





Hon'ble Defence Minister Shri A.K. Antony laying the foundation stone for the **EXPANSION** and **UPGRADATION** of Midhani and launching of **"ALCHEMY"** ERP program. Also seen are Shri R.K.Singh, Secretary Defence Production and Shri M.Narayana Rao, C&MD, Midhani.

CHAIRMAN'S MESSAGE



It gives me immense pleasure in presenting 36th Annual Report of **MISHRA DHATU NIGAM LIMITED** for the year 2009-'10.

2. It is pleasurable to note that MIDHANI's journey, around in the last 36 years, has proved a success for, as many programs of National importance as possible, were extended support in critical materials which are virtually import substitutes. The Company is presently committed to move forward realizing all opportunities available to it, for better years of prosperity and growth with improved performance.
3. Among major achievements made during the year, the prominent were:
 - ◆ Crystallizing and mustering required support from Govt. of India, Ministry of Defence and ASL- DRDO, towards company's ambitious III - Phase of Expansion plan i.e. establishment of Wide Plate Mill, with an investment of around Rs. 350 Cr.
 - ◆ Surpassing all critical milestones in Procurement of Major Equipment under II - Phase of Modernisation & Up-gradation Program, which has been taken up as a part of Company's Corporate Plan-2020; and thereby reaching advanced stages of its implementation.
 - ◆ Witnessing, full year's successful performance of critical equipment installed and commissioned during I - Phase of Up-gradation & Modernisation program.
 - ◆ Achieving, once again, an "Excellent" and unprecedented performance during the year 2009-'10 surpassing all its past records.
4. On my behalf and on behalf of the Board of Directors, I would like to place on record that the Company has achieved a CAGR (Compounded Annual Growth Rate) of 24% over the last 5 years. MIDHANI's clear, decisive and deliverable initiatives in the last few years towards establishing synergetic linkage of internal expertise with usage of quicker & cost effective facilities available outside, both in Public and

Private Sector, has resulted in such an impressive performance. The meticulous efforts made in recent days, in selection of type, nature and design of critical equipment including the erection and commissioning thereof, in synergy with home grown capabilities & expertise, have resulted in producing quality material and timely deliveries. This would enable MIDHANI to achieve a turnover level of Rs. 1,000 Cr. by 2015. MIDHANI's constant efforts in identifying new materials and technologies not only enhances customer's present satisfaction further but also create new markets/ avenues for its growth.

5. As a socially conscious corporate citizen, MIDHANI has been adhering to good practices of "Corporate Governance", a detailed report on the same is added as a part of Directors' Report.
6. MIDHANI human relations underlying objective is to develop and create high quality human resources. Young scientists, engineers and other technical staff were provided with good environment of creativity, motivation with excellent perks and allowances. MIDHANI is confident of realizing its "**GROWTH**" dream with improved vigor, enthusiasm, hard work, ethics and team work.
7. I am confident that though the road towards future is challenging but it is definitely existing and promising. The Company clearly understands that the key to success in realizing the Modernisation programs is in translating Company's rich experience gained over the years by integrating the same with contemporary technologies. I am extremely happy to convey to all MIDHANIANS that Govt. of India, Ministry of Defence, expressed full support to MIDHANI in all its endeavors of indigenization of critical materials required by all strategic Sectors of our country.
8. To conclude, I acknowledge on my behalf and on behalf of Board of Directors of MIDHANI that the improved performance year after year was possible on account of relentless and dedicated efforts made by all employees of the Company and the unstinted support, particularly from Government of India, Ministry of Defence, major customers and all concerned institutions and agencies.



(M. NARAYANA RAO)

CHAIRMAN & MANAGING DIRECTOR

BOARD OF DIRECTORS



Shri Gyanesh Kumar
Joint Secretary
(Naval Systems)



Shri G. Malakondaiah
Director (DMRL)



Shri P. K. Mishra
Addl. F.A (M) & Joint Secretary)
Permanent Special Invitee



Shri V.S. Krishna Murthy
Director (Finance)



Shri M. Narayana Rao
Chairman & Managing Director



Shri V. S. Verma
Director (Prod. & Mktg.)



Dr. (Mrs.) B. Kinnera Murthy
Director



Shri R. K. Mishra
Director



Dr. Dipankar Banerjee
Ex-Chief Controller,
R&D (AMS) DRDO
(upto 01-03-2010)



Shri S.N. Mishra
Ex-Joint Secretary (Aerospace)
(upto 28-01-2010)



Shri P. Ravi, IPS
Chief Vigilance Officer



Shri P. V. Subba Rao
Company Secretary

SENIOR EXECUTIVES

(MEMBERS OF CORPORATE MANAGEMENT COMMITTEE)



Shri D.N. Bhatia
General Manager (Prodn.-I)



Shri A.K. Bhatia
General Manager (Prodn.-II)



Shri T.K. Chandrasekhar
General Manager (Services)



Shri B.G. Raj
General Manager (Comml.)



Shri P. Sarkar
Addl. Genl. Mgr (MS)



Shri T.B. Harikishan Rao
Addl. Genl. Mgr (Mktg.)



Shri K. Shankar Rao
Addl. Genl. Mgr (Mktg.)



Dr. H.V. Kiran
Addl. Genl. Mgr (QCL)



Shri K.Siva Subramanian
Dy.Genl.Mgr (P-III)



Shri A.K. Ghosh
Dy. Genl. Mgr (U&SS)



Shri S. Sen
Dy.Genl.Mgr (F&A)



Shri S.K. Dwivedi
Sr. Manager (Tech. Coord.)

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10 YEARS AT A GLANCE

1

Sl. No.	ITEM	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1	Sales (tonnage)	2445	2041	1975	1088	1337	1215	1262	1919	1908	2429
	Sales (Value)	9,075.96	8,710.35	7,486.41	9,562.63	11,190.78	13,926.20	17,256.58	23,111.71	27,142.74	31,482.89
	..To customers	2183.57	1,713.30	1,648.76	2,949.96	1,936.23	1,362.92	1,993.18	2,389.30	3,768.49	5,638.10
	..Despatch to sub-contractors	11,259.53	10,423.65	9,135.17	12,512.59	13,127.01	15,289.12	19,249.76	25,501.01	30,911.23	37,120.99
	Total	11,386.57	10,717.41	9,350.23	11,641.88	14,166.73	17,759.69	22,388.49	29,640.17	36,402.83	43,323.63
2	Value of Production (inclg. ED)	359.62	396.82	-32.85	908.62	1,385.47	2,036.80	3,768.16	5,737.67	6,605.56	7,085.33
3	Cash Profit/Loss (-)*	35.14	8.95	-236.07	690.15	687.08	1,180.78	2,318.01	3,548.93	4,114.63	4,455.52
4	Net Profit/Loss (-)**	7,172.68	7,160.95	6,768.64	9,082.89	9,697.49	10,112.80	13,016.50	17,652.62	21,486.34	23,757.48
5	Value Added	5.25	5.54	5.26	7.06	7.34	7.67	10.16	13.97	17.48	19.95
6	Value added per employee	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	14,634.00	14,634.00
8	Paid up Capital	2886.09	2869.35	2831.35	2789.45	2583.94	2555.10	2438.47	2667.90	2779.32	3676.82
9	Net Fixed asset	11003.78	11224.44	10880.68	11036.09	11777.69	12826.29	14602.87	16767.00	18485.64	22757.42
10	Net current asset	13,889.87	14,093.79	13,712.03	13,825.54	14,361.63	15,381.39	17,041.34	19,434.90	21,264.96	26,434.24
11	Capital employed (9+10)	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	14,634.00	14,634.00
12	Equity	-312.84	-385.77	-507.90	259.68	734.80	1695.16	3474.21	6196.54	9341.50	12759.18
13	Reserves	13,421.16	13,348.23	13,226.10	13,888.66	14,488.80	15,429.16	17,208.21	19,930.54	23,975.50	27,393.18
14	Net Worth (12+13)	2,270.80	2,029.00	1,863.00	2,031.00	2,418.00	2,671.00	4,405.00	5,483.00	6,651.00	6,295.00
15	Contribution to Exchequer										
16	No. of employees										
	(Figures in Nos.)										
	..Executives	285	256	256	256	265	270	250	249	249	255
	..Non executives	1,081	1,037	1,031	1,030	993	985	905	862	837	775
	..Non unionised supervisors					63	64	126	153	143	161
	Productivity per employee	8.34	8.29	7.27	9.05	10.72	13.46	17.48	23.45	29.62	31.34

Note:- While calculating Net worth and Capital employed for the year 2009-10, Rs.37 crore received on account of Equity and Rs.37 crore towards loan totalling Rs.74 crore from Ministry has not been considered as the amount was received on 31st March 2010.

NOTICE OF THE 36th ANNUAL GENERAL MEETING

Notice is hereby given that the 36th Annual General Meeting of **MISHRA DHATU NIGAM LIMITED** will be held at 1000 hours on Wednesday, the 25th August, 2010 at the Registered Office of the Company, P.O. Kanchanbagh, Hyderabad – 500 058, to transact the following business:

ORDINARY BUSINESS:


1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date and the reports of the Directors' and the Auditors' thereon.
2. To declare Dividend on Equity Shares for the year ended 31st March, 2010.

SPECIAL BUSINESS:

3. To consider and if thought fit, to pass with or without modifications, the following resolution as an "ORDINARY RESOLUTION"

"RESOLVED THAT" the consent of the Members of the Company be and is hereby accorded for transferring a sum of Rs. 34.18 Cr. to the General Reserves of the Company"

BY ORDER OF THE BOARD
FOR MISHRA DHATU NIGAM LIMITED


(P.V.SUBBA RAO)
COMPANY SECRETARY

Place : Hyderabad,
Date : 30.07.2010

NOTES:

- i. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. The proxy form duly completed must reach the Registered Office of the Company at least forty eight hours before the commencement of the Meeting.
- ii. The Explanatory Statement in respect of the Special Business under item No. 3 of the notice is annexed hereto.
- iii. The documents referred to in the Notice and accompanying Explanatory Statement are open for inspection at the Registered Office of the Company on all working days between 1100 hours and 1700 hours upto the date of the Annual General Meeting.
- iv. A copy of the audited Balance Sheet as at 31st March, 2010, and the Profit and Loss Account for the year ended on that date along with all documents required to be annexed or attached thereto along with NIL comments by C&AG of India under Section 619 (4) of the Companies Act, 1956 and the reports of the Directors' and Auditors' thereon, is enclosed.
- V. The dividend for the year 2009-2010 as and when declared to the extent due will be paid to the shareholders whose names appear in the register of members as on the date of annual general meeting.


**EXPLANATORY STATEMENT REQUIRED
UNDER SECTION 173(2) OF THE
COMPANIES ACT, 1956**

FOR ITEM :3

Since the year 2009-2010 has resulted in a distributable Profit of Rs.4,461.66 Lakh; the Board of Directors have recommended to transfer a sum of Rs. 3,417.68 Lakh to the General Reserve of the Company, after appropriating a sum of Rs. 892.33 Lakh, towards payment of Dividend (including interim Dividend of Rs. 100 Lakh) and Rs. 151.65 Lakh towards tax on Dividend, for the financial year ended on 31st March, 2010 subject to the approval of the Members in General Meeting as set out in the Notice. As per Article 97 of the Articles of Association of MIDHANI, the Chairman & Managing Director, shall reserve for the decision of the President of India, the matter relating to creation of Reserves and Special Funds. Since the President of India holds virtually the entire paid up share capital of the Company and is the major shareholder in the Company, the resolution for transfer of a surplus of Rs. 3,417.68 Lakh to General Reserve is proposed for approval of the Members.

2. Your Directors commend the resolution for approval of the Members. None of the Directors of the Company is, in any way concerned or interested, in the resolution.

BY ORDER OF THE BOARD
FOR MISHRA DHATU NIGAM LIMITED


(P.V.SUBBA RAO)
COMPANY SECRETARY

Place : Hyderabad,
Date : 30.07.2010



DIRECTORS' REPORT

The Members

Mishra Dhatu Nigam Limited,

Dear Members

The Directors of your company take pleasure in presenting the 36th Annual Report together with Audited Annual Accounts and Financial highlights for the year ended 31st March, 2010.

