,02,79,485
b) Less: Depreciation		<b>46,76,71,445</b>		39,48,58,026
c) Net Block		<b>128,94,81,219</b>	<b>128,94,81,219</b>	<b>106,54,21,459</b>
Capital WIP			<b>99,87,45,170</b>	98,74,67,597
<b>5 Investments</b>	<b>F</b>		<b>4,00,000</b>	4,00,000
<b>6 Current Assets, Loans &amp; Advances</b>				
Inventories	<b>G</b>	<b>91,90,57,875</b>		83,32,36,570
Sundry Debtors	<b>H</b>	<b>56,56,32,021</b>		54,60,87,570
Cash and Bank Balances	<b>I</b>	<b>70,90,644</b>		57,16,373
Loans & Advances	<b>J</b>	<b>24,54,74,514</b>		28,13,64,071
Other Current Assets	<b>K</b>	<b>88,50,715</b>		47,29,211
			<b>174,61,05,769</b>	167,11,33,795
<b>7 Less: Current Liabilities &amp; Provisions</b>				
<b>Current Liabilities</b>	<b>L</b>	<b>50,80,42,605</b>		27,63,73,955
<b>Provisions</b>	<b>M</b>	<b>3,10,40,362</b>		2,03,57,411
			<b>53,90,82,967</b>	29,67,31,366
Net Current Assets			<b>120,70,22,802</b>	<b>137,44,02,429</b>
<b>TOTAL</b>			<b>349,56,49,191</b>	<b>342,76,91,485</b>
<b>8 Notes on Accounts</b>	<b>U</b>			

*As per our report of even date*

**For J.B.REDDY & CO.,**  
Chartered Accountants

**A.V.REDDY**  
Partner  
Membership No. 23983  
Firm Regn. No. 003256S

Place : Hyderabad  
Date : 30.05.2010

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

*For and on behalf of the Board*

D.Sesha Reddy  
Director

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

Place : Chennai  
Date : 30.05.2010



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

PARTICULARS	SCHEDULE	For the year ended 31.03.2010 Rs.	For the year ended 31.03.2009 Rs.
<b>INCOME</b>			
Gross Sales		346,49,22,154	322,70,62,395
<b>Less : Excise Duty</b>		<b>26,88,42,808</b>	<b>32,39,59,765</b>
Net Sales		<b>319,60,79,346</b>	<b>290,31,02,630</b>
Other Income	N	76,84,599	2,47,60,723
Increase in stock	O	<b>6,33,36,902</b>	19,08,59,375
<b>TOTAL</b>		<b>326,71,00,847</b>	<b>311,87,22,728</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	P	<b>152,04,53,623</b>	146,89,08,114
Consumables Stores and Spares		<b>45,67,71,147</b>	44,81,34,803
Power and Fuel		<b>39,36,81,656</b>	34,36,62,250
Employee cost	Q	<b>19,65,26,659</b>	16,32,28,427
Other Manufacturing Expenses	R	<b>29,92,08,575</b>	27,59,16,665
Transport Charges		<b>9,56,13,952</b>	11,51,93,682
Administration, Selling & Other exps.	S	<b>7,36,38,996</b>	7,42,06,397
Interest & Other Financial Charges	T	<b>5,83,42,998</b>	10,48,16,983
Depreciation		<b>7,29,62,692</b>	6,57,22,525
<b>TOTAL</b>		<b>316,72,00,298</b>	<b>305,97,89,846</b>
<b>Profit Before Tax</b>		<b>9,99,00,549</b>	<b>5,89,32,882</b>
<b>Less : Provision for tax</b>		<b>1,71,56,513</b>	68,06,603
MAT Credit		<b>(11,789,637)</b>	
Provision for FBT		-	16,67,631
Wealth Tax		<b>35,629</b>	
Deferred Tax		<b>2,55,29,500</b>	1,18,73,458
<b>Profit After Tax</b>		<b>6,89,68,544</b>	<b>3,85,85,190</b>
<b>Less: Prior year adjustments</b>		<b>62,639</b>	12,02,744
<b>Net profit</b>		<b>6,89,05,905</b>	<b>3,73,82,446</b>
<b>Add : Profit brought forward</b>		<b>18,26,77,409</b>	17,56,52,374
Profits available for appropriations		<b>25,15,83,314</b>	21,30,34,820
<b>Less : Appropriations :</b>			
Dividend		<b>2,61,00,360</b>	1,74,00,240
Tax on Dividend		<b>44,35,756</b>	29,57,171
Transfer to General Reserve		<b>60,00,000</b>	1,00,00,000
<b>Balance carried to Balance Sheet</b>		<b>21,50,47,198</b>	<b>18,26,77,409</b>

