

Board of Directors

P. RADHAKRISHNA REDDY
Chairman

S. RADHAKRISHNAN
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 2010 - 11

Annual
Report
2010 - 11

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DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Ninth Annual Report along with the Audited Accounts for the financial year ended 31st March 2011:

PERFORMANCE

FINANCIAL RESULTS

	2010-11	2009-10
	<i>(Rupees in Lakhs)</i>	
Net Sales	50,740.71	31,960.79
PBIDT	14,381.33	2,311.01
Profit Before Taxes (PBT)	12,920.12	999.01
Less: Provision for Taxes	4,228.55	309.32
Profit After Taxes (PAT)	8,691.57	689.69
Less: Prior Year Adjustments	2.19	0.63
Add: Profit brought forward from previous years	2,149.07	1,825.37
Profit Available for appropriation	10,838.45	2,514.43
Special Dividend on Equity Shares	2,088.03	–
Dividend Tax on Special Dividend	346.80	–
Final Dividend on Equity Shares	522.00	261.00
Dividend Tax on Final Dividend	86.70	44.36
Transfer to General Reserve	5,000.00	60.00
Surplus Carried to Balance Sheet	2,794.92	2,149.07

DIVIDEND

Your Directors recommend a dividend of 30% (Rs.3.00 per share) for the financial year 2010-11 against 15% (Rs. 1.50 per share) of previous year. During the year, the Company has already declared and paid a special silver jubilee dividend of Rs. 12.00 per share, thereby the total dividend for the year amounts to Rs. 15/- per share.

OPERATIONS

During the year, the Company recorded Net Sales of Rs.507.40 crores as against Rs.319.61 crores in 2009-10 registering a growth of 59%. Profit Before Tax (excluding extra-ordinary items) increased to Rs. 20.43 crores during the year 2010-11 from Rs. 9.99 crores in 2009-10 representing an increase of 104%. The production during the year was 76734 MT, compared to the previous year's 60761 MT.

Buoyancy in the domestic market especially in the Automobile sector helped the Company to achieve this excellent growth. The Company has utilized the full opportunity available in the market and registered substantial growth both in Turnover & Profit.

EXTRA-ORDINARY ITEM

During the year the company has made a substantial profit after tax of Rs. 75.09 Cr due to sale of shares held in Nelcast Energy Corporation Ltd. This extra-ordinary item has helped the Company to increase its net worth substantially.

OUTLOOK

The Indian economy is strongly on track and expected to grow continuously. The Company is expected to maintain a steady growth and use the opportunity available in the Automobile industry. The combination of effective manufacturing costs with good quality systems would give an edge to the Company in terms of pricing and quality.

DIRECTORS' REPORT – (Contd.)

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has an Audit Committee to oversee the Company's financial reporting process, disclosure of financial information, related party transactions, and internal control system etc. The Company has well defined internal control systems which aim at better efficiency of operations, compliances with legal obligations and Company's policies and procedures.

CONSOLIDATED FINANCIAL STATEMENTS

The Company has prepared Consolidated Financial Statements of Nelcast Ltd and its subsidiary Nelcast USA Inc as at March 31, 2011, 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. During the year the Company has been awarded ISO 14001 & 18001 for Environmental Management Systems.

The Company has been receiving continuous support from its customers like Tata Motors, Ashok Leyland, TAFE, Mahindra & Mahindra, VE Commercial, ITL etc., and in exports Arvin Meritor, Dobbie Dico, Danfoss and ZF Industries. The Company is closely working with all customers in terms of new product development, improvement in quality levels etc. to meet the expectation of customers.

DEPOSITS

The Company has accepted public deposits during the year. Its deposits as at 31st March 2011 stand at Rs.115.31 lakhs.

DIRECTORS

Mr. D. Sessa Reddy, is due to retire by rotation and being eligible offers himself for re-appointment.

During the year Mr. S. Radhakrishnan has been appointed as Additional Director of the 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. S. Radhakrishnan as Director of the Company at the ensuing Annual General Meeting. He has also been appointed as Managing Director of the Company in the Board Meeting held on 17.01.2011.

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 2011, 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.

DIRECTORS' REPORT – (Contd.)

- 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 2011 have been prepared on a “going concern basis”.

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 2011-12. 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

The employee relations have remained cordial through out the year and industrial harmony was maintained. Measures for the safety, training and development of the employees continued to receive top priority. 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 197, 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 : 13th May 2011
Place: Chennai

P. Radhakrishna Reddy
Chairman

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. 635.76 Lakhs |
| Total Foreign Exchange Earned. | Rs. 888.19 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 31st March 2011.

Name	Age	Designation	Remuneration in Rs.	Qualification/ Experience	Date of Employment	Previous Employment, Designation
Mr. S. Radhakrishnan *	48	Managing Director	67,45,161	B.E., Post Dip. in Intl. Trade/ 25 yrs.	18.11.2010	Sr. Director – Arvin Meritor Inc
Mr. P. Vijaya Bhaskar Reddy	55	Dy. Managing Director	63,36,000	B.Com., B.L., F.C.A. / 30 yrs.	01.07.1983	Accounts Officer – Pennar Steels Ltd.

* Employed for part of the year.

For and on behalf of the Board

Date : 13th May 2011
Place : Chennai

P. Radhakrishna Reddy
Chairman



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 Companies ended on	31.03.2011
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	NIL
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 at Rs. 44.65/ US \$. The Annual Accounts of the subsidiary company has been kept at Registered Office & Corporate Office of the Company for inspection by shareholders.

For and on behalf of the Board

Date : 13th May 2011
Place : Chennai

P. Radhakrishna Reddy
Chairman

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Code of Governance

The Company has always focused on corporate governance as a means to optimize its performance and maximize the long-term stakeholders' value through sustained growth and value creation. The Company always strives endeavor to create an environment of fairness, equity and transparency in all transactions. 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 of the Company has an optimum combination of executive and non-executive directors having rich knowledge and experience in the industry for providing guidance and direction to the Company. 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 three 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 of Directors were held on 30th May 2010, 24th July 2010, 30th October 2010 and 17th January 2011.

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

Name of the Director	Board Meeting	Annual General Meeting
Mr. P. Radhakrisna Reddy	2	Not Attended
Mr. R. Mohan Reddy	3	Attended
Mr. D. Sessa Reddy	4	Attended
Mr. P. Vijaya Bhaskar Reddy	4	Attended
Mr. A. Balasubramanian	4	Attended
Mr. S. Radhakrishnan *	1	N.A

* Appointed as an Additional Director w.e.f January 17, 2011.

Directors' Membership as on March 31, 2011 in the Board or Committees thereof:

Name of the Director	Other Boards	Other Board Committees
Mr. P. Radhakrisna Reddy	2	None
Mr. P. Vijaya Bhaskar Reddy	1	None
Mr. R. Mohan Reddy	1	3
Mr. D. Sessa Reddy	1	None
Mr. A. Balasubramanian	1	1
Mr. S. Radhakrishnan	Nil	Nil

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
- Quarterly results of the Company
- 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), Shri. P. Vijaya Bhaskar Reddy and Shri. S. Radhakrishnan #. There were four meetings held during the year. The dates of the meetings are as follows:

30th May 2010, 24th July 2010, 30th October 2010 and 17th January 2011.

Name of the Member	No. of Audit Committee Meetings attended
Mr. R. Mohan Reddy	3
Mr. D. Sessa Reddy	4
Mr. A. Balasubramanian	4
Mr. P. Vijaya Bhaskar Reddy	4

Mr. S. Radhakrishnan has been appointed as member of the Audit Committee only from 17th January 2011.