1.0 SIGNIFICANT ACHIEVEMENTS DURING THE YEAR:

- ▲ **HIGHEST** turnover of Rs. 371.21 Cr. a break-through of all past records.
- ▲ **INCREASED** value of Turnover by 20% over the previous year and Three Fold jump (approx) over a period of 5 years, registering a Compounded Annual Growth Rate (CAGR) of 24%.
- ▲ **HIGHEST** utilization of production capacity which stood at 89%;

- ▲ **COMMENCED COMMERCIAL PRODUCTION** in some of the critical equipment funded by Customers for strategic applications under Phase-I of Up-gradation & Modernisation program.
- ▲ **SECURED** Govt. Support with fresh infusion of funds from Government under Phase-II of Modernisation & Up-gradation program. **CROSSED** major mile stones in creating State-of-Art-facilities under such program. **EXCELLENT** ratings under MoU criteria for the "seventh" year in succession.
- ▲ **RECORD** Level of fresh order booking during the year touching a level of Rs. 423 Cr. resulting in cumulative order book on hand as on 01.04.2010 at an all time high of Rs. 738 Cr.
- ▲ **CREATION** of Internal Reserves to the tune of Rs. 128 Cr. with a view to ploughing them back for creating contemporary technologies and for increasing capacities to meet challenges of the year 2020.
- ▲ **REMAINED** as 22nd Profit making and 7th Dividend paying year.
- ▲ **WINNING** "OP Jindal Gold Medal-2009 Award" Instituted by Indian Institute of Metals, by Engineer of **MIDHANI** for significant contribution in Development of Ferrous Metals and Alloys.

2.0 HIGHLIGHTS OF PRODUCTION & SUPPLIES

- ▲ **Turnover increased to** Rs. 371.21 Cr. (2,429MT) as compared to Rs. 309.11 Cr. (1,908 MT) during the previous year, thus registering a growth of about 20% value wise and 27% tonnage wise with a Compounded Annual Growth Rate (CAGR) of 24%.



MIDHANI supplied critical components for 500 MW Fast Breeder Reactor being set up by M/S Bhavini, Kalpakkam

- ★ **Development and supply** of 15.5T cold rolled strips and precipitation hardening steel 11-10ph for most critical applications in Defence;
- ★ **Adoption of most Innovative method** of using Soft iron and Softmag 78 cast ingots for direct hot rolling to 6.5.mm size coil strips;
- ★ **Large size slab** of 1300 mm width (when compared to earlier size of 1000mm) forged for the First time in MIDHANI;
- ★ **Yield Improvement upto 5 %**, obtained through selection of alternative outsourcing facility which is an added advantage to critical sectors of our country
 - ❖ for rolling of Welding Electrode billets into 125 mm square diameter;
 - ❖ by realizing two finished plates (as compared to one earlier) from hot rolling of Special Steel 250 rings at Bilai Steel Plant instead of Rourkela Steel Plant.

Prestigious supplies during the year include :

MDN 172 Barrels, Breech Rings, castings etc, AB2PK forgings & Rings, MDN250 plates& Rings Ti-31 rings, for Defence Sector, MDN-174 forgings, 13-8 Mo Bars, MDN-321, forgings, 9Cr. 1Mo, MDN 350 Billets and Bars, 316T Forgings for Atomic Energy; MDN 250 Rings and Plates, T-31 Rings, 12X18XH10T Forgings & Sheets, C-103 Bars and Sheets for Space applications and Superni 80A Rings, MDN-59 Forgings, 321 forgings Moly & Moly products etc for Commercial and General Engineering sectors.

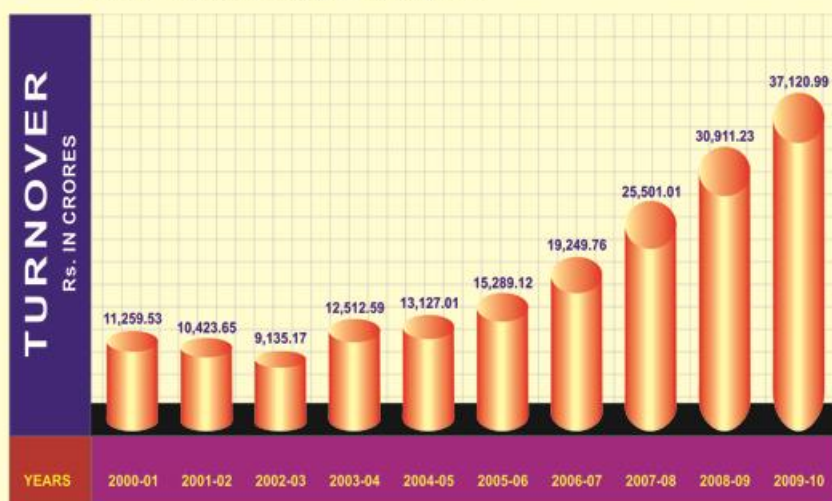
3.0 HIGHLIGHTS OF MODERNISATION & UP GRADATION PROGRAM:

- ★ **Commencement** of Commercial Production of 6.5 T Vacuum Induction Melting Furnace, a critical and dedicated facility created for VSSC;

- ★ **Commencement of operations** in an Electric discharge-cutting machine as a part of in-house innovation;
- ★ **Completion of Installation** of Band-saw cutting machine 800 dia Thread Rolling Machine, Universal Testing machine, NH22-2000 Lathe Machine;
- ★ **Completion of** Pre-despatch inspection of 10 T Vacuum Arc Re-Melting Furnace, which is likely to be commissioned shortly;
- ★ **Order Placed** for procuring small Ring Rolling Mill at a cost of Rs.24 Cr.;
- ★ **Technical Evaluation** in progress for major equipment like 6000T Forge Press Wide Plate Mill, Electric Arc Melting Furnace with VD/VOD facility etc;
- ★ **Initiation of** procurement action for Electron Beam Melting Furnace (EBM);

4.0 FINANCIAL HIGHLIGHTS:

- 4.1 The Company has earned a Gross Margin of Rs.70.91 Cr. and a Profit before Tax of Rs. 67.67 Cr. as compared to Rs. 65.97 Cr. and Rs. 62.90 Cr. in the previous year respectively. The Profit After Tax for the year stands at Rs. 44.62 Cr. as against Rs. 41.06 Cr. in the previous year.



- 4.2 The surplus available for appropriations would be Rs. 44.62 Cr. as against Rs. 41.06 Cr. in the previous year which would enable the Company to declare an Interim Dividend and a final dividend aggregating to Rs. 8.92 Cr. as against Rs. 8.21 Cr. in the previous year.
- 4.3 During the year the Authorized Share Capital of the Company remained un-altered. The Issued, Subscribed and Paid-up Share Capital has gone up, during May, 2010, by Rs. 37 Cr. by way of further allotment of 3,70,000 Equity shares of Rs. 1000/- each ranking pari-passu with the existing Equity Shares to President of India, towards share of Govt. of India for Modernization of Plant, Machinery & Equipment.



Share Certificate in favour of President of India Evidencing allotment of 3,70,000 Equity shares of Rs. 1000/- each aggregating to Rs. 37.00 Crores was handed over to Shri Gyanesh Kumar, Joint Secretary (Naval Systems) at a Board Meeting held on 02-07-2010.

- 4.4 Your Company has achieved all the financial and operational targets set out for the year 2009-'10. The highlights are as under:

DIRECTORS' REPORT



(Rs. in Lakhs)

Particulars	2009-2010	2008-2009
Sales (Less Returns)	37,121	30,911
Other Income	1,863	1,549
Value of Production (Excluding ED)	36,558	35,628
Depreciation	325	307
Interest	156	18
Profit (before tax)	6,767	6,290
Profit (after tax)	4,462	4,106

Ratio (Percentages)

Profit Before Tax to Capital employed	25.60	29.58
Profit Before Tax to Sales	18.23	20.35
Profit After Tax to Net Worth	16.29	17.12
Profit After Tax to Paid-up Capital	30.49	28.06
Sales to Capital Employed	140.43	145.36
Sales to Gross Block	218.30	174.15
Per capita Sales (Rs. Lakh)	31.17	25.15

4.5 DIVIDEND AND TRANSFER TO GENERAL RESERVE

4.5.1 The Directors are pleased to recommend Dividend @ 6.10% of the paid up Share capital of Rs. 146.34 Cr. amounting to Rs. 8.92 Cr. as against 5.98% in the previous year. Further an amount of Rs. 1.52 will be paid as Dividend Tax including surcharge as against Rs. 1.40 Cr. in the previous year. The rate of Dividend works out to Rs. 60.95/- per Equity Share of Rs. 1000/- on 13,73,400 Equity Shares, as against Dividend of Rs. 59.78/- per Equity Share in the previous year. The additional Equity contribution lying in the Share Application Account amounting to Rs. 37 Cr. does not carry any dividend for the year 2009-'10.

4.5.2 The Directors are happy to inform that a sum of Rs. 34.18 Cr. have been Transferred to General Reserves of the Company as against previous year's transfer of Rs. 31.45 Cr.; thereby accumulating the Reserve to the tune of Rs. 127.59 Cr.

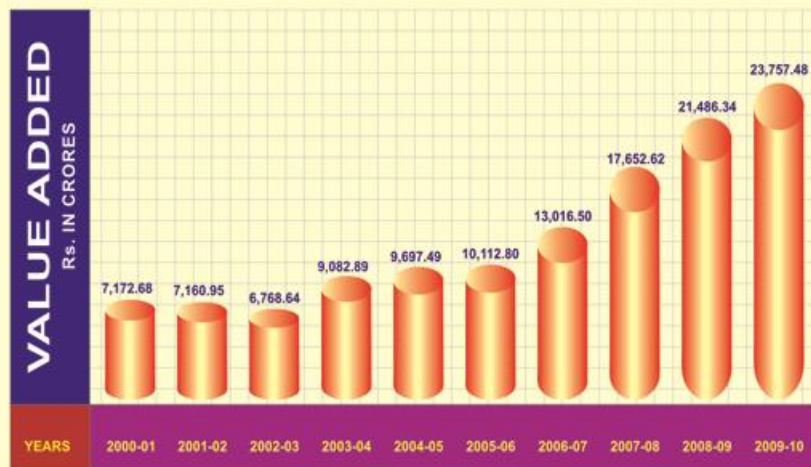
PARTICULARS	2009-10 (Rs. in Crore)
Dividend	8.92
Tax on Dividend	1.52
Transfer to General Reserves	34.18

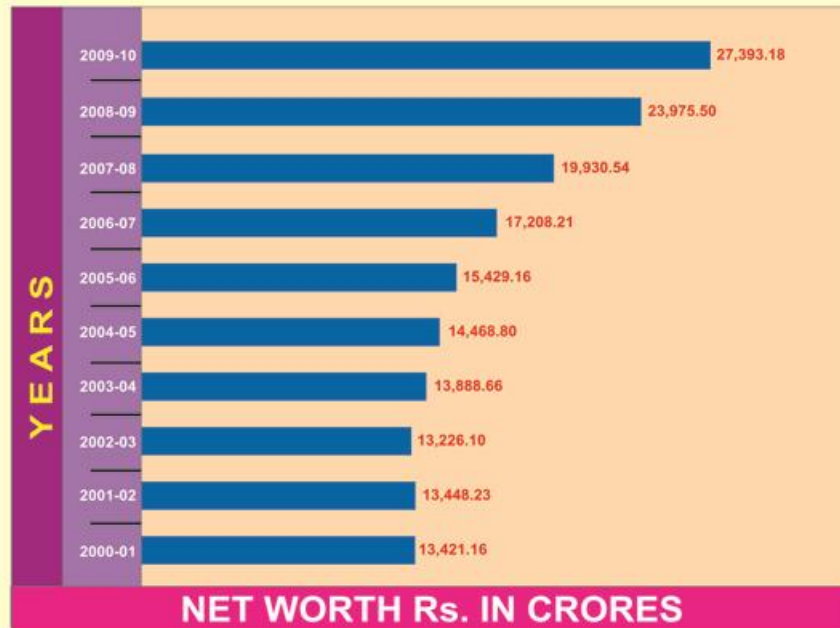


Shri M. Narayana Rao, C&MD Midhani, presenting a Cheque for Rs. 7.92 Cr. to Shri A.K. Antony, Hon'ble Raksha Mantri towards payment of Dividend for the year 2009-10. Also seen Shri R.K. Singh, Secretary, Defence Production & Shri V.S. Krishna Murthy, Director (Finance).