*As per our report of even date*

**For J.B.REDDY & CO.,**  
Chartered Accountants

**A.V.REDDY**

Partner

Membership No. 23983

Firm Regn. No. 003256S

Place : Hyderabad

Date : 30.05.2010

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

*For and on behalf of the Board*

D.Sesha Reddy  
Director

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

Place : Chennai

Date : 30.05.2010

**CONSOLIDATED SCHEDULES TO THE BALANCE SHEET – (Contd.)**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE - A</b>		
<b>Share Capital</b>		
<b>Authorised :</b>		
2,50,00,000 Equity Shares of Rs.10/- each	<b>25,00,00,000</b>	25,00,00,000
<b>Issued, Subscribed and Paidup :</b>		
1,74,00,240* Equity Shares of Rs.10/- each subscribed and paid up in full	<b>17,40,02,400</b>	17,40,02,400
* (Includes 82,35,000 Equity Shares of Rs.10/- each allotted as fully paid up by way of Bonus Shares)		
<b>TOTAL</b>	<b>17,40,02,400</b>	17,40,02,400
<b>SCHEDULE - B</b>		
<b>Reserves &amp; Surplus</b>		
General Reserve:-		
Opening Balance	<b>31,00,00,000</b>	30,00,00,000
Add: Transfer from Profit & Loss A/c.	<b>60,00,000</b>	1,00,00,000
	<b>31,60,00,000</b>	31,00,00,000
Share Premium	<b>87,74,12,633</b>	87,74,12,633
Profit & Loss Account	<b>21,50,47,198</b>	18,26,77,409
Foreign Currency Translation Reserve	<b>(35,861)</b>	344,012
<b>TOTAL</b>	<b>140,84,23,970</b>	137,04,34,054
<b>SCHEDULE - C</b>		
<b>Secured Loans</b>		
Term Loans from Industrial Development Bank of India	<b>52,39,31,596</b>	64,75,00,324
Term Loan from Kotak Mahindra Bank Ltd	<b>25,00,00,000</b>	—
Working Capital Loan from State Bank of India	<b>78,79,11,999</b>	92,94,03,828
Amount due under the Hire Purchase agreement for Purchase of Vehicle	<b>—</b>	7,17,670
<b>TOTAL</b>	<b>156,18,43,595</b>	157,76,21,822
<b>SCHEDULE - D</b>		
<b>Unsecured Loans</b>		
From Companies	<b>13,00,00,000</b>	10,00,00,000
Deposits from Public	<b>1,29,83,321</b>	83,83,620
Interest free Sales Tax Loans	<b>2,61,53,740</b>	4,05,36,924
<b>TOTAL</b>	<b>16,91,37,061</b>	14,89,20,544