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 2010-11:

Name of the non-executive directors	Sitting Fee Rs.
Mr. R. Mohan Reddy	80,000
Mr. D. Sessa Reddy	1,00,000
Mr. A. Balasubramanian	1,00,000

REPORT ON CORPORATE GOVERNANCE – (Contd.)

Wholetime Directors

Details	Managing Director Rs.	Dy. Managing Director Rs.
Remuneration	52,45,161	63,36,000

5. Shareholders / Investors Grievance Committee

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

Number of pending share transfers

As on March 31, 2011, 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 249831111 Fax: 91 44 249821111
E-mail: sivakumar@nelcast.com

Number of Shareholder complaints received & resolved during the year 2010-11: 10

No. of pending complaints as on 31.03.2011: - Nil -

6. General Body Meetings

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

Year	Location	Date	Time
2009-10	DNR Community Hall, ICS Road, Gudur-524101	24.07.2010	10.30 am
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

ii. Special Resolutions passed in the previous 3 AGMs:

Year	Subject Matter of Special Resolution	Date of AGM
2009-10	Nil	24.07.2010
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

iii. Special Resolutions passed last year through Postal Ballot:

No resolutions have been passed through postal ballot last year.

REPORT ON CORPORATE GOVERNANCE – (Contd.)

7. Disclosures

The related party transactions during the year ended 31st March 2011 are disclosed in the report. There are no materially significant related party transactions made by the Company with its promoters and subsidiaries. The Register of Contracts with Directors are being maintained by the Company.

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

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 : 06.08.2011 & 10.30 a.m. Venue: P. V. R. Kalayanamandapam, Near R.T.C. Bus stand, Gudur - 524101, Andhra Pradesh.	
Financial Year	1st April 2010 to 31st March 2011	
Financial Calendar (Tentative)	<ul style="list-style-type: none"> • Results for the quarter ending 30th June 2011 – 2nd week of August 2011. • Results for the quarter and half year ending 30th September 2011 – 2nd week of November 2011. • Results for the quarter and nine months ending 31st December 2011 – 2nd week of February 2012. • Results for the year ending 31st March 2012 – by May 2012. 	
Date of Book Closure	1st August 2011 to 6th August 2011 (both days inclusive).	
Dividend Payment Date	Within 30 days from 6th August 2011.	
Listing of Stock Exchanges	Name of Exchange	Stock Code
	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 2011-12.	

REPORT ON CORPORATE GOVERNANCE – (Contd.)

Market price data: High, Low during each month in the financial year 2010-11:

Month	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 10	97.80	70.90	97.45	70.70
May 10	84.40	67.00	85.45	61.30
June 10	81.80	67.05	81.60	67.00
July 10	82.95	71.05	84.40	68.20
August 10	89.00	73.20	89.00	71.30
September 10	107.80	74.00	107.90	74.25
October 10	118.40	89.70	118.90	92.60
November 10	104.60	67.00	104.00	65.50
December 10	100.30	73.25	98.45	72.00
January 11	136.80	82.00	137.40	81.10
February 11	90.85	74.60	90.45	74.50
March 11	105.35	77.40	104.95	75.70

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

Month	BSE		BSE Sensex	
	High (Rs.)	Low (Rs.)	High	Low
April 10	97.80	70.90	18047.86	9901.99
May 10	84.40	67.00	17536.86	11682.99
June 10	81.80	67.05	17919.62	14265.53
July 10	82.95	71.05	18237.56	13400.32
August 10	89.00	73.20	18475.27	14784.92
September 10	107.80	74.00	20267.98	15398.33
October 10	118.40	89.70	20854.55	15896.28
November 10	104.60	67.00	21108.64	15404.94
December 10	100.30	73.25	20552.03	16601.20
January 11	136.80	82.00	20664.80	18038.48
February 11	90.85	74.60	18690.97	17295.62
March 11	105.35	77.40	19575.16	17792.17

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 2011)

No. of Equity Shares held	No. of Shareholders	% of Share Holders	No. of Shares	% of Share holding
1 – 500	16,303	96.28	14,90,769	8.57
501 – 1000	332	1.96	2,65,011	1.52
1001 – 2000	145	0.86	2,21,050	1.27
2001 – 3000	37	0.22	93,956	0.54
3001 – 4000	21	0.12	74,778	0.43
4001 – 5000	21	0.12	99,861	0.57
5001 – 10000	33	0.19	2,43,831	1.40
10001 and above	41	0.25	1,49,10,984	85.70
Total	16,933	100.00	1,74,00,240	100.00

Shareholding Pattern as on 31.03.2011

Category	No. of Shares held	% to Total
Promoter & Promoter Group	1,23,60,671	71.04
Mutual Funds/ UTI	91,719	0.53
Foreign Institutional Investors	6,078	0.03
Bodies Corporate	6,68,331	3.84
Individuals	32,48,434	18.67
Directors	3,78,394	2.17
Clearing Members	16,265	0.09
Trust	3,61,020	2.07
NRI	1,23,728	0.71
Employees	1,45,600	0.85
Total	1,74,00,240	100.00

REPORT ON CORPORATE GOVERNANCE – (Contd.)

Dematerialization of Shares and liquidity : Shares of the Company can be held and traded in electronic form. 100% of the total equity capital is held in dematerialized form with NSDL & CDSL as on 31.03.2011.

Plant Locations:

Gudur Units

No. 34 & No. 9, Industrial Estate,
Gudur, Andhra Pradesh – 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. S. Radhakrishnan, 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 : 13th May 2011
Place: Chennai

S. Radhakrishnan
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, 2011, 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 J.B. REDDY & CO.,
Chartered Accountants

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

In the Indian economy, automotive industry occupies a prominent place and has a strong multiplier effect and is capable of being the driver of economic growth. With India being growing automotive market, the automotive sector is one of the prime drivers of the Indian economy. India has emerged as one of the favorite investment destinations for automotive manufacturers in recent times. Global auto majors are investing to tap the growing demand in India. Despite the economic downturn two years back the Indian economy has managed to remain stable. Indian GDP grew by 8.20% in the year 2010-11. This growth will sustain for some more time and the industries will register further growth in the coming year.

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. The Company is also planning to enter into niche market to put itself in to a leadership position in the industry. The Company faces stiff competition with new foundries being established and with the players in the un-organised sector. Further instability in the prices of metals and other inputs is perceived as a threat.

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

The Indian economy is strongly on track and is expected to grow even higher. The business environment is expected to be growth-oriented, but volatile as well. The Company is likely to maintain a steady growth oriented performance both in terms of top line and bottom line. The Company will focus its strength to develop new products in the niche market which will result in enhancing its margin. The combination of effective manufacturing costs along with quality systems would give an edge to the Company pricing and quality. Your Company will continue to focus on expanding export market and developing new products for Original Equipment Manufacturers.

Risks & Concerns

The Company operates in an environment which is affected by various risks, some of which are controllable while some are outside the control of the Company. However the Company has been taking appropriate measures to overcome the risks. Some of the risks that are potentially significant in nature and need careful monitoring are Raw Materials prices, Foreign currency risks, cyclical nature of industry etc. The demand for automobiles has a significant impact on the demand and prices of



MANAGEMENT DISCUSSION AND ANALYSIS – (Contd.)

products manufactured by the Company. A fall in the demand or prices would adversely impact the financial performance of the Company.