5.0 PERFORMANCE AGAINST MoU

- 5.1 Your Directors feel pleasure in informing that MIDHANI has been ranked **FIRST** among all Defence PSUs in the matter of performance ratings as per MoU with Govt. of India for the year 2008-'09 by scoring a composite score of 1.12.





- 5.2 For the year 2009-'10 also MIDHANI's performance has been ranked as "EXCELLENT" under 32 out of 34 parameters, with a provisional Composite score of 1.07.
- 5.3 The company has signed MoU for the year 2010-'11 with Govt. of India, Ministry of Defence, Dept. of Defence Production with an Annual Sales target of Rs. 370 Cr. with a gross margin of Rs. 65.58 Cr. under "EXCELLENT" criteria. All MIDHANIANS have taken it up, as a thrust area, to ensure that the performance of the Company during the year 2010-'11 would far exceed the desired targets.

6.0 MODERNISATION & UP-GRADATION PROGRAM OF THE COMPANY

- 6.1 The year 2009-'10 can be regarded as commencement of Golden Era for MIDHANI since the Customer funded Up-gradation & Modernization program under Phase-I has started yielding results. Major part of Modernisation under this phase was under commercial production.

MAJOR EQUIPMENT UNDER COMMERCIAL PRODUCTION IN PHASE-I



6.5 MT VIM Furnace

UPGRADATION OF MAJOR EQUIPMENT UNDER I - PHASE



Re-vamped 1500 MT Forge Press brought into operation

Electric Arc Furnace

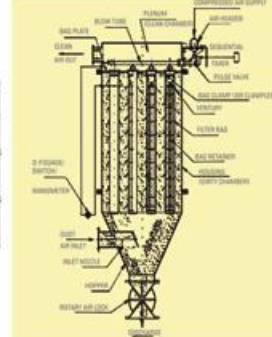
Supplied by : HBB, India in 1978 Capacity : 5 Tons



Original
Supplied with Simple Fume
Extraction System



Modernised With
Automatic Pulse Jet Cleaning
Fume Extraction System

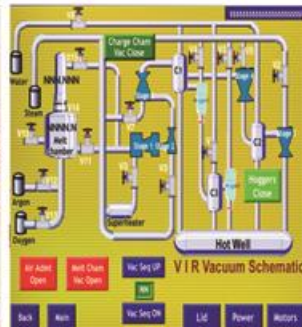


Vacuum Induction Refining Furnace

Supplied by : Cheston, USA in 1979 Capacity : 5 Tons



Original
Conventional Relay Logics
Static Freq Converter
Steam Ejector Vacuum



Modernised With
PLC Control (In House)
Inverter Power Supply



Further Upgraded to
Mechanical Vacuum
Pumping System in place
of Steam ejector (In House)

Vacuum Induction Melting Furnace

Supplied by : ScotVac, UK in 1979 Capacity : 2.2 Tons



Original
Conventional Relay Logics
Static Frequency Converter



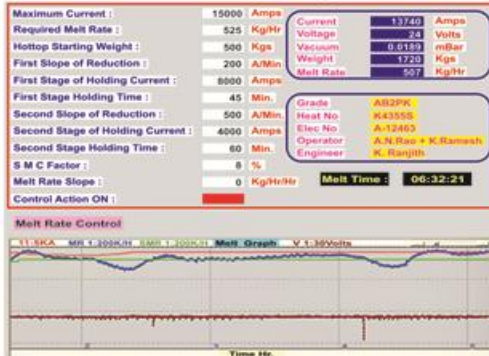
Modernised With In House Developed
PLC Control (In House)
Inverter Power Supply
Data Logging System (In House)

Vacuum Arc Remelting Furnace

Supplied by : Consarc, USA in 1978 Capacity : 5 Tons



Original
Conventional Relay
Logic Control



Modernised With In House Developed
PLC Control
Automatic Process Controller
Data Logging System

Vacuum Arc Remelting Furnace (VAR-I)

Supplied by : L H, Germany in 1978 Capacity : 10 Tons



Original
Conventional Relay
Logic Control



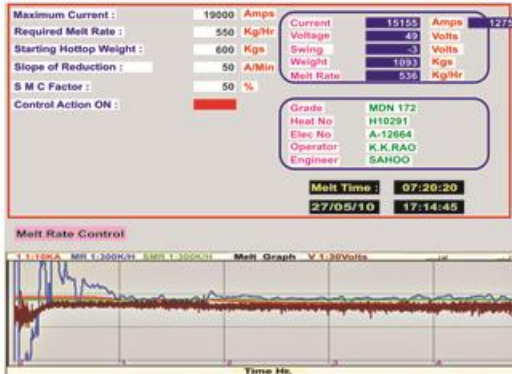
Modernised With In House Developed
PLC Control
Automatic Process Controller
Data Logging System

Electro Slag Refining Furnace

Supplied by : L H, Germany in 1978 Capacity : 5 Tons

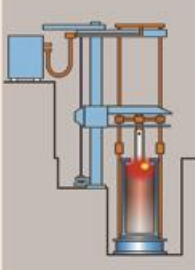


Original
Conventional Relay
Logic Control



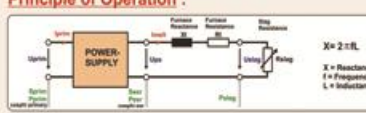
Modernised With In House Developed
PLC Control
Automatic Process Controller
Data Logging System

INDIGENOUS ELECTRO SLAG REFINING FURNACE




Specifications:
 Furnace Capacity : 10 Tons
 Melting Power : 3600 kVA
 Melting Voltage : 62-120 Volts
 Melting Current : 30,000 Amp


Principle of Operation :





The Electrical Energy is dissipated into the Slag to produce thermal energy which in turn melts the Electrode. The Slag acts as a Filter to refine the molten metal. The Filtered molten metal is cooled to form an Ingot.




In House Developed Electric Discharge Cutting Machine



Specifications:
 Capacity : 850 mm Ø
 Power Rating : 550 Amps
 Cost of Std Eqpt. : 130 Lakh
 In-House Dev cost : 15 Lakhs



INDIGENIZATION EFFORTS ON EQUIPMENTS

- 6.2 The **Phase-II** of Modernization is at an advanced stage. Major equipments funded partly by Company and partly by MoD on 50:50 basis, have already been ordered and are under advanced stage of fabrication just short of delivery to MIDHANI site for erection. Barring an unforeseen event, the erection of 6000T Forge Press and 15 T EAF would have become operational as on date.
- 6.3 The ESR Furnace which was built with internal expertise and experience and the 10 T VAR furnace are expected to be commissioned during the year. **Commissioning of** an Electric discharge-cutting machine as a part of in-house innovation is worth mentioning towards Up-gradation program.

7.0 CORPORATE PLAN

- 7.1 During the year under report, the Corporate Plan -2020 as approved by Ministry was taken up for active implementation. Keeping in view the likely demand for special metals and alloys by several programs of National importance of strategic Sectors of our country like Space, Atomic Energy, Defence, etc., several pro-active steps were taken to acquire Wide Plate Mill and Ring Rolling Mills. During the year under report, these efforts have yielded concrete results and accordingly, a sum of Rs. 250 Cr. funding was tied up from DRDO/MoD out of total investment of Rs. 480 Cr. under III - Phase of Modernisation Program. Placement of Orders for the critical equipment under this phase is at an advanced stage.
- 7.2 The main aim of expansion programs of MIDHANI was to gain self sufficiency in making available the critical materials required by Strategic Sectors by creating additional production capacities so that competitive edge can be gained through rationalised product mix, increased market share. These are ultimately expected to result in "customer delight" in the form of high quality material at optimum costs.

8.0 FUTURE OUTLOOK

- 8.1 Being smallest of all Defence PSUs with meagre built up Reserves, MIDHANI has compulsion to opt for phase-wise development. Accordingly, MIDHANI has planned a three-phase strategy for growth in next 5 years. The I - Phase of the strategy of modernising and upgrading of existing equipment which is presently under implementation aim to improve the Production, Market Share thereby building internal reserves for further investment and growth. Under the II - Phase of strategy, MIDHANI will undertake expansion program with substantial investment of Rs. 480 Cr. including establishing of Wide Plate Mill etc; the funding partly coming from active support of major customer i.e.DRDL/ MoD and partly from internal reserves of MIDHANI created under I- Phase.

- 8.2 The III - Phase of strategy is reserved for new generation materials the demand for which is likely to emerge in future. The strategy here could be for enhancement of the then existing production capacities for same product line/mix to meet bulk requirements or to opt for new material that can conveniently and economically added to the existing line keeping the then installed technologies and facilities constant or to go for new product line(s) with creation of additional contemporary State-of-Art facilities. The new products which MIDHANI aims to expand under this phase relate to Investment castings and Fasteners which also act as import substitutes. It is also under contemplation of MIDHANI to start a fastener plant as **"ALL WOMEN PLANT"** the entire operations being carried on by women employees exclusively. Once the Fastener plant go into operation; MIDHANI can plan production of "bio-medical implants" using the technologies meant for space programs for cause of human beings.



- 8.3. MIDHANI also made proposals to Administrative Ministry for carrying out R&D by establishing a dedicated centre for manufacture of Titanium made castings. The project has been administratively cleared and the work in this direction is expected to be commenced in the current Financial Year. The ultimate aim of MIDHANI is to fulfill its objective of sustaining its position as **"National Centre for Excellence"** in advanced metals and alloys.



Investment Casting of Titanium & Titanium Alloys

9.0 ENTERPRISE RESOURCE PLANNING (ERP)

- 9.1 In order to effectively utilise the modern and advanced tools available under Information Technology and with the object of integrating various business processes of different functional areas on real time basis, a well chalked out ERP program named as "ALCHEMY" with Oracle EBS - R12 as suitable package was initiated during Sep. 2008. The Administrative Staff College (ASCI), Hyderabad provided consultancy and M/s Price Waterhouse Coopers (PWC) have acted as implementation partners.
- 9.2 A full team of core experts from different functional areas of MIDHANI have put in their best efforts with full spirit of dedication for taking the project forward with the help of the Steering Committee under the Chairmanship of C&MD. The I -

I - Phase which include modules like HRMS, ESS, Pay Rolls has already been declared as **"GO LIVE"** on provisional basis on 27th May, 2009. The II - Phase consisting of Order Management Maintenance, Production Planning, Quality Control, Purchase, Finance & Costing etc., is likely to Go Live by end May/June 2010 as against original target date of May, 2009. Some of the configuration problems to suit peculiar critical process requirements of MIDHANI have consumed more time and M/s Oracle Corporation and its implementators are in the process of solving them which is likely to be completed in the current financial year.

10.0 LABOUR PRODUCTIVITY

10.1 The Direct labour productivity, in terms of value added per direct employee, stood at Rs. 61.55 Lakh as compared to Rs.55.66 Lakh during the previous year. The value added per employee was Rs. 19.95 Lakh as compared to Rs. 17.48 Lakh in the previous year.



11.0 CAPACITY UTILIZATION

- 11.1 The capacity achieved during the year 2009-'10 was around 89% as compared to 70% in the previous year. The value of import content in the total material cost was 77% as against 79% in the previous year.

12.0 OPERATIONAL EFFICIENCY

- ▲ "Excellent" performance in the matter of recycling of reclaimed material from production process to the extent of 33% (1,682 MT) obviating the purchase of virgin raw materials worth Rs. 30.85 Cr. as against Rs. 21.12 Cr. in the previous year.
- ▲ Development of new products through R&D efforts during the year 2009-'10 include :
 - Nickel base Superalloy SNi 738 for Land Gas turbine application;
 - Superni 706 M for Liquid Hydrogen Turbine application;
 - Low activation Ferritic Martensitic Steel for Nuclear application
 - Borated Stainless Steel for Nuclear applications
 - Special Steel 400 for Nuclear application

13.0 ENERGY CONSERVATION

- 13.1 During the year under report, LPG consumptions are not as per expectations. Several initiatives were taken to bring improvements in specific Energy conservations particularly in the matter of LPG consumption. Among them include revamping and calibration of the furnaces wherever felt necessary, periodical maintenance of refractory and burner blocks, prompt repairs to re-heating furnaces and installation of flow meters, its measurement and monitoring, use of oxygen during melting, reduction of heat cycle time, compact charging, use of proper scrap mix etc.