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

**SCHEDULE – E**

**FIXED ASSETS**

(Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost upto 31.03.2009	Additions	Disposal	Cost upto 31.03.2010	Upto 31.03.2009	For the year	Accu. Depn on disposal	Upto 31.03.2010	As on 31.03.2010	As on 31.03.2009
Land	12,43,85,976	4,15,82,673	-	16,59,68,649	-	-	-	-	16,59,68,649	12,43,85,976
Buildings	30,01,88,240	3,50,44,513	-	33,52,32,753	5,64,27,969	1,05,01,610	-	6,69,29,579	26,83,03,174	24,37,60,271
Plant & Machinery	100,41,29,714	21,36,47,891	-	121,77,77,605	32,68,38,247	5,83,89,711	-	38,52,27,958	83,25,49,647	67,72,91,467
Computers	1,80,78,536	5,27,091	-	1,86,05,627	60,48,053	29,73,201	-	90,21,254	95,84,373	1,20,30,483
Office Equipment	12,42,544	6,80,112	-	19,22,656	5,88,274	64,809	-	6,53,083	12,69,573	6,54,270
Vehicles	32,32,185	42,19,108	720,500	67,30,793	9,41,877	4,16,945	1,49,272	12,09,550	55,21,243	22,90,308
Furniture & Fittings	90,22,290	18,92,291	-	1,09,14,581	40,13,606	6,16,415	-	46,30,021	62,84,560	50,08,684
<b>TOTAL</b>	<b>146,02,79,486</b>	<b>29,75,93,679</b>	<b>720,500</b>	<b>175,71,52,664</b>	<b>39,48,58,026</b>	<b>7,29,62,691</b>	<b>149,272</b>	<b>46,76,71,445</b>	<b>128,94,81,219</b>	<b>106,54,21,459</b>



**CONSOLIDATED SCHEDULES TO THE BALANCE SHEET – (Contd.)**

	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>SCHEDULE - F</b>		
<b>Investments</b>		
(Long Term — Trade, Unquoted)		
<b>Nelcast Energy Corporation Limited</b>	<b>1,50,000</b>	1,50,000
(15,000 Equity shares of Rs. 10/-each)		
<b>Saheli Exports P Ltd.</b>	<b>2,50,000</b>	2,50,000
(25,000 Equity shares of Rs. 10 /- each)		
	<u><b>4,00,000</b></u>	<u>4,00,000</u>
<b>SCHEDULE - G</b>		
<b>Inventories :</b>		
(As certified by Management)		
Loose Tools	<b>1,87,85,530</b>	1,34,37,321
Consumable Stores & Spares	<b>6,55,51,158</b>	4,26,83,337
Raw Materials	<b>6,12,20,010</b>	4,86,80,063
Stocks - in - process	<b>35,72,51,777</b>	28,06,24,375
Finished Goods	<b>34,80,37,000</b>	36,13,27,500
Moulding Boxes & Patterns	<b>6,82,12,400</b>	8,64,83,974
	<u><b>91,90,57,875</b></u>	<u>83,32,36,570</u>
<b>SCHEDULE - H</b>		
<b>Sundry Debtors : (Unsecured considered good)</b>		
a) Debts outstanding for more than six months	<b>1,26,49,664</b>	1,10,24,600
b) Other debts	<b>55,29,82,357</b>	53,50,62,970
	<u><b>56,56,32,021</b></u>	<u>54,60,87,570</u>
<b>SCHEDULE - I</b>		
<b>Cash and Bank Balances :</b>		
Cash on hand	<b>6,57,724</b>	11,70,315
Balances in accounts with Scheduled Banks :		
– In Current Accounts	<b>45,78,920</b>	41,71,058
– In Fixed Deposits	<b>18,54,000</b>	3,75,000
	<u><b>70,90,644</b></u>	<u>57,16,373</u>

**CONSOLIDATED SCHEDULES TO THE BALANCE SHEET – (Contd.)**

SCHEDULE - J	As at 31.03.2010 Rs.	As at 31.03.2009 Rs.
<b>Loans &amp; Advances :</b>		
Deposits	6,93,90,268	8,65,07,304
<b>Advances recoverable in cash or in kind or for value to be received:</b>		
<i>Call Deposits</i>	5,46,34,043	5,00,00,000
Prepaid Taxes ( Net of Provisions)	—	2,38,34,716
MAT Credit Entitlement	1,17,89,637	
Prepaid Expenses	1,39,998	2,20,023
Other Advances & Receivables	10,95,20,568	12,08,02,028
	<u>24,54,74,514</u>	<u>28,13,64,071</u>
<b>SCHEDULE - K</b>		
<b>Other Current Assets</b>		
<b>Accrued Interest</b>	88,50,715	47,29,211
	<u>88,50,715</u>	<u>47,29,211</u>
<b>SCHEDULE - L</b>		
<b>Current Liabilities :</b>		
<b>Sundry Creditors :</b>		
– For Supplies	39,25,59,984	17,89,81,482
– For Expenses	7,29,42,327	8,69,83,468
Other Liabilities	4,25,40,294	1,04,09,005
	<u>50,80,42,605</u>	<u>27,63,73,955</u>
<b>SCHEDULE - M</b>		
<b>Provisions :</b>		
Proposed Dividend	2,61,00,360	1,74,00,240
Provisions for Tax on Dividend	44,35,756	29,57,171
Provision for Tax (Net of Pre-paid Taxes)	5,04,246	—
	<u>3,10,40,362</u>	<u>2,03,57,411</u>