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 Net Sales of Rs.507.40 crores as against Rs.319.61 crores in 2009-10 registering a growth of 59%. Profit Before Tax (excluding extra-ordinary items) increased to Rs. 20.43 crores during the year 2010-11 from Rs. 9.99 crores in 2009-10 representing an increase of 104%. The production during the year was 76734 MT, compared to the previous year's 60761 MT.

The Board has recommended a dividend of Rs.3 per share (being 30% 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 Company believes that human resources enable the Company to consistently meet customer requirements and deliver exceptional performance for growth. 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. During the year the Company has been awarded certification for conformance to ISO 14001 & 18001 for Environmental Management Systems. The Company adheres to applicable environmental regulations and practices.

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: 13.05.2011

To
**THE MEMBERS OF
NELCAST LIMITED**

1. We have audited the attached Balance Sheet of NELCAST LIMITED, as at 31st March, 2011, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are responsibility of the Company 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, 2011 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, 2011;
 - (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 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 31st March, 2011 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

ACCOUNTS

BALANCE SHEET				
S.No	PARTICULARS	SCHEDULE	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SOURCES OF FUNDS				
1	Shareholders Funds :			
	a) Share Capital	A	17,40,02,400	17,40,02,400
	b) Reserves & Surplus	B	197,29,03,259	140,83,19,578
			214,69,05,659	158,23,21,978
2	Loan Funds :			
	a) Secured Loans	C	89,61,98,990	156,18,43,595
	b) Unsecured Loans	D	2,86,26,438	16,91,37,061
			92,48,25,428	173,09,80,656
3	Deferred Tax Liability		22,06,87,878	18,22,42,165
	TOTAL		329,24,18,965	349,55,44,799
APPLICATION OF FUNDS				
4	Fixed Assets :	E		
	a) Gross Block		227,17,73,631	175,65,57,380
	b) Less: Depreciation		55,90,98,666	46,71,78,253
	c) Net Block		171,26,74,965	128,93,79,127
	Capital WIP		90,51,514	99,87,45,170
5	Investments:	F	36,09,350	27,59,350
6	Current Assets, Loans & Advances:			
	Inventories	G	46,95,48,564	91,90,57,875
	Sundry Debtors	H	88,15,16,969	56,74,56,757
	Cash and Bank Balances	I	52,24,06,063	55,14,115
	Loans & Advances	J	30,03,12,632	24,52,06,551
	Other Current Assets	K	77,41,973	88,50,715
			218,15,26,201	174,60,86,013
7	Less: Current Liabilities & Provisions:			
	Current Liabilities	L	53,98,11,415	51,03,84,499
	Provisions	M	7,46,31,650	3,10,40,362
			61,44,43,065	54,14,24,861
	Net Current Assets		156,70,83,136	120,46,61,152
	TOTAL		329,24,18,965	349,55,44,799
8	Notes on Accounts	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 : 13.05.2011

P. Radhakrishna Reddy
Chairman

A. Balasubramanian
Director

S.K. Sivakumar
Chief Financial Officer &
Company Secretary

For and on behalf of the Board

S. Radhakrishnan
Managing Director

D.Sesha Reddy
Director

P. Vijaya Bhaskar Reddy
Dy. Managing Director

Place : Chennai
Date : 13.05.2011

PROFIT AND LOSS ACCOUNT

PARTICULARS	SCHEDULE	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
INCOME			
Gross Sales		556,54,42,124	346,49,22,154
Less : Excise Duty		49,13,71,400	26,88,42,808
Net Sales		<u>507,40,70,724</u>	<u>319,60,79,346</u>
Other Income	N	4,20,66,010	76,84,599
Increase / (Decrease) in stock	O	(40,61,86,033)	6,33,36,902
TOTAL		<u>470,99,50,701</u>	<u>326,71,00,847</u>
EXPENDITURE			
Raw Materials Consumed	P	217,55,81,436	152,04,53,623
Consumables, Stores and Spares		64,29,03,673	45,67,71,147
Power and Fuel		58,09,46,184	39,36,81,656
Employee cost	Q	23,59,51,322	17,53,91,716
Other Manufacturing Expenses	R	49,59,03,337	29,92,08,575
Transport Charges		13,07,92,766	9,47,16,149
Administration, Selling & Other exps.	S	9,74,38,689	9,57,77,026
Interest & Other Financial Charges	T	5,38,42,836	5,82,85,433
Depreciation		9,22,78,643	7,29,14,973
TOTAL		<u>450,56,38,886</u>	<u>316,72,00,298</u>
Profit Before Extra-ordinary Items		20,43,11,815	9,99,00,549
Add: Extra-ordinary Items:			
Profit on Sale of Investment		108,77,00,000	-
Profit Before Tax		129,20,11,815	9,99,00,549
Less : Provision for tax		38,44,09,068	1,71,92,142
MAT Credit		-	(1,17,89,637)
Defferred Tax		3,84,45,713	2,55,29,500
Profit After Tax		86,91,57,034	6,89,68,544
Less: Prior year adjustments		2,19,143	62,639
Net Profit		86,89,37,891	6,89,05,905
Add : Profit brought forward		21,49,06,945	18,25,37,156
Profits available for appropriations		108,38,44,836	25,14,43,061
Less : Appropriations :			
Special Dividend		20,88,02,880	-
Tax on Special Dividend		3,46,80,070	-
Final Dividend		5,22,00,720	2,61,00,360
Tax on Final Dividend		86,70,540	44,35,756
Transfer to General Reserve		50,00,00,000	60,00,000
Balance carried to Balance Sheet		<u>27,94,90,626</u>	<u>21,49,06,945</u>
Basic and Diluted Earnings per share of face value of Rs.10/- each		49.94	3.96

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 : 13.05.2011

P. Radhakrishna Reddy
Chairman

A. Balasubramanian
Director

S.K. Sivakumar
Chief Financial Officer &
Company Secretary

For and on behalf of the Board

S. Radhakrishnan
Managing Director

P. Vijaya Bhaskar Reddy
Dy. Managing Director

Place : Chennai
Date : 13.05.2011

SCHEDULES TO THE BALANCE SHEET

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE - A		
SHARE CAPITAL		
Authorised :		
2,50,00,000 Equity Shares of Rs.10/- each	25,00,00,000	25,00,00,000
Issued, Subscribed and Paidup :		
1,74,00,240* Equity Shares of Rs.10/- each subscribed and paid up in full	17,40,02,400	17,40,02,400
*(Includes 82,35,000 Equity Shares of Rs.10/- each allotted as fully paid up by way of Bonus Shares)	17,40,02,400	17,40,02,400
SCHEDULE - B		
RESERVES & SURPLUS		
General Reserve:-		
Opening Balance	31,60,00,000	30,00,00,000
Add: Transfer from Profit & Loss A/c.	50,00,00,000	60,00,00,000
	81,60,00,000	31,60,00,000
Share Premium	87,74,12,633	87,74,12,633
Profit & Loss Account	27,94,90,626	21,49,06,945
	197,29,03,259	140,83,19,578
SCHEDULE - C		
SECURED LOANS		
Term Loans from IDBI Bank Ltd.	83,33,337	52,39,31,596
Term Loan from Kotak Mahindra Bank Ltd.	20,00,00,000	25,00,00,000
Working Capital Loan from State Bank of India	68,78,65,653	78,79,11,999
	89,61,98,990	156,18,43,595
SCHEDULE - D		
UNSECURED LOANS		
From Companies	-	13,00,00,000
Deposits from Public	1,15,30,725	1,29,83,321
Interest Free Sales Tax Loans	1,70,95,713	2,61,53,740
	2,86,26,438	16,91,37,061