The summary of consumption recorded during the year both for Electricity and LPG are as follows:

Sl No.	ITEM	Units	2009-'10	2008-'09
1	Total consumption of Electricity:	KWH	3.28 Lakhs	3.32 Lakhs
2	Total consumption of LPG	MT	3,863	3,201
3	Specific Consumptions -			
	- Electricity Per MT of Prod.:	KWH / MT (Prod.)	2,682	2,744
	- LPG per MT of Prod.	MT (LPG) / MT (Prod.)	0.32	0.26

14.0. MARKETING & BUSINESS DEVELOPMENT

- 14.1 MIDHANI has comfortable order book position of Rs. 738 Cr. as on 01.04.2010 enabling the Company to ensure optimized advance planning and cost effective production schedules. MIDHANI operates in an environment where timely deliveries, competitive price structure, meeting stringent specificational requirements are prime concerns.
- 14.2 In its endeavour to retain customer's confidence and to remain as 1st preferred supplier; the Company continued its efforts to remain competitive by widening its technical capabilities through in-house R&D efforts, creation of or adopting contemporary State-of-Art manufacturing facilities and technologies through various Modernisation & Upgradation programs and also by enlarging its out-sourcing base. Constant search on external resourcing facilities, by vertical or horizontal integration, would not only helps the Company directly but also indirectly to the Customers in overcoming the problems of temporary phase of resource constraints. This will have the effect of increasing production potential to ensure Customers timely deliveries. Product innovations, search for new materials and sources of supply, new process routes to aim at yield improvements are some of the thrust areas being pursued during the year under report to gain **"CUSTOMER DELIGHT"**

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**WE ACKNOWLEDGE WITH GRATITUDE
THE SUPPORT OF ALL OUR ESTEEMED CUSTOMERS
IN OUR ACHIEVEMENTS**



MISHRA DHATU NIGAM LIMITED

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- 14.3 The major contributions to Order Book during the year, came from Defence to the extent of 32%; 26% from Space; 24% from Atomic Energy and the balance 18% from other sectors. This indicates that the direct requirement from Strategic Sectors of our Country accounted for 82%.
- 14.4 As part of creating newer market niches and to update the knowledge in the areas of latest development of materials and processes; MIDHANI participated and presented technical papers of relevance in a number of National and International Seminars / Exhibitions.
- 14.5 To develop extensive association and interaction with Customers and their related organisations/agencies; MIDHANI attended various National/ International seminars and exhibitions, Trade Shows wherein various technical papers on the product range, technological competencies and contributions made in the area of metals and alloys, were presented. The prominent among them were: Latin America Aero & Defence Exhibition (LAAD) 2009 at Brazil during Apr. 2009; Bridex 2009 an International Exhibition held at Brunie Darussalam during Aug. '09; International Business Forum for Fusion & Fission Energy 09 (IFB-FE 09) at Japan during Sep. '09; The Annual International Conference - cum - Exhibition on Titanium Metal Industry 2009 at Hawaii USA during Sep.'09; International Conference on Peaceful Uses of Atomic Energy at New Delhi during Sep-Oct. '09; Second Indo French Nuclear Industry Business Meet at Mumbai during Oct. '09; National Aerospace Manufacturing Seminar (NAMS) 2009 at Tiruvananthapuram during Nov.'09; Metals Minerals Manufacturing Expo 2009 at Kolkata during Nov. '09; International Conference on Surface Modification Technologies (SMT 23) at Chennai during Nov. '09; India International Trade Fair (IITF) '10 (DEFEXPO) at New Delhi during Feb. '10.
- 14.6 In order to have close interaction with Customers in an amicable environment that facilitate face to face interactive session to understand their requirements both in the short and



Shri A.K. Antony, Hon'ble Raksha Mantri, Shri M.M. Pallam Raju, Hon'ble Raksha Rajya Mantri visited Midhani stall during DEFEXPO - '10 at New Delhi during Feb. 2010.

long run; an annual "Customer Meet" was held for the 6th time in succession in two sessions on 9th Oct. 2009 and 9th Feb. 2010, with a theme **"Partnering for National Growth for Strategic Sectors and Private Sectors"** at Hyderabad, wherein major customers have attended. The interaction resulted in better relationship with major Customers and turned out as a good forum for **'KNOWING YOUR CUSTOMER BETTER'**.



In pursuit of
Corporate Objective
of achieving
"CUSTOMER DELIGHT"

Customer Meets
were organised
on 09-10-2009 &
09-02-2010

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Shri Avinash Chandra, Director, ASL, DRDO, Shri K. Sree Kumar, Group Director, VSSC, Shri M. Narayana Rao, C&MD, Midhani seen Lighting the Lamp and addressing the audience during customer meets. Also seen Shri R.N. Jayaraj, Chief Executive, NFC seen Lighting the Lamp & Shri T.K. Mitra, Associate Director (Tech.) Bhavini addressing the gathering.

DIRECTORS' REPORT



14.7 Business Visits during the year under report were:

- ★ Shri Pallam Raju, Hon'ble Raksha Rajya Mantri, visited MIDHANI on 17th March, 2010 and inaugurated the "Technology Development Centre" for undertaking futuristic R&D activities.



Hon'ble Raksha Rajya Mantri Shri M. M Pallam Raju visited Midhani on 17th March, 2010. He inaugurated the 'Technology Development Centre' at Melt Shop III. The Hon'ble Minister reviewed Midhani's technological capabilities, achievement over the years, Modernisation and the financial performance.

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- ★ Padmavibhushan Dr. G. Madhavan Nair, ex-Chairman ISRO and Secretary, Dept. of Space visited MIDHANI on 30th Jul. '09 and inaugurated and dedicated for National Mission, the 6.5.T VIM furnace, a critical equipment for meeting strategic material requirements of our country.



Dr. G. Madhavan Nair, Chairman, Indian Space Research Organisation (ISRO) & Secretary, Department of Space (DoS) inaugurated the 6.5 T Vacuum Induction Melting (VIM) furnace at Midhani on 30th July, 2009. Also seen Dr. P.P. Sinha, Dy. Director, VSSC, Shri M. Narayana Rao, C&MD, Midhani, Shri Devasis Choudhary, Ex-C&MD, Midhani

- Dr. K. Radhakrishnan, Chairman, ISRO, visited on 19th Aug. 2009 and inaugurated & Commissioned the Conditioning Shop.



Dr. K. Radhakrishnan, Director, Vikram Sarabhai Space Centre(VSSC) inaugurated the Conditioning shop at Midhani on 19th August, 2009. Also Shri M. Narayana Rao, C&MD, Midhani, Dr. P.P. Sinha, Dy. Director, VSSC, Shri V.S. Verma, Director (Prod. & Mktg.) and Shri V.S. Krishna Murthy, Director (Finance) Midhani seen receiving the guest.

- Visit of Dr. Michael C. Ashton, Chief Executive and his team during Nov. '09, for discussion on transfer of technology and supply of Investment castings made of Titanium.
- Visit of Xstrata Nickel along with representative of MMTC during Nov. '09 for exploring the possibility of supply of Nickel as an alternate source.
- Visit of National Flow Forming Committee during Nov. '09 to discuss the future course of action in this area.

- Visit of a delegation headed by C&MD MIDHANI, to M/s VSMPO & ROSOBORONEXPORT, Russia, during June '09 regarding feasibility of setting up a Joint Venture for Titanium products.



Vice Admiral (Retd.) DSP Verma, Director General, Advanced Technology Vessel program(ATVP) visited Midhani on 22nd February, 2010 to review the supply status of ATVP orders.



Dr. M.K.G. Nair, Director LPSC/ISRO visited Midhani on 30.04.2010 and reviewed the supply position of their Orders. Shri M. Narayana Rao, C&MD, Midhani, and Shri V.S. Krishna Murthy, Director (Finance) Midhani accompanying the guest during plant visit.

15.0 QUALITY CONTROL & ASSURANCE

- 15.1 During the year under report, the audit of MIDHANI's Quality Management System ISO 9001-2000 was carried out by Bureau of Indian Standards and independent team of VSSC. It was declared that the systems were found adequate to comply with the audit and mandatory requirements.
- 15.2 Walter+BAI Universal Testing Machine was installed and commissioned during the year, in order to evaluate precisely the high-temperature (upto 1200C) tensile properties, with high levels of accuracy of the measured values, in respect of various alloys, most of them meant for use in Aero-space program. One Micro hardness tester was also installed, to facilitate measurement of hardness on thin sheets, foils & wires, where hardness cannot be measured using conventional equipment. This equipment also facilitates measurement of hardness of different phases present in the micro structure thereby helping in identification of phases and non metallic and exogenous inclusions.
- 15.3 MIDHANI utilises State-of-Art laboratory facilities for testing its Aeronautical Materials to meet the stringent standards being insisted by Customers.



- 15.4 With a view to strengthen the relationship and to build team spirit with premier inspection agencies associated with MIDHANI like OCRI, DGAQA; MIDHANI has allocated land to enable them to locate their functional offices within the factory area.



Shri P.K. Sethi, Director General, Aeronautical Quality Assurance, inaugurated Office Building for Regional Director (AQA) in MIDHANI premises on 20-03-2010.

16.0 HUMAN RESOURCE DEVELOPMENT

16.1 MAN POWER

Optimum Utilisation of Man Power in terms of its strength, expertise and skills has been the thrust area for MIDHANI during the year under report. Lack of optimum "average age mix" among employees, mass retirements in the coming years are the challenges before the Company under HR front. Fresh Management Trainees recruited in various disciplines in recent years are expected to fill these gaps. Continuous efforts are being made to enhance the capabilities, knowledge and skill base among employees to enable them to shoulder higher responsibilities. A tripartite agreement was signed with the Recognised Union on the Revised Career Development Plan to motivate the workmen.

DIRECTORS' REPORT



The total manpower strength under Permanent Category in the Company as on 31.03.2010 is as follows:

	Non-Executives	Non-Unionised Supervisors	Executives	Total
Male	748	154	236	1138
Female	27	7	19	53
Total	775	161	255	1191
Previous Year	837	143	249	1229

The above includes functional Directors and persons on deputation.
Statements showing the representation of SC/ST/OBC/PH and their recruitment etc., are given in [Appx:-I](#)

16.2 Particulars of Employees

The Company has no employee covered under Section 217 (2A) of the Companies Act, 1956 and the Rules made there under.

16.3 Industrial Relations

MIDHANI continues to aim at building a motivated, committed and satisfied work force and treats it as an important asset of the organisation to achieve its organizational goals. No man days were lost on account of labour unrest. The industrial relations were cordial and the required support from Associations, Unions of employees were received during the year under report.

16.4 Revision of Pay Scales

Pay Revision of employees both Board and Below Board level has been implemented w.e.f. 1.1.2007. Pay Revision, including perks and allowances, in respect of both Board and below Board level Executives including Non-Unionized Supervisors has been implemented as per approvals of competent authority in accordance with guidelines issued by DPE and the Presidential Directive received from Ministry of Defence, Govt. of India. Wage Revision with respect to unionised employees is under active consideration of Management. The Modus operandi for payment of "Performance Related Pay" envisaged

under pay revision is expected to take final shape during the current financial year.

- 16.4.1 Under the Presidential Directive received from Govt. of India, Ministry of Defence, Dept. of Defence Production, vide Lt. No. 27 (9)/2009 - D (EPC/MDN) dt. 27th April, 2009 (i.e. approving pay revision); MIDHANI has constituted a Remuneration Committee headed by an Independent Director to decide annual variable pay pool, policy for its distribution across the Executives and Non-Unionized Supervisors within the prescribed limits and has been given specific terms of reference on the subject.

16.5 TRAINING & DEVELOPMENT

The main challenge before MIDHANI is to face obsolescence of its human assets. Continuous up-gradation of skill and knowledge levels has been thrust area during the year under report and also in the current financial year. These are expected to be overcome with the help of strong HR recruitment, Training policies and initiatives. Emphasis was also given for the development of SC, ST, OBC class employees. Several structured training programs have been undertaken to focus on competency building across various levels in the organisation.



Shri M. Narayana Rao, C&MD, Midhani Inaugurated Workers Education Programme Unit Level Classes held in MIDHANI during 2nd to 19th Sep. 2009.

DIRECTORS' REPORT



Glimpses of Workers Education Programme Unit Level Classes organized in MIDHANI during 2nd to 19th Sep. 2009.