**CONSOLIDATED SCHEDULES TO THE PROFIT AND LOSS ACCOUNT – (Contd.)**

SCHEDULE - N	For the year ended 31.03.10 Rs.	For the year ended 31.3.2009 Rs.
<b>Other Income</b>		
Interest Receipts (TDS Rs. 5,46,235; Previous year 11,10,089)	39,44,741	48,98,894
Export Incentives	37,35,018	1,48,27,823
Profit on Foreign exchange fluctuation	—	47,21,837
Miscellaneous Income	4,840	3,12,169
	<b>76,84,599</b>	<b>2,47,60,723</b>
<b>SCHEDULE - O</b>		
<b>Increase In Stock</b>		
<b>Closing Stock</b>		
Finished Goods	34,80,37,000	36,13,27,500
Stocks - in - process	35,72,51,777	28,06,24,375
	<b>70,52,88,777</b>	<b>64,19,51,875</b>
<b>Opening Stock</b>		
Finished Goods	36,13,27,500	24,02,23,500
Stocks - in - process	28,06,24,375	21,08,69,000
	<b>64,19,51,875</b>	<b>45,10,92,500</b>
<b>Increase in Stock</b>	<b>6,33,36,902</b>	<b>19,08,59,375</b>
<b>SCHEDULE - P</b>		
<b>Raw Materials Consumed</b>		
Opening Stock	4,86,80,063	7,78,34,374
<b>Add : Purchases</b>	<b>153,29,93,570</b>	<b>143,97,53,803</b>
	<b>158,16,73,633</b>	<b>151,75,88,177</b>
Less : Closing Stock of raw materials	6,12,20,010	4,86,80,063
<b>Consumption</b>	<b>152,04,53,623</b>	<b>146,89,08,114</b>
<b>SCHEDULE - Q</b>		
<b>Employee Cost</b>		
Salaries, Wages and Bonus	16,35,58,286	13,54,57,372
Staff Welfare Expenses	1,86,21,539	1,31,97,203
PF, Gratuity Contribution	1,43,46,834	1,45,73,852
	<b>19,65,26,659</b>	<b>16,32,28,427</b>

**CONSOLIDATED SCHEDULES TO THE PROFIT AND LOSS ACCOUNT – (Contd.)**

SCHEDULE - R	For the year ended 31.03.10 Rs.	For the year ended 31.3.2009 Rs.
<b>Other Manufacturing Expenses</b>		
Fettling and Other Manufacturing expenses	25,35,78,314	22,18,19,298
Repairs and Maintenance		
– Plant and Machinery	3,91,52,294	4,96,76,485
– Buildings	64,77,967	44,20,882
	<u>29,92,08,575</u>	<u>27,59,16,665</u>
<b>SCHEDULE - S</b>		
<b>Administration, Selling &amp; Other Expenditure</b>		
Printing & Stationery	16,70,172	17,22,096
Communication Charges	46,42,240	47,20,997
Rent	1,02,56,056	1,03,36,325
Rates and taxes	30,66,806	20,54,880
Insurance	53,59,597	85,66,821
Travelling & Conveyance	3,01,57,991	3,33,32,059
Advertisement	6,71,227	9,42,081
Legal & Professional Charges	91,55,004	85,59,613
Sales Commission	30,863	68,616
Payment to Auditors :		
– Audit Fee	6,00,000	5,00,000
– Tax Audit Fee	1,00,000	1,00,000
Sitting Fee to Directors	1,90,000	2,70,000
Books, Periodicals & Subscriptions	3,25,854	4,26,593
Vehicle and Office Maintenance	28,06,176	13,75,935
Selling Expenses	9,88,599	5,08,072
Loss on Foreign Exchange Fluctuation	21,20,287	
Loss on Sale of Assets	2,17,228	
Other Expenses	12,80,895	7,22,309
	<u>7,36,38,995</u>	<u>7,42,06,397</u>
<b>SCHEDULE - T</b>		
<b>Interest &amp; Other Financial Charges</b>		
Interest on Term Loans	73,26,147	1,80,09,474
Other Interest and Financial Charges	6,08,50,979	9,85,78,139
Less: Interest on Short Term Deposits (TDS Rs. 9,83,413; Previous Year Rs. 18,05,846/-)	(98,34,128)	(1,17,70,630)
<b>Net Other Interest &amp; Financial Charges</b>	<u>5,10,16,851</u>	<u>8,68,07,509</u>
<b>Total Interest &amp; Other Financial Charges</b>	<u>5,83,42,998</u>	<u>10,48,16,983</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE-U:

- 1. BASIS OF CONSOLIDATION:** The consolidated financial statements of the company together with its wholly owned subsidiary Nelcast USA Inc., have been prepared under historical cost convention, on accrual basis, to comply, in all material respect, with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

Investment in subsidiary has been accounted in accordance with accounting principles as defined in Accounting Standard 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

All material inter company balances and inter company transactions resulting in unrealized profit/losses are eliminated in full in consolidation. The following are the details of the company's wholly owned subsidiary.

Name of the Subsidiary	Country of Incorporation	Nature of Interest	% of Interest	Accounting year
Nelcast USA Inc	U.S.A.	Subsidiary	100%	31 <sup>st</sup> March

- 2. SEGMENT INFORMATION:** The Company is principally engaged only in the business of manufacture and sale of Iron Castings, there are no reportable segments as per Accounting Standard No. 17 issued by The Institute of Chartered Accountants of India on "Segmental Reporting".
- 3. RELATED PARTY DISCLOSURE:**

Related Party Disclosure :

Disclosure as required by the Accounting Standard 18 on "Related Party Disclosures" are given below:

**(a) List of Related Parties (2009–10):**

**Subsidiary Company:- Nelcast USA Inc**

**Associate Company: Nelcast Energy Corporation Limited**

**Key Management Personnel** 1. Mr. P. Radhakrishna Reddy, *Chairman and Managing Director*  
2. Mr. P. Vijaya Bhaskar Reddy, *Deputy Managing Director*

**(b) Transactions with related parties:**

Nature of Transactions	Subsidiary Company	Associate Company	Key Management Personnel (Mr. P. Vijaya Bhaskar Reddy)
	Rs.	Rs.	Rs.
Managerial Remuneration	–	–	63,36,000
Reimbursement of Expenses	2,99,21,543	–	–
Balance Outstanding Dr / (Cr.)	(22,50,309)	–	–
Investment in Shares	–	1,50,000	–
Share Application Money	–	88,12,706	–
Balance outstanding Debit(Credit)	692,405	–	(17,72,484)

**NOTES ON ACCOUNTS - (Contd.)**

**(a) List of Related Parties (2008–09):**

**Subsidiary Company:- Nelcast USA Inc**

**Associate Company: Nelcast Energy Corporation Limited**

**Key Management Personnel** 1. Mr. J. Joseph, *Managing Director (Part of the year)*  
2. Mr.P.Radhakrishna Reddy, *Chairman and Managing Director*  
3. Mr. P. Vijaya Bhaskar Reddy, *Deputy Managing Director*

**(b) Transactions with related parties (2008–09):**

Nature of Transactions	Subsidiary Company	Associate Company	Key Management Personnel (Mr. P. Vijaya Bhaskar Reddy)
	Rs.	Rs.	Rs.
Managerial Remuneration	–	–	63,36,000
Reimbursement of Expenses	3,14,43,248	–	–
Sale of Goods	76,05,768	–	–
Balance Outstanding Dr / (Cr.)	6,92,405	–	(17,72,484)
Investment in Shares		1,50,000.	–
Share Application Money	–	3,70,000	–

**4. Provisions, Contingent Liabilities and Contingent Assets:**

	<u>31.03.2010</u>	<u>31.03.2009</u>
	Rs	Rs.
(a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee	<b>1,27,43,200</b>	3.75,000
(b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	<b>2,06,21,000</b>	2,47,93,000

5. Figures for the previous year have been regrouped and reclassified wherever necessary to be in conformity with the figures for the current period.