SCHEDULES TO THE BALANCE SHEET

SCHEDULE – E

FIXED ASSETS

(Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost upto 31.03.2010	Additions	Disposal	Cost upto 31.03.2011	Upto 31.03.2010	2010 - 11	Accu. Depn on disposal	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Land	16,59,68,649	4,36,30,065	-	20,95,98,714	-	-	-	-	20,95,98,714	16,59,68,649
Buildings	33,52,32,753	3,25,53,904	-	36,77,86,657	6,69,29,579	1,17,07,785	-	7,86,37,364	28,91,49,293	26,83,03,174
Plant & Machinery	121,77,77,605	39,66,18,097	-	161,43,95,702	38,52,27,958	7,51,87,225	-	46,04,15,183	115,39,80,519	83,25,49,647
Computers	1,86,05,627	46,85,933	-	2,32,91,560	90,21,254	33,37,545	-	1,23,58,799	1,09,32,761	95,84,373
Office Equipment	19,22,656	8,10,013	-	27,32,669	6,53,083	1,47,079	-	8,00,162	19,32,507	12,69,573
Vehicles	67,30,793	3,56,64,601	17,53,896	4,06,41,498	12,09,550	12,13,849	3,58,230	20,65,169	3,85,76,329	55,21,243
Furniture & Fittings	1,03,19,297	30,07,534	-	1,33,26,831	41,36,829	6,85,160	-	48,21,989	85,04,842	61,82,468
TOTAL	175,65,57,380	51,69,70,147	17,53,896	227,17,73,631	46,71,78,253	9,22,78,643	3,58,230	55,90,98,666	171,26,74,965	128,93,79,127

SCHEDULES TO THE BALANCE SHEET – (Contd.)

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE - F		
Investments:		
(Trade, Unquoted)		
Nelcast USA Inc., (10,000 Equity shares of US\$ 5/- each including additional paid in capital)	23,59,350	23,59,350
NC Energy Limited (1,00,000 Equity shares of Rs. 10/-each)	10,00,000	–
Nelcast Energy Corporation Limited (15,000 Equity shares of Rs. 10/-each)	–	1,50,000
Saheli Exports P Ltd (25,000 Equity shares of Rs. 10 /- each)	2,50,000	2,50,000
	36,09,350	27,59,350
SCHEDULE - G		
Inventories :		
(As certified by Management)		
Loose Tools	1,02,93,173	1,87,85,530
Consumables, Stores & Spares	5,47,84,544	6,55,51,158
Raw Materials	5,10,71,972	6,12,20,010
Stock - in - process	14,07,05,744	35,72,51,777
Finished Goods	15,83,97,000	34,80,37,000
Moulding Boxes & Patterns	5,42,96,131	6,82,12,400
	46,95,48,564	91,90,57,875
SCHEDULE - H		
Sundry Debtors : (Unsecured Considered good)		
(a) Debts outstanding for more than six months	1,81,77,478	1,26,49,664
(b) Other debts	86,33,39,491	55,48,07,093
	88,15,16,969	56,74,56,757
SCHEDULE - I		
Cash and Bank Balances :		
Cash on hand	6,32,360	6,57,724
Balance with Scheduled Banks:		
– In Current Accounts	2,13,98,703	30,02,391
– In Margin money Deposits	3,75,000	18,54,000
– In Short Term Fixed Deposits	50,00,00,000	–
	52,24,06,063	55,14,115

SCHEDULES TO THE BALANCE SHEET – (Contd.)

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE - J		
Loans and Advances :		
Deposits	8,14,78,085	6,92,62,303
<i>Advances recoverable in cash or in kind or for value to be received :</i>		
Call Deposits	7,37,69,289	5,46,34,043
MAT Credit Entitlement	–	1,17,89,637
Other Advances & Receivables	14,50,65,258	10,95,20,568
	<u>30,03,12,632</u>	<u>24,52,06,551</u>
SCHEDULE - K		
Other Current Assets:		
Accrued Interest	77,41,973	88,50,715
	<u>77,41,973</u>	<u>88,50,715</u>
SCHEDULE - L		
Current Liabilities :		
Sundry Creditors :		
– For Supplies	41,92,58,126	39,50,50,677
– For Expenses	8,75,81,256	7,29,42,327
Other Liabilities	3,29,72,033	4,23,91,495
	<u>53,98,11,415</u>	<u>51,03,84,499</u>
SCHEDULE - M		
Provisions :		
Proposed Dividend	5,22,00,720	2,61,00,360
Provision for Tax on Dividend	86,70,540	44,35,756
Provision for Taxes (Net of Pre-paid Taxes)	1,37,60,390	5,04,246
	<u>7,46,31,650</u>	<u>3,10,40,362</u>

SCHEDULES TO THE PROFIT & LOSS ACCOUNT

	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
SCHEDULE - N		
OTHER INCOME		
Interest Receipts (TDS Rs.4,56,778; Previous year Rs.5,46,235)	46,55,221	39,44,741
Export Incentives	45,92,382	37,35,018
Sales Tax Incentive	47,30,250	-
Profit on Sale of Assets	2,72,65,485	-
Dividend Income	8,22,672	-
Miscellaneous Income	-	4,840
	<u>4,20,66,010</u>	<u>76,84,599</u>
SCHEDULE - O		
INCREASE / (DECREASE) IN STOCK		
Closing Stock		
Finished Goods	15,83,97,000	34,80,37,000
Stock - in - process	14,07,05,744	35,72,51,777
	<u>29,91,02,744</u>	<u>70,52,88,777</u>
Opening Stock		
Finished Goods	34,80,37,000	36,13,27,500
Stock - in - process	35,72,51,777	28,06,24,375
	<u>70,52,88,777</u>	<u>64,19,51,875</u>
Increase / (Decrease) in Stock	<u>(40,61,86,033)</u>	<u>6,33,36,902</u>
SCHEDULE - P		
RAW MATERIALS CONSUMED		
Opening Stock	6,12,20,010	4,86,80,063
Add : Purchases	216,54,33,398	153,29,93,570
	<u>222,66,53,408</u>	<u>158,16,73,633</u>
Less : Closing Stock of Raw Materials	5,10,71,972	6,12,20,010
CONSUMPTION	<u>217,55,81,436</u>	<u>152,04,53,623</u>
SCHEDULE - Q		
EMPLOYEE COST		
Salaries, Wages and Bonus	19,35,13,814	14,24,23,343
Staff Welfare Expenses	2,27,64,224	1,86,21,539
PF, Gratuity Contribution	1,96,73,284	1,43,46,834
	<u>23,59,51,322</u>	<u>17,53,91,716</u>