16.5.1 Special focus has been given in imparting or conducting various Training programs in addition to fulfilling its statutory obligations. MIDHANI has achieved "Excellent" rating under MoU criteria in the area of Training & Development of its Personnel. During the year under report MIDHANI officers have been encouraged to present a total of seven (7) papers in National and International seminars / conferences to promote managerial and technical competencies among them at conceptual levels. 339 employees (175 Executives and 164 Non-Executives) were sponsored to various training programs Seminars/ Symposiums and Work shops etc. Plant Visits and Conducting weekly lectures are some of the activities undertaken by T&D Dept, to promote theoretical and practical expertise in the area of their functioning.

17.0 STATUTORY & SOCIAL OBLIGATIONS

17.1 CONTRIBUTION TO EXCHEQUER

17.1.1 Your Company contributed an amount of Rs. 6,295 Lakh in the form of Duties, Sales Tax, Income Tax and Surcharge during

the year 2009-'10 as compared to Rs. 6,651 Lakh in the previous year.

17.2 EMPLOYEE WELFARE

17.2.1 MIDHANI maintains small township with canopy of greenery for the benefit of Employees. Facilities like provision of canteen, transport, medical facilities, Education and township at subsidised rates are being extended to all employees. Pollution free environment has been created in and around factory site. Concessional loans for procuring personal computers are being extended to employees with a view to create awareness among family members on computing skills. Monetary rewards for meritorious children of employees of SC/ST/OBC categories and to weaker sections in the Company run BPDAV School have been continued as a part of welfare measure. Conducting recreational and cultural programs are some of the efforts taken by Management for promoting employee welfare. Several sport and cultural events were sponsored for all round development of employees. Govt. Guidelines on small family norms are being implemented and eligible employees are encouraged to undergo family planning norms as a part of Government Policy.

17.3. EMPOWERMENT OF WOMEN

17.3.1 MIDHANI created an optimum safety environment at work place for women employees to perform their job with commitment and due dignity. All Govt. guidelines on, avoiding gender bias, introduction of safety & welfare measures both statutory and non-statutory are implemented in the Company. Effective grievance redressal mechanism has been put in place for solving their problems without delay. All these measures provide equal opportunity for women employees for discharging their activities at all work places in MIDHANI. Women employees, both executives and non-executives are nominated for in-house as well as external training programs. The strength of women employees is 53 as on 31.03.2010 as compared to 45 as on 31.3.2009.

DIRECTORS' REPORT



17.3.2 With a view to demonstrate tangible empowerment of women, MIDHANI took concrete steps, to set up a "Fastener manufacturing plant" exclusively to be run by women employees. The plant is expected to operationalise in the current financial year.

17.3.3 International Women's Day was organized in MIDHANI on 08th March, 2010.



International Women's day was celebrated on 8th March, 2010. Dr. (Mrs) B. Kinnera Murthy, Part time Non-official Director, Midhani & Prof. ASCI, seen addressing the gathering.

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17.4 IMPLEMENTATION OF RTI ACT 2005

17.4.1 MIDHANI comes under definition of "Public Authority" as per the RTI Act and the rules made there under and continues to discharge its role and responsibilities. The provisions relating to Right to Information Act, 2005, have been implemented in the Company. During the year the following authority has been nominated under RTI Act.

Shri V.S. Verma. Director (Production & Marketing)

17.4.2 In order to enable citizens to have access to information, the news relating to functioning of the Company and its programs,

plans & developments were put on Company's Web site in addition to the statutory modes prescribed under the RTI Act, 2005.

17.5 RAJBHASHA IMPLEMENTATION

17.5.1 Your Company continued its efforts for the progressive use of Hindi in Official work and comply with the Official Language Act 1963, Official Language Rules 1973 and orders issued by Government of India from time to time. Official Language Implementation Committee functioning at MIDHANI regularly review the progress of implementation of the Official Language Policies and the activities related to its implementation. During the year under report 3 (three) Hindi Awareness Workshops were conducted for about 40 employees.

17.5.2 During the year under review, programs such as "HINDI DIVAS" celebrations, release of 7th Edition of Techno Commercial Hindi House Magazine "SANKALP", competitions and work shops, were organized across various departments of the organization to popularize the use of Hindi in all official communications.

17.6 ENCOURAGEMENT TO SMALL SCALE/ANCILLARY INDUSTRIES.

Presently the Company has no Ancillaries. However, MIDHANI continues to encourage and develop SSI units along with Medium and Large scale units by regularly sourcing various products and other services from them. Value of items procured from Small scale sector was Rs.356.11 lakhs from 49 units as compared to Rs. 468.91 lakhs from 17 units.

17.7 CORPORATE SOCIAL RESPONSIBILITY:

17.7.1 MIDHANI took note of its role and function as a good corporate citizen towards development of area and society in which it operates. MIDHANI made modest beginning by taking various initiatives towards the activity. It took steps to protect the

environment in and around its factory area through formulation of long range plan to promote greenery to prevent water, air pollution. The 10 principles of "GLOBAL COMPACT" have been given due recognition and implementation in the Company during the year under report.

17.7.2 The Guidelines issued by Dept. of Public Enterprises during April, 2010, on effective implementation of Corporate Social Responsibility by Public Sector Enterprises have been taken as thrust area during the current financial year. The guidelines envisages commitment on the part of PSUs to operate and develop in an economically, socially and environmentally sustainable manner while recognizing the interest of its stakeholders. MIDHANI has been suggested to hold a corpus fund of 3 to 5% of net profit towards these activities. During the current Financial year, proactive steps like meticulous documentation towards CSR approaches, policies, programs, expenditure, procurement etc., will be prepared with the approval of competent agencies.

17.7.3 MIDHANI employees donated around Rs. 10.5 lakhs to Chief Minister's Relief Fund extending their support to victims of recent floods in Andhra Pradesh.



Shri M Narayana Rao, Chairman & Managing Director, Midhani seen presenting a Cheque to Shri K. Rosaiah, Hon'ble Chief Minister, Andhr Pradesh, for a sum of around Rs. 10.50 Lakhs towards contribution to Chief Minister Relief Fund as a part of Midhani's commitment to Corporate Social Responsibility. Also seen Shri V.S. Krishna Murthy, Director (Finance), representatives of Workers Union, Officers' & Executives' Associations.

17.8 ENVIRONMENT MANAGEMENT

17.8.1 MIDHANI has continued its efforts to give due importance for maintaining a thick canopy of greenery in and around its factory area through extensive plantation work. Special emphasis was made towards waste water management by digging ponds and growing shrubs to contain water and air pollution.



18.0 VIGILANCE

- 18.1 During the year, effective measures were taken to improve vigilance administration in the Company. Carrying out preventive vigilance, rendering suggestions for system improvements, surprise/routine checks, physical attendance and close monitoring of vigilance personnel during the entire process of scrap disposal are some of the effective steps undertaken during the year under report.
- 18.2 MIDHANI took part in the activities of Vigilance Study Circle, a voluntary organization of vigilance professionals based at Hyderabad and won "cash prize" and award of "best service" in vigilance department. Vigilance Awareness Week was observed, as per the directions of CVC, by organizing talks by eminent professionals, who rendered their valuable expertise and knowledge on various issues of practical importance, which benefited Midhani employees in applying them in the day to day

functioning. Interactive sessions were held by vigilance officers at the shop-floor level, resulting in finding out answers and solutions to the problems faced by them in observance of various procurement procedures and in interpreting relevant clauses of Purchase Policy and CVC guidelines. Management has been constantly seeking the expert advice of CVO, on various contractual issues involved in procuring high value of equipments from abroad.

- 18.3 During the year, with active persuasion of Vigilance Department, the CVC has finalised the issue of appointment of Independent External Monitors (IEMs) to oversee the procurement cases.



Midhani observed the Vigilance Awareness Week from 3rd to 7th November, 2009. Shri M Narayana Rao, C&MD, Midhani, Shri P Ravi, IPS, Chief Vigilance Officer, Ms. Anjana Sinha, Inspector General of Police, APSPF graced the occasion.

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19.0 GENERAL EXEMPTION FROM DISCLOSURES

- 19.1 Government of India, has exempted the Company from compliance of the provisions of Section 211(4) and 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, from disclosure of quantitative information on goods manufactured in the Profit & Loss Account and from exhibition of information in respect of Conservation of Energy / Technology Absorption / Foreign Exchange earnings and outgo etc., in the Directors' Report.

20.0 FOREIGN TRAVEL

- 20.1 An amount of Rs. 65.55 Lakh was spent towards foreign travel (previous year Rs. 23.04 Lakh) undertaken by the Directors and employees of the Company for technology development and market/ business development/ pre-inspection of Materials/ Equipments.

21.0 ENTERTAINMENT EXPENDITURE

- 21.1 An amount of Rs.0.55 Lakh was spent during the year towards entertainment expenditure(previous year Rs.0.52 Lakh) which represents 0.001 % of the sales turnover.

22.0 CORPORATE GOVERNANCE

- 22.1 MIDHANI has implemented the guidelines issued by Govt. of India, vide DPE OM No. 18 (8)/2005-GM dt. 22.06.2007. At present MIDHANI is poised to take a big leap in its technological capabilities and setting up new & advanced critical facilities in its production spheres. After stabilization of its modernization & expansion programs, the aspects like assessment and Management of business risks, will take a final shape.
- 22.2 The basic principles and philosophy of Corporate Governance has been followed in letter and spirit in every aspect of Company's decision making in tune with the contemporary demand for good Corporate Governance. The Company has laid down Code of Business Conduct & Ethics for all Board Members and Senior Management, the adherence of which is being confirmed by respective members on an annual basis in a prescribed format. A certificate to this effect from Chief Executive is made a part of this report. A detailed report on Corporate Governance is enclosed to this report. **[Appx -II]** MIDHANI's policies and practices were certified to be in conformity with Corporate Governance guidelines issued by DPE and a certificate to this extent from CEO of the organisation is enclosed as **Annexure - VI** to the said Report. A Report on the Management Discussion & Analysis is enclosed with this report.

23.0 BOARD OF DIRECTORS

- 23.1 During the year 2009-'10 and till the date of this report, the following changes have taken place in the composition of Board of Directors of MIDHANI:



Shri M Narayana Rao, C&MD, Midhani seen presenting a Memento to Shri S.N. Misra, Joint Secy. Aerospace on the eve of cessation of his term as Part Time Official Director on the Board of Midhani.



Shri M Narayana Rao, C&MD, Midhani seen welcoming Shri Gyanesh Kumar, Joint Secy. Naval Systems on the Board of Midhani as Part Time Official Director.

- (A) Presidential Sanctions have been conveyed to MIDHANI for:
- the appointment of Shri Gyanesh Kumar, Joint Secretary (Naval Systems) Part-time Official Director on the Board of MIDHANI w.e.f 28.01.2010 vice Shri S.N. Misra, Joint Secretary, Aerospace
 - the appointment of Dr. G. Malakondaiah, (Sc 'H') Director, DMRL, Hyderabad as Part-time Official Director on the Board of MIDHANI w.e.f 14.07.2010 vice Dr. Dipankar Banerjee, Ex-DS & CCR&D (AMS) DRDO.



Shri S.N. Misra, Joint Secretary, Aerospace, seen presenting a Boquet on behalf of the Board of Midhani to Dr. Dipankar Banerjee, DS & CCR&D (AMS) DRDO, on the eve of cessation of his term as Part Time Official Director on the Board of Midhani.

- (B) Orders of Ministry of Defence, Dept. of Def. Prodn was also conveyed to MIDHANI for:
- the appointment of Smt. Anuradha Mitra, Addl.FA (AM) &JS as "Permanent Special Invitee" on the Board w.e.f 22.09.2009 vice Shri Dilip Biswas.
 - the appointment of Shri P.K. Mishra, Addl.FA (M) &JS as "Permanent Special Invitee" on the Board w.e.f 12.11.2009 vice Smt. Anuradha Mitra.

DIRECTORS' REPORT



Shri M Narayana Rao, C&MD, Midhani seen welcoming Shri P.K. Mishra, Addl. FA (M) & Joint Secy. Ministry of Defence (Finance) as Permanent Special Invitee on the Board of Midhani.