**Signatures to Schedules A to U**

*As per our report of even date*

**For J.B.REDDY & CO.,**  
*Chartered Accountants*

**A.V.REDDY**  
*Partner*

Membership No. 23983  
Firm Regn. No. 003256S

Place : Hyderabad  
Date : 30.05.2010

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

*For and on behalf of the Board*

D.Sesha Reddy  
Director

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

Place : Chennai  
Date : 30.05.2010

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

PARTICULARS	For the Year ended 31.03.2010 Rs.	For the Year ended 31.03.2009 Rs..
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit Before Tax	99,900,549	58,932,882
Adjustments for:		
Depreciation	72,962,692	65,722,525
Interest income	3,944,741	(4,898,894)
(Profit)/Loss on sale of assets	217,228	—
Interest expenditure	58,342,998	104,816,983
<b>Operating Profit before Working Capital Changes</b>	<b>235,368,208</b>	<b>224,573,496</b>
Adjustment for:		
Trade & Other Receivables	28,456,367	134,313,751
Inventories	(85,821,305)	(188,116,672)
Trade Payables	217,573,074	(130,328,879)
<b>Cash generated from Operations</b>	<b>395,576,344</b>	<b>40,441,696</b>
Direct Taxes Paid	(15,125,550)	(28,538,546)
<b>Cash flow before Extraordinary/Prior-period Items</b>	<b>380,450,794</b>	<b>11,903,150</b>
Extraordinary/ Prior Period Items :	(62,639)	(1,202,744)
<b>Net Cash Flow from Operating Activities</b> <b>TOTAL A</b>	<b>380,388,155</b>	<b>10,700,406</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(297,772,933)	(75,103,222)
Increase in Capital Work - In- Progress	(11,277,573)	(870,220,964)
Increase in Investments		
Sale of fixed assets	354,000	—
Interest received	3,944,741	4,898,894
<b>Net Cash used in Investing Activities</b> <b>TOTAL B</b>	<b>(304,751,765)</b>	<b>(940,425,292)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital		
(Decrease)/Increase in Long Term borrowings	(15,778,227)	932,197,656
Increase/(Decrease) in Unsecured Loans	20,216,517	50,780,883
Interest paid	(58,342,998)	(104,816,983)
Dividend Paid (Including Dividend Tax)	(20,357,411)	(61,072,232)
<b>Net Cash from Financing Activities</b> <b>TOTAL C</b>	<b>(74,262,119)</b>	<b>817,089,324</b>
<b>Net increase in Cash and Cash equivalents</b> <b>TOTAL A+B+C</b>	<b>1,374,271</b>	<b>(112,635,562)</b>
<b>Cash and Cash equivalents as at - Opening Balance</b>	<b>5,716,373</b>	<b>118,351,935</b>
<b>Cash and Cash Equivalents as at - Closing Balance</b>	<b>7,090,644</b>	<b>5,716,373</b>

**For and on behalf of the Board**

P. Radhakrishna Reddy  
Chairman & Managing Director

A. Balasubramanian  
Director

D.Sesha Reddy  
Director

Place : Chennai  
Date:30th May 2010

P. Vijaya Bhaskar Reddy  
Dy. Managing Director

S.K. Sivakumar  
Chief Financial Officer &  
Company Secretary

**AUDITORS' REPORT**

We have verified the above Consolidated Cash Flow Statement of Nelcast Limited, for the year ended 31st March 2010. The statement is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet.

**For J.B.REDDY & CO.,**  
Chartered Accountants

**A.V.REDDY**  
Partner  
Membership No. 23983  
Firm Regn. No. 003256S

Place : Hyderabad  
Date : 30th May 2010