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

	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
SCHEDULE - R		
OTHER MANUFACTURING EXPENSES		
Fettling and Other Manufacturing Expenses	41,67,48,407	25,35,78,314
Repairs and Maintenance:		
– Plant and Machinery	6,80,53,773	3,91,52,294
– Buildings	1,11,01,157	64,77,967
	49,59,03,337	29,92,08,575
SCHEDULE - S		
ADMINISTRATION, SELLING & OTHER EXPENDITURE		
Printing & Stationery	16,74,470	16,70,172
Communication Charges	36,79,887	41,81,196
Rent	1,02,40,270	96,70,508
Rates and taxes	23,77,487	19,99,715
Insurance	41,98,715	42,98,045
Travelling & Conveyance	2,79,56,609	2,83,37,389
Advertisement	6,13,964	6,71,227
Legal & Professional Charges	95,26,615	82,09,624
Sales Commission	91,476	30,863
Payment to Auditors :		
– Audit Fee	7,00,000	6,00,000
– Tax Audit Fee	2,00,000	1,00,000
Sitting Fee to Directors	2,80,000	1,90,000
Books, Periodicals & Subscriptions	3,48,890	3,25,854
Vehicle and Office Maintenance	16,13,803	13,12,173
Selling Expenses	2,93,31,207	3,09,13,160
Loss on Foreign Exchange Fluctuation	37,40,903	21,20,287
Loss on Sale of Asset	5,55,666	2,17,228
Other Expenses	3,08,727	9,29,585
	9,74,38,689	9,57,77,026
SCHEDULE - T		
INTEREST & OTHER FINANCIAL CHARGES		
Interest on Term Loans	1,35,93,397	73,26,147
Other Interest and Financial Charges	6,40,31,490	6,07,93,414
Less: Interest on Short Term Deposits (TDS Rs. 23,78,205; Previous Year Rs. 9,83,413/-)	2,37,82,051	98,34,128
Net Other Interest and Financial Charges	4,02,49,439	5,09,59,286
Total Interest and Other Financial Charges	5,38,42,836	5,82,85,433

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.
<hr/>		
<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.
<hr/>		
<i>Inventories</i>	:	Finished goods, stock-in-process and Raw Materials are valued at lower of the cost and net realisable value. Moulding boxes and patterns are valued at lower of cost (estimated) and net realisable value.
<hr/>		
<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.
<hr/>		
<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.
<hr/>		
<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.
<hr/>		
<i>Employee Benefits</i>	:	<p>(I) Defined Contribution Plan:</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) Defined Benefit Plan :</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 IDBI Bank Ltd. & Kotak Mahindra Bank Ltd. are secured by equitable mortgage of land, building and hypothecation of plant and machinery.													
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.													
4. Provision, Contingent Liabilities and Contingent Assets :	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">31.03.2011</td> <td style="width: 20%; text-align: right;">31.03.2010</td> </tr> <tr> <td></td> <td style="text-align: right;">Rs.</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;">25,00,000</td> <td style="text-align: right;">1,27,43,200</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;">4,00,84,400</td> <td style="text-align: right;">2,06,21,000</td> </tr> </table>		31.03.2011	31.03.2010		Rs.	Rs.	a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee	25,00,000	1,27,43,200	b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	4,00,84,400	2,06,21,000
	31.03.2011	31.03.2010											
	Rs.	Rs.											
a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee	25,00,000	1,27,43,200											
b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	4,00,84,400	2,06,21,000											
5. Travelling expenses in Schedule S include Rs.24,829/- out of pocket expenses reimbursed to the Auditors. (Previous year Rs. 13,866/-)													
6. Composition of Deferred Tax Liability :													
Difference between Book and Tax Depreciation	22,06,87,878	18,22,42,165											

NOTES ON ACCOUNTS – (Contd.)

	2010-11 Rs.	2009-10 Rs.
7. Remuneration to Directors:		
Managing Director (Part of the year)	52,45,161	Nil
Deputy Managing Director	63,36,000	63,36,000
8. Installed Capacity :		
	2010-11	2009-10
	TPA	TPA
Iron Castings	1,50,000	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	6,758	34,80,37,000	76,734	80,638	507,37,78,483	2,854	15,83,97,000
	(7,155)	(36,13,27,500)	(60,761)	(61,158)	(319,54,69,279)	(6,758)	(34,80,37,000)
Wind Energy					2,92,241		
					(6,10,067)		

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

10. Details of Raw Materials consumed:

	2010-11		2009-10	
	Quantity (Kgs.)	Value (Rs.)	Quantity (Kgs.)	Value (Rs.)
Steel Scrap	8,02,13,009	183,33,42,127	6,35,34,650	130,13,29,684
Others		34,22,39,309		21,91,23,939
Total		217,55,81,436		152,04,53,623

NOTES ON ACCOUNTS – (Contd.)

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

	2010-11		2009 – 10	
	%	Value	%	Value
Imported	0.82	1,78,58,103	1.19	1,80,60,772
Indigenous	99.18	215,77,23,333	98.81	150,23,92,851
Total	100.00	217,55,81,436	100.00	152,04,53,623

12.

	2010-11	2009-10
(a) C.I.F. Value of Imports :		
Machinery spares & others	79,04,951	30,00,010
Raw materials	1,78,58,103	1,80,60,772
(b) F.O.B. Value of Exports:		
Finished Goods	8,33,68,436	8,80,28,031
(c) Expenditure in Foreign Currency:		
On account of travel	18,52,947	26,81,400
On account of Other Matters	3,59,61,658	3,57,11,298

13. During the year, a sum of Rs.4.79 Crores (Previous year Rs. 8.21 Crores) being interest on borrowings attributable to qualifying assets has been capitalized.

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

	2010-11	2009-10
EPS	Rs. 49.94	Rs. 3.96

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 31/03/2011

	2010–11	2009–10
Present value of obligations as at beginning of year	168,65,053	1,19,79,605
Interest cost	13,49,204	9,58,368
Current Service Cost	18,61,360	14,63,219
Benefits Paid	(11,08,599)	(10,04,110)
Actuarial (gain)/ loss on obligations	55,65,544	34,67,971
Present value of obligations as at end of the year	245,32,562	1,68,65,053

2. Table showing changes in the fair value of plan assets as on 31/03/2011

Fair value of plan assets at beginning of year	93,36,154	71,98,361
Expected return on plan assets	14,47,503	7,55,472
Contributions	75,28,899	23,86,431
Benefits Paid	(11,08,599)	(10,04,110)
Actuarial gain/(loss) on Plan assets	NIL	NIL
Fair value of plan assets at the end of year	172,03,957	93,36,154

3. Table showing fair value of plan assets

Fair value of plan assets at beginning of year	93,36,154	71,98,361
Actual return on plan assets (Expected Return + Actuarial Return)	14,47,503	7,55,472
Contributions	75,28,899	23,86,431
Benefits Paid	(11,08,599)	(10,04,110)
Fair value of plan assets at the end of year	172,03,957	93,36,154
Funded status	(73,03,957)	(75,28,899)
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 31/03/2011

Actuarial (gain)/ loss on benefit obligations	(55,65,544)	(34,67,971)
Actuarial (gain)/ loss for the year - plan assets	NIL	NIL
Actuarial (gain)/ loss on obligations	55,65,544	34,67,971
Actuarial (gain)/ loss recognized in the year	55,65,544	34,67,971

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	245,32,562	1,68,65,053
Fair value of plan assets as at the end of the year	172,03,957	93,36,154
Funded status	(73,28,605)	(75,28,899)
Net asset/(liability) recognized in balance sheet	73,28,605	75,28,899

6. Expenses Recognised in statement of Profit and loss

Current Service cost	18,01,300	14,63,219
Interest Cost	13,49,204	9,58,368
Expected return on plan assets	(14,47,503)	(7,55,472)
Net Actuarial (gain)/ loss recognized in the year	55,65,544	34,67,971
Expenses recognised in statement of Profit and loss	73,28,605	51,34,086

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. 5,52,01,303/- as on 31.03.2011 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 (F.Y. 2010-11)

Subsidiary Company:-	Nelcast USA Inc
Associate company:-	NC Energy Limited Nelcast Energy Corporation Limited
Key Management personnel:-	<ol style="list-style-type: none"> 1. Mr. P. Radhakrishna Reddy, <i>Chairman</i> 2. Mr.S.Radhakrishnan, <i>Managing Director</i> 3. Mr. P.Vijaya Bhaskar Reddy, <i>Deputy Managing Director</i>

(b) Transactions with related parties (F.Y. 2010-11)

Nature of Transactions	Subsidiary Company Rs.	Associate Company Rs.	Key Management Personnel Rs.
Managerial Remuneration	–	–	1,15,81,161
Reimbursement of Expenses	2,80,56,707	–	–
Balance Outstanding Dr / (Cr.)	10,87,423	–	–
Investment in Shares	–	139,43,00,000	–
Share Application Money	–	2,10,00,000	–
Sale of Land	–	47,34,20,742	–

NOTES ON ACCOUNTS – (Contd.)