- 23.2 During the year under report, the term of office of Dr. Kota Harinarayana, Part-time Non-Official Director on the Board of MIDHANI, has expired and he ceased to be Director w.e.f. 14.09.2009.
- 23.3 The bio-data of new Director and Special invitee appointed during the year 2009-'10 will be made part of this report.

24.0 DIRECTORS' RESPONSIBILITY STATEMENT

- 24.1 Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is confirmed:
- that in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable Accounting Standards have been followed along with proper explanations on the material departure, if any;
 - that the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that were 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 i.e. 31st March, 2010 and of the Profit or Loss of the Company for the year ending on that date;

- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the Directors have prepared the accounts for the financial year ended on 31st March, 2010 on a 'going concern' basis.

25.0 AUDITORS & AUDITORS' REPORT

- 25.1 C&AG of India has appointed M/s Satyam & Veerabhadra, Chartered Accountants, Hyderabad, as Statutory Auditors for conducting Statutory audit of accounts of the Company for the year ended 31st March, 2010.
- 25.2 With reference to observations of Statutory Auditors in para 4(d)&(f) of the Auditors' Report, attention is invited to Note No. 21, 4(ii) and 6 respectively of Schedule-20 forming part of Accounts which are self explanatory.

26.0 COMMENTS OF COMPTROLLER & AUDITOR GENERAL OF INDIA

The comments on the Accounts by the Comptroller & Auditor General of India for the year ended 31st March, 2010 are placed in this report after the report of Statutory Auditors.

27.0 ACKNOWLEDGEMENT

- 27.1 The Board places on record its sincere gratitude for the constructive support, cooperation and guidance received from Ministry of Defence, particularly from Dept. of Defence Production and various agencies of Central and State Govts.

DIRECTORS' REPORT



- 27.2 The Board extends its sincere thanks to its Customers, vendors, Bankers, Auditors, Advisers, Consultants etc., for their continued support during the year.
- 27.3 The Board places on record its appreciation for the hard work, co-operation and special contributions made by employees at all levels which enabled the Company to sustain its growth path.
- 27.4 The Board also places on record its appreciation for one and all who have contributed to the Company to achieve yet another year of "Excellent Performance" by optimally and effectively using the available resources and the Board look forward to their continued support in future.

For and on behalf of the Board of Directors

A handwritten signature in purple ink, appearing to read "M. Narayana Rao".

(M. NARAYANA RAO)

CHAIRMAN & MANAGING DIRECTOR

Place: Hyderabad,

Date: 30.07. 2010.

ANNUAL REPORT 2009-2010

Appendix -I

REPRESENTATIONS OF SCs, STs, OBCs, PwD & Ex-Sn AS ON 31.03.2010

Payscale & Group	Total No of Employees	Strength of Employees				
		SC	ST	OBC	PwD	Ex-Ser.men
EXECUTIVES						
Group 'A' (Rs.16,400- Rs. 40,500 & above)	240	31	7	45	2	1
Group 'B'	5	-	-	3	-	-
Rs. 12,600 - Rs.32,500 (Gr-I)						
Rs. 12,250 - Rs. 31,600 (E-0)						
(Non Unionised Supervisory Cadre)	162	13	1	42	-	5
NON-EXECUTIVES						
Group 'C'	714	125	38	325	18	28
From Rs.3,200 - 6,235						
To Rs.6,100 - 10,560						
Group 'D'	69	14	5	27	1	
From Rs.2,300 - 3,600						
To Rs.3,000 - 5,750						

RECRUITMENT OF SCs, STs DURING THE YEAR 2009

Payscale & Group	Total Recruited in the Year	No. of Posts Reserved		No. of Candidates	
		SC	ST	SC	ST
EXECUTIVES					
Group 'A' (Rs.16,400- Rs. 40,500 & above)	24	3	1	3	1
Group 'B'	-	-	-	-	-
Rs. 12,600 - Rs.32,500 (Gr-I)					
Rs. 12,250 - Rs. 31,600 (E-0)					
(Non Unionised Supervisory Cadre)					
NON-EXECUTIVES					
Group 'C'	1	-	-	-	-
From Rs.3,200 - 6,235					
To Rs.6,100 - 10,560					
Group 'D'	2	-	-	-	-
From Rs.2,300 - 3,600					
To Rs.3,000 - 5,750					

REPORT ON CORPORATE GOVERNANCE

[AS ON DATE OF THIS REPORT]

1.0 COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

- 1.1 MISHRA DHATU NIGAM LIMITED (MIDHANI) believes that its business role needs to be performed by observing the fundamental principles of Corporate Governance like honesty, integrity, accountability, adequate disclosures, legal compliances, decision making without conflict of interest. It also strives to carry out its business obligations with good Corporate Values duly discharging its responsibilities towards society as a Corporate Citizen. The Company has also taken up the onerous responsibility of achieving the Company's mission and objectives by duly maintaining highest standards of ethics in all spheres of its business activities. The senior Management and the Directors of the Company are committed and accountable to adhere to all the principles and provisions of Code of Business Conduct and Ethics and to this extent agree to submit a confirmatory report on annual basis indicating that they have complied with and has not violated any of the provisions of the Code.

2.0 BOARD OF DIRECTORS

2.1 Composition & Details of the Board Members

The strength of the Board of MIDHANI shall not be less than 2 and not more than 15 under the provisions of Articles of Association of the Company as amended from time to time. The Directors shall not be required to hold any qualification shares.

During the year under report, the composition of the Board is in accordance with guidelines issued by Dept. of Public Enterprises (DPE) and the provisions of Companies Act 1956. As on the date of this report, the Board of MIDHANI consisted of SEVEN (7) Directors including Chairman & Managing Director. In addition to this, ONE (1) Permanent Special Invitee was nominated on the Board by Ministry of Defence thereby taking the Board's composition

as under.

- (a) Functional/Whole time Directors : 3 (Three)**
- i) Shri. M. Narayana Rao, [From: 27.07.2006]
Chairman & Managing Director
 - ii) Shri V.S. Krishna Murthy, [From: 18.07.2008]
Director (Finance)
 - iii) Shri. V.S. Verma [From: 01.04.2009]
Director (Prodn. & Mktg.)
- (b) Part-time Official/Government Directors : 2 (Two)**
- i) Shri Gyanesh Kumar [From: 28.01.2010]
Joint Secretary (Naval Systems),
Dept. of Def. Production
Ministry of Defence
 - ii) Shri S.N. Misra [Upto: 28.01.2010]
Joint Secretary (Aerospace),
Dept. of Def. Production
Ministry of Defence
 - iii) Dr. G. Malakondaiah [From: 14.07.2010]
Distinguished Scientist
Director, DMRL, DRDO
Ministry of Defence
 - iv) Dr. Dipankar Banerjee [Upto: 01.03.2010]
Distinguished Scientist
and Chief Controller
R&D (AMS) , DRDO,
Ministry of Defence

- (c) **Part-time Non-Official Directors :** **2 (Two)**
- ❖ Prof. R.K. Mishra [From 01.11.2007]
Director, Institute of Public
Enterprises, Osmania
University, Hyderabad
- ❖ Dr. (Mrs.) B. Kinnera Murthy [From 01.11.2007]
Prof. & Chair Person Strategic
Management Area,
Administrative Staff
College of India, Hyderabad.
- ❖ Dr. Kota Harinarayana [Upto: 13.09.2009]
- (d) **Permanent Special Invitee to Board :** **1 (One)**
- ❖ Shri P.K. Mishra [From : 12.11.2009]
Addl. FA & Jt. Secy.
Ministry of Defence (Fin.)
New Delhi
- ❖ Smt. Anuradha Mitra [Upto : 12.11.2009]
Addl. FA & Jt. Secy.
Ministry of Defence (Fin.)
New Delhi

2.2 The existing Articles of Association of the Company provides for appointment of all Directors by the President of India. During the year under report two Presidential orders and one Ministerial Order as indicated below were received conveying the appointment of a Director and a Special Invitee on the Board of MIDHANI. The Directors appointed were persons of eminence in respective fields of their activity. The details of such orders and the required information about the new Directors is given below:

2.3 Details of Presidential Orders and Orders from MoD received are as under:

- i) Presidential sanction conveyed by Govt. of India, Ministry of Defence, Dept. of Defence Production vide letter No. 38(1)/2007-D(EPC)/MDN dt. 28th Jan, 2010 appointing Shri Gyanesh Kumar, Joint Secretary (Naval Systems) as Part-time Official Director w.e.f 28th Jan, 2010.
- ii) Presidential sanction conveyed by Govt. of India, Ministry of Defence, Dept. of Defence Production vide letter No. 38(1)/2007-D(EPC)/MDN dt. 14th July, 2010 appointing Dr.G. Malakondaiah, Director, DMRL as Part-time Official Director w.e.f 14th July, 2010.
- iii) Govt. of India, Ministry of Defence, Dept. of Defence Production letter No. 20(8)/2009/D(EPC) / MDN dt. 12th Nov. 2009 conveying the approval of appointment of Shri P. K. Mishra , Addl. FA(M) & JS as "Permanent Special Invitee" on the Board of MIDHANI w.e.f. 12th Nov. 2009.

2.4 The Bio-data of Shri Gyanesh Kumar, Joint Secretary (NS), Shri P. K. Mishra Addl. FA (M) & JS and Dr. G. Malakondaiah, Director, DMRL is given in Annx: -I.

3.0 MEETINGS OF THE BOARD AND ATTENDANCE THEREOF

3.1 The Board met, seven (7) times during the year under report as compared to statutory minimum requirement of four (4) meetings per year.

3.2 The dates of the Meetings and the attendance of the Directors thereof is given in Annx: II

3.3 As per guidelines of DPE, the Company has nominated Prof. R.K. Mishra, Chairman and Dr. (Mrs) B. Kinnera Murthy, Member, of the Audit Committee for the purpose of according prior approval to related party transactions under Accounting Standard-18. The Revision of Pay scales and Perks & allowances to functional Directors has been approved by Audit Committee before the same is submitted to Board for approval.

- 3.4 All Board Members had disclosed to Board about the personnel and official interests, held by them in any proprietary, partnership or Company, whether singly or together with their relatives not only at the time of their appointment on the Board but also renew such disclosures every year in the manner prescribed under Sections 297, 299 and other applicable provisions of the Companies Act, 1956. Such disclosures made in the meeting of the Board (other than 'nil') are furnished hereunder:

SL. NO.	NAME OF THE DIRECTOR	BODIES CORPORATE IN WHICH THE DIRECTOR IS INTERESTED	NATURE OF INTEREST
1	Shri Gyanesh Kumar	1) M/s. Mazagon Docks Ltd. Mumbai 2) M/s Garden Reach Ship-Builders & Engineers Ltd. Kolkata 3) M/s Hindustan Shipyard Ltd. Vizag.	Part-time Official Director -cb- -cb-
2	Shri R.K. Mishra	1) Canopus Shipping & Trading (P) Ltd, Bombay. 2) Fertilisers & Travancore Chemicals Limited, Kerala	Nominee Director -cb-
3	Dr. (Mrs.) B.Kinnera Murthy	State Trading Corporation, New Dehli	Independent Director.

- 3.5 2(two) resolutions were passed through circulation amongst Directors, one regarding constitution of Board level Committee to fill the posts of GM & AGM during the year under report, and another regarding grant of annual adoption of uniform date for including non-unionised supervisory cadre.

4.0 ANNUAL GENERAL MEETINGS :

- a) All the Annual General Meetings of the Company were held at the Registered Office of the Company. The details of such meetings for the last 3 years is as under

No. of AGM	Financial Year	Date of the Meeting	Date of the Meeting	Venue of the Meeting
33	2006-'07	28.09.'07	1230 Hours	M/s. Mishra Dhatu
34	2007-'08	26.09.'08	1200 Hours	Nigam Ltd. Regd. Office,
35	2008-'09	25.09.'09	1000 Hours	P.O. Kanchan Bagh, Hyderabad-500 058.

b) During the year under report and previous 3 financial years, the following Special Resolutions were passed amending the provisions of Memorandum and Articles of Association of the company:

- To amend the Articles of Association in the matter of empowering the Board of Directors of the Company to create a post of Chief General Manager at below Board level in the Company in Grade -IX. The Special resolution was passed in the AGM held on 28.09.2007
- To amend Memorandum & Articles of Association for the purpose of increasing the Authorised Share Capital of the Company from the then limit of Rs. 140 Crores to Rs. 200 Cr. The Special and Ordinary resolutions were passed in the EGM held on 30.01.2009.
- To amend Articles of Association for enabling the Board of Directors of the Company to exercise the enhanced powers conferred for Mini-Ratna Category-I PSUs. The Special resolution was passed in the EGM held on 28.10.2009

4.1 The Company has not passed any Resolution through "Postal Ballet"

5.0 MEETING OF THE BOARD'S COMMITTEES

5.1. MIDHANI has two Committees of the Board functioning as on the date of the report

- a) Audit Committee constituted under the Administrative Guidelines from Ministry of Defence, functioning since the year 2001.
- b) Committee of the Board to authorize procurement of materials beyond the delegated powers to Chairman & Managing Director.

- ø Remuneration Committee to lay down norms for Performance related Pay (PRP) as envisaged in the guidelines issued by DPE revising the Pay scales of Executives both Board and below Board level.

6.0 AUDIT COMMITTEE

6.1 The constitution of the Audit Committee during the year under report is furnished hereunder :

Sl. No.	Name of the Director	Status	Date of Appointment or change in the Committee
1	Prof.R.K. Mishra, Part-time Non Official Independent Director	Chairman	01.01.2008
2	Dr. (Mrs.) B. Kinnera Murthy Part-time-Non-Official Independent Director	Member	01.01.2008
3	Shri. V.S. Verma Functional Director, (Prodn.&Mktg.)	Member	01.04.2009
4	Dr. K. Harinarayana, Part-time Non Official Independent Director	Member	[Upto: 13.09.2009]
5	Rep.of Statutory Auditor	As Permanent Invitee	
6	Director (Finance)	-do-	
7	Rep. of External Chartered Accountant firms doing Internal Audit work	On Invitation	

The Company Secretary acts as Secretary of the Committee.

- 6.2 The terms of reference have continuously been upgraded and professionalised over the period. A copy of the terms of reference approved by Board and entrusted to Audit Committee as on date is enclosed. [Annx: V]
- 6.2.1 There were Five (5) meetings of the Audit Committee during the year under report. The dates on which such Meetings were held and the attendance of Directors/Members thereof is furnished in [Annx: II]

6.3 PROCUREMENT COMMITTEE OF THE BOARD

During the year under report the Company had **Two** Committees functioning apart from Audit Committee namely,

- Ø Procurement Committee constituted on 22.01.2008;
 - (ii) Remuneration Committee to lay down norms for Performance related Pay as envisaged in the guidelines issued by DPE revising the Pay scales of Executives both Board and below Board level.
- 6.3.1 The Committee was First Constituted on 22-1-2008. The present Constitution of the Procurement Committee as on date of this report is as follows :
- Ø C&MD of the Company : Chairman
 - (i) Whole time Directors of the company : Members
[Both Director (Finance) & Director (Prod. & Mktg.)]
 - (iii) Two independent Directors on : Members
the Board locally available.

The nomination of functional directors on the committee was on ex-Officio basis. The quorum of the Committee shall be minimum of three (3) members personally present and one of whom shall be a part-time non-official Director.

- 6.3.2 There were nine (9) meetings of the Procurement Committee during the year under report. The dates on which such Meetings were held and the attendance of Directors/Members thereof is furnished in [Annx: II]

6.4 REMUNERATION COMMITTEE

6.4.1 The Committee was Constituted on 28-04-2009. The purpose and the terms of reference to the Committee is as under:

- a) The Committee shall consider all relevant issues contained in DPE OM dt. 26.11.2008 relating to Variable Pay or Performance Related Pay.
- b) To develop a robust and transparent Performance Management System, adopting a "Bell Curve Approach" in grading the officers so that not more than 10% to 15% executives are "Outstanding/Excellent". Similarly 10% of Executives should be graded as "Below Par"
- c) To suggest a scheme for the years 2007-'08, 2008-'09 and 2009-'10. for fixing the admissibility, quantum, procedure for Determination and laying down broad policy for distribution relating to Variable pay / Performance related pay, in accordance with the provisions contained in DPE OM dt. 26.11.2008, subject to the conditions contained under paras (i) (a) & (b) there under.
- d) The suggested scheme shall be made flexible to modify or revise it for the year 2010-'11 and on wards, keeping the past experience / hardships and affordability in view.
- e) The Committee was to complete its exercise latest by 15th May, 2009 and submit its recommendations to Chairman & Managing Director which will be placed before the Board of Directors for approval at its next Meeting.
- f) The Committee can frame its own guidelines for conducting its meetings.

6.4.2 The Composition of the Committee is as under

- | | | |
|---|--|--------------------|
| 1 | Prof. R.K. Mishra,
Part-time Non Official Director | : Chairman |
| 2 | Dr. (Mrs.) B. Kinnera Murthy,
Part-time Non Official Director | : Member |
| 3 | Shri N.V. Ram Anand,
General Manager (HR) | : Member Secretary |
| 4 | Shri B.G. Raj,
General Manager (Coml) | : Member |
| 5 | Shri P.P. Reddy,
Addl. Genl. Mgr. (PPC) | : Member |

The Committee has met on several occasions and submitted its report. The said report is under examination of Top Management.

- 6.5 The Chairman of the Audit Committee or another Independent Part-time Non-Official Independent Director who is a member of the Audit Committee, have been designated as person(s) responsible for according prior approval for related party transactions (AS-18) as contemplated under DPE guidelines.

6.6 Corporate Management Committee Meetings

- 6.6.1 The Committee normally meets twice a month. During the year under report, the Committee met on 20 times.
- 6.6.2 The Constitution of the Committee consists of all senior level functionaries of the Company mostly Addl. General Manger and above levels. All the proceedings of the Committee are minuted and the decisions taken thereat are constantly reviewed in the form of "Action Taken Report"
- 6.6.3 This Committee continues to play an important role in resolving inter/intra departmental delays or bottlenecks and strives to achieve free flow of work at various levels in the organisation.

7.0 CODE OF CONDUCT FOR DIRECTORS AND SENIOR EXECUTIVES

- 7.1 The Code of Conduct and business ethics as suggested by DPE in its guidelines relating to Corporate Governance has been adopted by the Company in respect of its Directors and Senior Level Executives.
- 7.2 The Code has also been posted on the company's web-site. The Directors and the Senior Executives have given declarations affirming the compliance with the code of conduct during the year under report.
- 7.3 A Certificate on such Compliance issued by Chief Executive of the Company has been made a part of this report.

8.0 DISCLOSURES

- i During the year there were no transactions of material and significant nature with the Shareholders, Directors or Senior Management personnel or their relatives that had potential conflict with the interest of the Company at large and attracting the provisions of Section 297 of the Companies Act, 1956, except salaries, fees, perquisites allowed as per extant rules of the Company.
- ii Disclosure of related party transactions as per Accounting Standard - 18, issued by the Institute of Chartered Accountants of India, is given in note nos 14.1 & 14.2 of Schedule 20 i.e. the notes forming part of Annual Accounts for '09-'10. All the transactions covered under related party transactions were fair, transparent and at arms' length and were pre-approved by competent authority nominated for this purpose.
- iii No penalties and strictures were imposed on the Company by any Statutory Authority on any matter related to any guidelines issued by Government during last 3 years.
- iv A formal whistleblower policy is yet to be brought into operation. However, during the year under report no personnel has been

denied access to the Members of the Audit Committee or its Chairman.

- v One (1) Presidential Directive has been received by the Company during the year under report in respect of Revision of Pay Scales of both Board and Below Board Levels w.e.f. 01.01.2007. The Presidential Directive has been implemented except with regard to Performance Related Pay, which will be implemented when once common modus operandi emerges among Defence PSUs.
- vi There were no items of expenditure included in the Financial Statements which are personnel in nature to any Member of the Board or Senior Management of the company except as permitted by the extant rules in force in the Company.
- vii There were no items of expenditure included in the Financial Statements which are incurred not for purposes of the business.
- viii The Administrative and Office Expenses as a percentage of total expenses was 1.90 % as compared to 1.65% in the previous year and such percentage in respect of financial expenses was 0.49% when compared to 0.06 % in the previous year.

9.0 COMMUNICATION

- 9.1 The means of communication is friendly between the company and its Shareholders, Directors, Customers, Suppliers, other Associates and Stakeholders.
- 9.2 A factual report on the compliance of Corporate Governance Guidelines is being regularly furnished to the Administrative Ministry on quarterly basis.
- 9.3 A compliance report by CEO of the Company regarding compliance of the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007 issued by Dept of Pubic Enterprises has been made part of this Report.

10.0 MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A separate report is enclosed at Annx: III

ANNEX -I

Shri Gyanesh Kumar, Joint Secretary (Naval Systems), MoD

Shri Gyanesh Kumar, aged 46 years, belongs to 1988 Batch of Indian Administrative Service (Kerala Cadre). He is an Engineering Graduate in Civil discipline from IIT, Kanpur. He also holds Diploma in Business Finance from ICFAI, Hyderabad and also studied Environmental Economics from HIDD Workshop, Harvard University, USA. He is presently holding the post of Joint Secretary (Naval Systems) an important post in the Department of Defence Production, Ministry of Defence, Govt. of India. He had wide experience in administration, finance and other disciplines and held various prestigious positions like Assistant Collector/Sub-Collector, Ador, Kerala; Managing Director of the Kerala SC/ST Corporation; Commissioner, Corporation of Cochin, Kerala; Private Secretary to MOS (Non-Conventional Energy Sources), Govt. of India; Under Secretary (International Cooperation), Ministry of Tourism, Govt. of India; Private Secretary to Cabinet Minister for Tourism & Parliamentary Affairs Govt. of India; Commissioner (Housing) Delhi Development Authority, Govt. of India; Managing Director of the Kerala State Cooperative Bank; Director of Industries & Commerce, Kerala; District Collector, Ernakulam District, Kerala; Secretary, Finance (Resources) Kerala; Secretary, Public Works Department, Kerala; Commissioner, Guruvayoor Dewasom Board, Kerala; Secretary, Modernising Govt. Program, Kerala; Secretary (Food & Civil Supplies & Consumer Affairs); Secretary (Animal Husbandry & Dairy Development) & Managing Director (Trivandrum Airport Dev. Society) Kerala.

Shri P.K. Mishra, Addl.FA(M) &JS, MoD

Shri P.K.Mishra belongs to 1984 batch of the IA &AS. Shri Mishra has wide international experience and was member of several Missions to appraise the working of UN agencies on behalf of the UN Board of Auditors. He served as the Special Secretary to the Government of Orissa in the Department of Energy and was intimately associated with the Power Sector reforms in Orissa. Shri Mishra also served as Special Secretary to the Government of Orissa in the Finance Department and was

associated with the introduction of VAT in the State. He worked as Accountant General, Orissa and as Accountant General, Delhi. He was posted as Principal Director looking after the Audit of Public Sector Undertakings in the Office of CAG of India prior to his appointment as JS & Additional Financial Adviser in the Ministry of Defence.

Dr. G. Malakondaiah, Director, DMRL

Dr. Malakondaiah obtained his Ph.D. degree in Metallurgical Engineering from Banaras Hindu University (BHU) in the year 1980. He served on the Metallurgy faculty of BHU for two years as lecturer (1980-82) prior to his joining Defence Metallurgical Research Laboratory (DMRL) in October, 1982. He carried out post-doctoral research on advanced titanium aluminides for two years (1992-1994) at Wright-Patterson Air Force Base, Ohio, USA as NRC Senior Research Fellow. At DMRL, he rose to the position of Sc. 'G' in July, 2001 and assumed the responsibilities of Director on June 1, 2007. He has subsequently been elevated to the position of Sc. 'H' in July, 2009 and Distinguished Scientist in July, 2010. His research work has been broadly in the area of advanced mechanical metallurgy, with special emphasis on structure-mechanical property correlations in metals and alloys and development of specialty steels. A comprehensive research programme undertaken by him at DMRL has led to the development of a new ultra-high strength, high toughness low-alloy steel, designated as DMR-1700, with strength-toughness combination quite comparable to 250 grade steel. Under his leadership, technology for indigenous production of AB-class naval steels has successfully been established. In recognition of these outstanding contributions, he was awarded Scientist of the Year (2000) and Agni Award for Excellence in Self-Reliance (2005) by DRDO. He has also received National Metallurgists' Day award (1992), SAIL Gold Medal (1997) and MRSI Gold Medal (1998). Currently working towards DMRL becoming a nodal agency to meet the challenging materials requirements of HSTDV programme. He has more than 100 technical papers to his credit. Under his guidance FIVE Doctoral degrees have been awarded. He is a Fellow of Andhra Pradesh Akademi of Sciences and Indian National Academy of Engineering.