(a) List of Related Parties (F.Y. 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 (F.Y. 2009-10)

Nature of Transactions	Subsidiary Company Rs.	Associate Company Rs.	Key Management Personnel Rs.
Managerial Remuneration	–	–	63,36,000
Reimbursement of Expenses Balance Outstanding Dr / (Cr.)	2,99,21,543 (22,50,309)	– –	– –
Investment in Shares	–	1,50,000	–
Share Application Money	–	88,12,706	–

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

<i>As per our report of even date</i>	Signatures to Schedules A to U	<i>For and on behalf of the Board</i>
For J.B.REDDY & CO., <i>Chartered Accountants</i>	P. Radhakrishna Reddy Chairman	S. Radhakrishnan Managing Director
A.V.REDDY <i>Partner</i> Membership No. 23983 Firm Regn. No. 003256S	D.Sesha Reddy Director	A. Balasubramanian Director
	P. Vijaya Bhaskar Reddy Dy. Managing Director	S.K. Sivakumar Chief Financial Officer & Company Secretary
Place : Hyderabad Date : 13th May 2011		Place: Chennai Date : 13th May 2011

CASH FLOW STATEMENT

PARTICULARS	For the Year ended 31.03.2011 Rs.	For the Year ended 31.03.2010 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	20,43,11,815	9,99,00,549
Adjustment for:		
Depreciation	9,22,78,643	7,29,14,973
Interest & Dividend Income	(54,77,893)	(39,44,741)
(Profit)/Loss on sale of assets	(2,67,09,819)	2,17,228
Interest expenditure	5,38,42,836	5,82,85,433
Operating Profit before Working Capital Changes	31,82,45,582	22,73,73,442
Adjustment for:		
Trade & Other Receivables	(36,57,56,445)	2,84,36,611
Inventories	44,95,09,311	(8,58,21,305)
Current Liabilities & Provisions	1,21,46,944	22,42,29,428
Cash generated from Operations	9,58,99,810	16,68,44,734
Direct Taxes Paid	(1,18,69,720)	39,42,18,176
Cash flow before Prior-period Items	40,22,75,672	1,51,25,550
Prior Period Items	(2,19,143)	(62,639)
Net Cash from Operating Activities TOTAL A	40,20,56,529	37,90,29,987
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(51,69,70,147)	(29,76,70,841)
Decrease / (Increase) in Capital Work - In- Progress	98,96,93,656	(1,12,77,573)
Sale of Investment (Net)	74,35,45,662	-
Sale of fixed assets	8,40,000	3,54,000
Increase / Purchase of Investments	(10,00,000)	-
Profit on sale of assets	2,72,65,485	-
Interest received & Dividend Income	54,77,893	39,44,741
Net Cash from / (used in) in Investing Activities TOTAL B	124,88,52,549	(30,46,49,673)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Decrease in Long Term borrowings	(66,56,44,605)	(1,57,78,227)
(Decrease) / Increase in Unsecured Loans	(14,05,10,623)	2,02,51,968
Interest paid	(5,38,42,836)	(5,82,85,433)
Dividend Paid (Including Dividend Tax)	(27,40,19,066)	(2,03,57,411)
Net Cash from / (used in) Financing Activities TOTAL C	(113,40,17,130)	(7,41,69,103)
Net increase in Cash and Cash equivalents TOTAL A+B+C	51,68,91,948	2,11,211
Cash and Cash equivalents as at - Opening Balance	55,14,115	53,02,904
Cash and Cash Equivalents as at - Closing Balance	52,24,06,063	55,14,115

For and on behalf of the Board

P. Radhakrishna Reddy
Chairman
Place : Chennai
Date : 13th May 2011

S. Radhakrishnan
Managing Director
S.K. Sivakumar
Chief Financial Officer & Company Secretary

A. Balasubramanian
Director

D.Sesha Reddy
Director
P. Vijaya Bhaskar Reddy
Dy. Managing Director

AUDITORS' REPORT

We have verified the above Cash Flow Statement of Nelcast Limited, for the year ended 31st March 2011. 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 : 13th May 2011



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

II. Capital raised during the year

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

III. Position of Mobilization and Deployment of funds

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

Sources of Funds

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

Application of Funds

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

IV. Performance of Company

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

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

Item Code No.(ITC Code)	<input type="text"/>	Product Description	<input type="text"/>														
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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, 2011, 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, 2011.
- (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 : 13th May 2011

CONSOLIDATED BALANCE SHEET

PARTICULARS	SCHEDULE	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SOURCES OF FUNDS			
1 Shareholders Funds :			
a) Share Capital	A	17,40,02,400	17,40,02,400
b) Reserves & Surplus	B	197,29,93,079	140,84,23,970
		214,69,95,479	158,24,26,370
2 Loan Funds :			
a) Secured Loans	C	89,61,98,990	156,18,43,595
b) Unsecured Loans	D	2,86,26,438	16,91,37,061
		92,48,25,428	173,09,80,656
3 Deferred Tax Liability		22,06,87,878	18,22,42,165
TOTAL		329,25,08,785	349,56,49,191
APPLICATION OF FUNDS			
4 Fixed Assets :	E		
a) Gross Block		227,23,68,915	175,71,52,664
b) Less: Depreciation		55,96,53,782	46,76,71,445
c) Net Block		171,27,15,133	128,94,81,219
Capital WIP		90,51,514	99,87,45,170
5 Investments	F	12,50,000	4,00,000
6 Current Assets, Loans & Advances:			
Inventories	G	46,95,48,564	91,90,57,875
Sundry Debtors	H	88,15,16,969	56,56,32,021
Cash and Bank Balances	I	52,55,23,660	70,90,644
Loans & Advances	J	29,71,07,477	24,54,74,514
Other Current Assets	K	77,41,973	88,50,715
		218,14,38,643	174,61,05,769
7 Less: Current Liabilities & Provisions:			
Current Liabilities	L	53,73,14,855	50,80,42,605
Provisions	M	7,46,31,650	3,10,40,362
		61,19,46,505	53,90,82,967
Net Current Assets		156,94,92,138	120,70,22,802
TOTAL		329,25,08,785	349,56,49,191
8 Notes on Accounts	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

S. Radhakrishnan
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 : 13.05.2011

S.K. Sivakumar
Chief Financial Officer &
Company Secretary

Place : Chennai
Date : 13.05.2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT

PARTICULARS	SCHEDULE	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
INCOME			
Gross Sales		556,54,42,124	346,49,22,154
Less : Excise Duty		<u>49,13,71,400</u>	<u>26,88,42,808</u>
Net Sales		507,40,70,724	319,60,79,346
Other Income	N	4,20,66,010	76,84,599
Increase/(Decrease) in stock	O	<u>(40,61,86,033)</u>	<u>6,33,36,902</u>
TOTAL		<u>470,99,50,701</u>	<u>326,71,00,847</u>
EXPENDITURE			
Raw Materials Consumed	P	217,55,81,436	152,04,53,623
Consumables, Stores and Spares		64,29,03,673	45,67,71,147
Power and Fuel		58,09,46,184	39,36,81,656
Employee cost	Q	25,83,88,057	19,65,26,659
Other Manufacturing Expenses	R	49,59,03,337	29,92,08,575
Transport Charges		13,17,27,560	9,56,13,952
Administration, Selling & Other exps.	S	7,39,54,600	7,36,38,995
Interest & Other Financial Charges	T	5,38,93,472	5,83,42,998
Depreciation		<u>9,23,40,567</u>	<u>7,29,62,692</u>
TOTAL		<u>450,56,38,886</u>	<u>316,72,00,298</u>
Profit Before Extra-ordinary Items		20,43,11,815	9,99,00,549
Add: Extra-ordinary Items:			
Profit on Sale of Investment		108,77,00,000	-
Profit Before Tax		129,20,11,815	9,99,00,549
Less: Provision for tax		38,44,09,068	1,71,92,142
MAT Credit		-	(1,17,89,637)
Defferred Tax		3,84,45,713	2,55,29,500
Profit After Tax		86,91,57,034	6,89,68,544
Less: Prior year adjustments		2,19,143	62,639
Net profit		86,89,37,891	6,89,05,905
Add : Profit brought forward		21,50,47,198	18,26,77,409
Profits available for appropriations		108,39,85,089	25,15,83,314
Less : Appropriations :			
Special Dividend		20,88,02,880	-
Tax on Special Dividend		3,46,80,070	-
Final Dividend		5,22,00,720	2,61,00,360
Tax on Final Dividend		86,70,540	44,35,756
Transfer to General Reserve		<u>50,00,00,000</u>	<u>60,00,000</u>
Balance carried to Balance Sheet		<u>27,96,30,879</u>	<u>21,50,47,198</u>
Basic and Diluted Earnings per share of face value of Rs. 10/- each		49.94	3.96

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 : 13.05.2011

P. Radhakrishna Reddy
Chairman

A. Balasubramanian
Director

S.K. Sivakumar
Chief Financial Officer &
Company Secretary

S. Radhakrishnan
Managing Director

P. Vijaya Bhaskar Reddy
Dy. Managing Director

Place : Chennai
Date : 13.05.2011

For and on behalf of the Board

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE - A		
Share Capital		
Authorised :		
2,50,00,000 Equity Shares of Rs.10/- each	25,00,00,000	25,00,00,000
Issued, Subscribed and Paidup :		
1,74,00,240* Equity Shares of Rs.10/- each subscribed and paid up in full	17,40,02,400	17,40,02,400
* (Includes 82,35,000 Equity Shares of Rs.10/- each allotted as fully paid up by way of Bonus Shares)	17,40,02,400	17,40,02,400
SCHEDULE - B		
Reserves & Surplus		
General Reserve:-		
Opening Balance	31,60,00,000	31,00,00,000
Add: Transfer from Profit & Loss Account	50,00,00,000	60,00,000
	81,60,00,000	31,60,00,000
Share Premium	87,74,12,633	87,74,12,633
Profit & Loss Account	27,96,30,879	21,50,47,198
Foreign Currency Translation Reserve	(50,433)	(35,861)
	197,29,93,079	140,84,23,970
SCHEDULE - C		
Secured Loans		
Term Loans from IDBI Bank Ltd.	83,33,337	52,39,31,596
Term Loan from Kotak Mahindra Bank Ltd.	20,00,00,000	25,00,00,000
Working Capital Loan from State Bank of India	68,78,65,653	78,79,11,999
	89,61,98,990	156,18,43,595
SCHEDULE - D		
Unsecured Loans		
From Companies	—	13,00,00,000
Deposits from Public	1,15,30,725	1,29,83,321
Interest Free Sales Tax Loans	1,70,95,713	2,61,53,740
	2,86,26,438	16,91,37,061

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

SCHEDULE – E

FIXED ASSETS

(Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost upto 31.03.2010	Additions	Disposal	Cost upto 31.03.2011	Upto 31.03.2010	2010 - 11	Accu. Depon on disposal	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
Land	16,59,68,649	4,36,30,065	-	20,95,98,714	-	-	-	-	20,95,98,714	16,59,68,649
Buildings	33,52,32,753	3,25,53,904	-	36,77,86,657	6,69,29,579	1,17,07,785	-	7,86,37,364	28,91,49,293	26,83,03,174
Plant & Machinery	121,77,77,605	39,66,18,097	-	161,43,95,702	38,52,27,958	7,51,87,225	-	46,04,15,183	115,39,80,519	83,25,49,647
Computers	1,86,05,627	46,85,933	-	2,32,91,560	90,21,254	33,37,545	-	1,23,58,799	1,09,32,761	95,84,373
Office Equipment	19,22,656	8,10,013	-	27,32,669	6,53,083	1,47,079	-	8,00,162	19,32,507	12,69,573
Vehicles	67,30,793	3,56,64,601	17,53,896	4,06,41,498	12,09,550	12,13,849	3,58,230	20,65,169	3,85,76,329	55,21,243
Furniture & Fittings	1,09,14,581	30,07,534	-	1,39,22,115	41,36,021	7,47,084	-	53,77,105	85,45,010	62,84,560
TOTAL	175,71,52,664	51,69,70,147	17,53,896	227,23,68,915	46,76,71,445	9,23,40,567	3,58,230	55,96,53,782	171,27,15,133	128,94,81,219

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET – (Contd.)

	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE - F		
Investments		
(Long Term — Trade, Unquoted)		
NC Energy Limited	10,00,000	—
(1,00,000 Equity shares of Rs. 10/-each)		
Nelcast Energy Corporation Limited	—	1,50,000
(15,000 Equity shares of Rs. 10/-each)		
Saheli Exports P Ltd	2,50,000	2,50,000
(25,000 Equity shares of Rs. 10 /- each)		
	12,50,000	4,00,000
SCHEDULE - G		
Inventories		
(As certified by Management)		
Loose Tools	1,02,93,173	1,87,85,530
Consumables, Stores & Spares	5,47,84,544	6,55,51,158
Raw Materials	5,10,71,972	6,12,20,010
Stock - in - process	14,07,05,744	35,72,51,777
Finished Goods	15,83,97,000	34,80,37,000
Moulding Boxes & Patterns	5,42,96,131	6,82,12,400
	46,95,48,564	91,90,57,875
SCHEDULE - H		
Sundry Debtors : (Unsecured considered good)		
(a) Debts outstanding for more than six months	1,81,77,478	1,26,49,664
(b) Other debts	86,33,39,491	55,29,82,357
	88,15,16,969	56,56,32,021
SCHEDULE - I		
Cash and Bank Balances		
Cash on hand	6,32,360	6,57,724
Balances in accounts with Scheduled Banks :		
– In Current Accounts	2,45,16,300	45,78,920
– In Margin money Deposits	3,75,000	—
– In Short Term Fixed Deposits	50,00,00,000	18,54,000
	52,55,23,660	70,90,644

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET – (Contd.)		
	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE - J		
<i>Loans & Advances</i>		
Deposits	8,16,05,338	6,93,90,268
<i>Advances recoverable in cash or in kind or for value to be received :</i>		
Call Deposits	7,37,69,289	5,46,34,043
MAT Credit Entitlement	–	1,17,89,637
Prepaid Expenses	1,69,938	1,39,998
Other Advances & Receivables	14,15,62,912	10,95,20,568
	29,71,07,477	24,54,74,514
SCHEDULE - K		
<i>Other Current Assets</i>		
Accrued Interest	77,41,973	88,50,715
	77,41,973	88,50,715
SCHEDULE - L		
<i>Current Liabilities</i>		
Sundry Creditors :		
– For Supplies	41,92,58,126	39,25,59,984
– For Expenses	8,77,40,121	7,29,42,327
Other Liabilities	3,03,16,608	4,25,40,294
	53,73,14,855	50,80,42,605
SCHEDULE - M		
<i>Provisions</i>		
Proposed Dividend	5,22,00,720	2,61,00,360
Provision for Tax on Dividend	86,70,540	44,35,756
Provision for Tax (Net of Pre-paid Taxes)	1,37,60,390	5,04,246
	7,46,31,650	3,10,40,362

SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
SCHEDULE - N		
Other Income		
Interest Receipts (TDS Rs. 4,56,778; Previous year Rs. 5,46,235)	46,55,221	39,44,741
Export Incentives	45,92,382	37,35,018
Sales Tax Incentive	47,30,250	-
Profit on Sale of Asset	2,72,65,485	-
Dividend Income	8,22,672	-
Miscellaneous Income	-	4,840
	<u>4,20,66,010</u>	<u>76,84,599</u>
SCHEDULE - O		
Increase / (Decrease) in Stock		
Closing Stock		
Finished Goods	15,83,97,000	34,80,37,000
Stock - in - process	14,07,05,744	35,72,51,777
	<u>29,91,02,744</u>	<u>70,52,88,777</u>
Opening Stock		
Finished Goods	34,80,37,000	36,13,27,500
Stock - in - process	35,72,51,777	28,06,24,375
	<u>70,52,88,777</u>	<u>64,19,51,875</u>
Increase / (Decrease) in Stock	(40,61,86,033)	6,33,36,902
SCHEDULE - P		
Raw Materials Consumed		
Opening Stock	6,12,20,010	4,86,80,063
Add : Purchases	216,54,33,398	153,29,93,570
	<u>222,66,53,408</u>	<u>158,16,73,633</u>
Less : Closing Stock of raw materials	5,10,71,972	6,12,20,010
CONSUMPTION	<u>217,55,81,436</u>	<u>152,04,53,623</u>
SCHEDULE - Q		
Employee cost		
Salaries, Wages and Bonus	21,35,92,109	16,35,58,286
Staff Welfare Expenses	2,51,22,664	1,86,21,539
PF, Gratuity Contribution	1,96,73,284	1,43,46,834
	<u>25,83,88,057</u>	<u>19,65,26,659</u>

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

	For the year ended 31.03.2011 Rs.	For the year ended 31.03.2010 Rs.
SCHEDULE - R		
<i>Other Manufacturing Expenses</i>		
Fettling and Other Manufacturing expenses	41,67,48,407	25,35,78,314
Repairs and Maintenance		
– Plant and Machinery	6,80,53,773	3,91,52,294
– Buildings	1,11,01,157	64,77,967
	49,59,03,337	29,92,08,575
SCHEDULE - S		
<i>Administration, Selling & Other Expenditure</i>		
Printing & Stationery	16,74,470	16,70,172
Communication Charges	40,40,551	46,42,240
Rent	1,08,15,816	1,02,56,056
Rates and taxes	33,33,622	30,66,806
Insurance	44,44,490	53,59,597
Travelling & Conveyance	2,84,62,371	3,01,57,991
Advertisement	6,13,964	6,71,227
Legal & Professional Charges	1,01,49,186	91,55,004
Sales Commission	91,476	30,863
Payment to Auditors :		
– Audit Fee	7,00,000	6,00,000
– Tax Audit Fee	2,00,000	1,00,000
Sitting Fee to Directors	2,80,000	1,90,000
Books, Periodicals & Subscriptions	3,48,890	3,25,854
Vehicle and Office Maintenance	29,06,106	28,06,176
Selling Expenses	12,76,023	9,88,599
Loss on Foreign Exchange Fluctuation	37,40,903	21,20,287
Loss on Sale of Asset	5,55,666	2,17,228
Other Expenses	3,21,066	12,80,895
	7,39,54,600	7,36,38,995
SCHEDULE - T		
<i>Interest & Other Financial Charges</i>		
Interest on Term Loans	1,35,93,397	73,26,147
Other Interest and Financial Charges	6,40,82,126	6,08,50,979
Less: Interest on Short Term Deposits (TDS Rs. 23,78,205; Previous Year Rs. 9,83,413/-)	2,37,82,051	98,34,128
Net Other Interest and Financial Charges	4,03,00,075	5,10,16,851
Total Interest and Other Financial Charges	5,38,93,472	5,83,42,998

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 st 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 (F.Y. 2010-11):

Subsidiary Company:-	Nelcast USA Inc
Associate Company:-	NC Energy Limited Nelcast Energy Corporation Limited

- Key Management Personnels:-**
1. Mr. P. Radhakrishna Reddy, *Chairman*
 2. Mr. S. Radhakrishnan, *Managing Director*
 3. Mr. P. Vijaya Bhaskar Reddy, *Deputy Managing Director*

(b) Transactions with related parties (F.Y. 2010-11):

Nature of Transactions	Subsidiary Company Rs.	Associate Company Rs.	Key Management Personnel Rs.
Managerial Remuneration	-	-	1,15,81,161
Reimbursement of Expenses	2,80,56,707	-	-
Balance Outstanding Dr / (Cr.)	10,87,423	-	-
Investment in Shares	-	139,43,00,000	-
Share Application Money	-	2,10,00,000	-
Sale of Land	-	47,34,20,742	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Contd.)

(a) List of Related Parties (F.Y. 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 (F.Y. 2009–10):

Nature of Transactions	Subsidiary Company Rs.	Associate Company Rs.	Key Management Personnel Rs.
Managerial Remuneration	–	–	63,36,000
Reimbursement of Expenses Balance Outstanding Dr / (Cr.)	2,99,21,543 (22,50,309)	– –	– –
Investment in Shares	–	1,50,000	–
Share Application Money	–	88,12,706	–

4. Provisions, Contingent Liabilities and Contingent Assets:

	<u>31.03.2011</u>	<u>31.03.2010</u>
	Rs.	Rs.
(a) Contingent liability not provided for on account of Letters of Credit/Bank Guarantee	25,00,000	1,27,43,200
(b) Estimated amount of contracts remaining to be executed on Capital Account and not provided for	4,00,84,400	2,06,21,000

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 and on behalf of the Board

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

P. Radhakrishna Reddy
Chairman

S. Radhakrishnan
Managing Director

D.Sesha Reddy
Director

A.V.REDDY

Partner

Membership No. 23983

Firm Regn. No. 003256S

Place : Hyderabad

Date : 13.05.2011

A. Balasubramanian
Director

S.K. Sivakumar
Chief Financial Officer &
Company Secretary

P. Vijaya Bhaskar Reddy
Dy. Managing Director

Place : Chennai

Date : 13.05.2011