ANNEX -II

**DETAILS OF THE MEETINGS HELD DURING THE YEAR AND
THE ATTENDANCE OF THE DIRECTORS THEREOF**

Sl. No.	NAME & DESCRIPTION OF DIRECTOR S/SHRI	BOARD		AUDIT COMMITTEE	
		NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED	NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED
1	M. NARAYANA RAO	7	7	N A	N A
2	GYANESH KUMAR	3	2	N A	N A
3	S.N. MISRA	4	4	N A	N A
4	DR. DIPANKAR BANERJEE	6	3	N A	N A
5	PROF. R.K. MISHRA	7	7	5	5
6	DR. (MRS.) B.KINNERA MURTHY	7	7	5	5
7	V. S. KRISHNA MURTHY	7	7	5	5
8	V.S. VERMA	7	6	5	5
9	DR. KOTA HARINARAYANA	2	0	2	0
PERMANENT SPECIAL INVITEE:					
10.	P. K. MISHRA	4	3	N A	N A
11.	SMT. ANURADHA MITRA	1	0	N A	N A
12.	DILIP BISWAS	2	2	N A	N A
13.	STATUTORY AUDITORS	1	1	5	3

Leave for absences from the Directors were recorded at every Meeting in case of their inability to attend due to unavoidable reasons

Sl. No.	NAME & DESCRIPTION OF DIRECTOR S/SHRI	COMMITTEE OF BOARD		GENERAL MEETINGS*	
		NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED	NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED
1	M . NARAYANA RAO	9	9	2	2
2	GYANESH KUMAR	N A	N A	N A	N A
3	S.N. MISRA	1	1	2	1
4	DR. DIPANKAR BANERJEE	N A	N A	2	0
5	PROF. R.K. MISHRA	10	10	2	2
6	DR. (MRS.) B.KINNERA MURTHY	10	10	2	1
7	V. S. KRISHNA MURTHY	10	10	2	2
8	V.S. VERMA	9	5	2	1
9	DR. KOTA HARINARAYANA	N A	N A	N A	N A
PERMANENT SPECIAL INVITEE:					
10.	P. K. MISHRA	N A	N A	N A	N A
11.	SMT. ANURADHA MITRA	N A	N A	2	0
12.	DILIP BISWAS	1	1	N A	N A
13.	STATUTORY AUDITORS	N A	N A	2	0

* Annual General Meeting held on 25.09.2009; Extraordinary General Meeting held on 28.10.2009;
Leave for absences from the Directors were recorded at every Meeting in case of their inability to attend due to unavoidable reasons

Annx:III

MANAGEMENT DISCUSSION AND ANALYSIS

1.0. INDUSTRY STRUCTURE AND DEVELOPMENTS

- 1.1 The Company is a Public Sector Undertaking under the Administrative control of Dept. of Defence Production, Ministry of Defence, Govt. of India, incorporated in the year 1973. The main object of the company is to manufacture and process all grades, types, sizes of superalloys in particular and other special metals and their alloys in the form of ingots, billets, forgings, rolled and extruded sections, strips, foils, wires, tubes, and other wrought, cast, sintered, fabricated shapes and forms required for aircraft, rockets, missiles, electronics, instruments, and allied industries in India or elsewhere either independently or in collaboration with others.
- 1.2 The company has single manufacturing unit with Registered Office situated in Hyderabad in the State of Andhra Pradesh. It possesses wide range of facilities recognised in metallurgical industry and produces wide variety of products applying varied state-of-art technologies and processes under one roof. It is unique of its kind in the whole of Asia. The mission of the Company is to achieve self-reliance in the research, development, production and supply of strategic materials and products for critical and hi-tech engineering applications.
- 1.3 The Company mainly caters to the needs of critical materials and alloys required by strategic sectors of our country like Defence, Space, Atomic Energy, Aeronautics etc. The products produced by MIDHANI are basically import substitutes which were denied to India by western world and their non-availability would have effected various prestigious National programs of the country. The Company had fully absorbed the technologies offered by collaborators during its initial stages and fully reaped the benefits associated with such technologies. With the constant developments made over the years in various operational areas, by utilising in-

house R&D capabilities; the company indigenised various critical technologies, alloys and products which reduced dependence on imports of these critical materials.

2.0 ORGANISATION

2.1 The main operative Divisions/Departments of the company consisted of Production Planning & Control, Production Divisions, Technology, Methods & R&D Depts, Quality Control. The production function is optimally integrated to Material planning & procurement, Marketing, Finance and other logistic Divisions.

2.2 Nature of Operations

2.2.1 MIDHANI continues to focus on carrying out improvements in operational processes and product improvements by putting in place, a robust monitoring model to achieve repeatable and predictable results. The necessity to fulfill the ever increasing demands for stringent specificational requirements of the Strategic customers of the Company provides the basic thrust and driving force to the organization to suitably frame its policies and procedures in every sphere of organizational activity to discharge its goal.

3.0 STRENGTH AND OPPORTUNITIES

The SWOT analysis is given in Annx: IV

4.0 SECTOR WISE PERFORMANCE

4.1. Presently about 82 % of MIDHANI's products cater to strategic sectors viz Indian Space Research Organization (ISRO), Department of Atomic Energy (DAE), Ordnance Factories (OFB), Defence Research and Development Organization (DRDO) and Naval applications, etc. In addition MIDHANI also supplies special alloys to commercial sector including Larsen & Toubro, Wallchandnagar, Sandvik Asia etc., which also goes into Defence and Atomic energy sectors of our country. During the year 2009-'10 the percentage of MIDHANI's supplies accounted for 32% to Defence; 26% to Space; 24% to Atomic Energy and the balance to other commercial sectors.

- 4.2 The alloy wise performance in the turnover for the last 2 years is given hereunder:

Grade	2009-2010		2008-2009	
	Qty.	Value (Rs. Lakhs)	Qty.	Value (Rs. Lakhs)
Super alloys, Titanium Alloys and Special Stainless Steels, etc.	2,429	371.21	1,908	309.11

- 4.3 The order book position is standing at Rs. 738 Cr. at the beginning of the year 2010-'11. This bulk order booking on hand, in turn, enables the Company to reap economies of scale in production campaigns and outsourcing contracts besides manifesting the confidence reposed by major customers on the Company.

5.0 MODERNISATION & UP-GRADATION PROGRAM

- 5.1 In the recent past, the demand for MIDHANI products has grown substantially but with a rider that they shall meet the stringent advanced technical specifications demanded by the Strategic Sectors of our Country, with uncompromising quality, particularly in Aerospace Sector. The existing plant, equipment and technologies were of three decades old and could not meet the growing expectations of Govt. and critical programs of National importance. To overcome the gap, a well thought out strategy of Modernising and expanding the existing facilities has been opted for. The same is under implementation with the active support of Ministry of Defence, Govt. of India. The Phase-I of expansion supported by Major customers of MIDHANI like VSSC, DRDO, HAL etc., has been completed. The Phase-II of Modernisation & Up-gradation, wherein procurement of major equipment like 6000 T Forge Press, Small ring Rolling mill, 10T VAR, ESR etc., has been currently under active and advanced stage of implementation. The main aim in this phase

is to improve capacity utilisation of the Plant, to create confidence among major customers on technological capabilities of MIDHANI in meeting stringent advanced high-tech specifications besides achieving productivity/ process /yield improvements. The program is expected to take some shape by end of the Financial year 2010-'11. An amount of Rs. 92 Cr. as Financial support has already been received from Govt. of India in the form of Equity and Loan.

- 5.2 The Company is set to move forward on a path of rapid growth with a further investment of Rs. 355 Cr. (Appx.) to attain a sale turnover of Rs. 1000 Cr. by the year 2016.

6.0 RISKS AND CONCERNS

- 6.1 The volatile nature of prices of critical imported raw material in the International market and their availability coupled with unfavourable trend in exchange rates of Rupee with US\$, play adversely on the competitive advantage of the Company.
- 6.2 Difficulties / delays are expected to arise in supplying critical equipment to MIDHANI by some countries in the Western World. This coupled with the wide fluctuations in foreign exchange rates i.e Rs. vs. US\$, is expected to result in heavy cost and time overruns in executing company's expansion projects.
- 6.3 In order to gain confidence and trust from major customers of the Company, concrete action plans need to be put in place whereby various programs of knowledge upgradation, cost reduction measures, yield improvements, efficient utilization of plant reverts, close monitoring of power & employee costs etc., have been taken up as thrust areas during the year under report.
- 6.4 Power & Fuel Costs

Constant reviews are to be taken up to keep the Power and Fuel costs at optimum levels. Efforts have to be made to bench mark the consumption pattern by taking indices from reputed industry leaders.

6.5 Meeting Customers' stringent and dynamic technical specifications

The company's aim to achieve customers' delight is not possible unless innovative activities and improvements in processes, products, product applications etc., are carried out with technological excellence and expertise to meet the Customers' stringent and dynamic technical specifications. Required thrust and focus was to be given to overcome technological challenges.

6.6 Horizontal and vertical integration of company's activities with the activities of its major customers and suppliers is another area where Management has been taking policy initiatives. Soon these efforts may yield better results.

6.7 Timely Deliveries

Ensuring timely deliveries has been the main area of attention of Management. In order to expedite deliveries and cut down production cycle time, several efforts were made including constant reviews at regular intervals to cut down operational delays and put in place systematic planning for outsourcing of some of the company's operations to premier institutions in the field of steel / alloy making like ASP, RSP, SAIL, Bay Forge etc., wherever such facilities are cost effective and quicker. It is expected that these measures would yield better results.

7.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has put in place all required internal controls and systems to meet all the cannons of financial propriety. External Audit firms who were engaged to carry out internal audit, continue their efforts to ensure adequacy of such systems and controls and report thereon. A detailed analysis of the reports of internal audit firms as well as reports of internal audit department of MIDHANI was made a standard term of reference to Audit Committee which reviews these reports periodically.

8.0 FINANCIAL PERFORMANCE

8.1 The Summarized financial position for the 3 preceding Financial Years is given below:

(Rs Crore)

Sl. No.	Particulars	2009-'10	2008-'09	2007-'08
I	LIABILITIES			
a)	₹ Paid Up Capital	146.34	146.34	137.34
	(₹) Reserves and Surplus	127.59	93.42	61.97
b)	Loan Funds	44.37	9.07	-
c)	Deferred Taxes	0.47	0.96	0.90
d)	₹ Current Liabilities & Provisions	475.95	386.17	353.20
	(₹) Gratuity Provision	0.17	0.18	0.09
	Share application money	37.00	-	-
	TOTAL	831.89	636.14	553.50
II	ASSETS			
e)	Net Block	36.77	27.79	26.68
f)	Capital Work in Progress	15.50	35.22	3.85
g)	Investments	2.10	2.10	2.10
h)	Current Assets, Loans & Adv	777.52	571.03	520.87
i)	Misc. Expenses not written off	-	-	-
	TOTAL	831.89	636.14	553.50
j)	Working Capital	227.57	184.68	167.67
k)	Capital Employed	264.34	212.65	194.35
l)	Net Worth	273.93	239.76	199.31
m)	Net worth per rupee of paid up capital (Rupees)	1.87	1.64	1.45

8.2 WORKING RESULTS

8.2.1 The company for the seventh time in succession achieved "EXCELLENT" MoU rating for all round growth and overall financial and operational performance in the year 2009-'10. The significant highlights of the performance for the year 2009-'10 and a comparison with the previous two years are as under :

(Rs in Cr.)

S. No	Particulars	2009-'10	2008-'09	2007-'08
1	Sales -To Customers	314.60	271.42	229.93
	Sales -Export	0.23	-	1.19
	Sales-Dispatches to Sub-Contractors	56.38	37.69	23.89
2	Value of Production (Incl.ED)	373.24	364.03	296.40
3	Cash Profit (Excl. prior period items)	70.85	66.06	57.38
4	Profit Before Tax	67.66	62.90	54.95
5	Net Profit (PAT)	44.62	41.06	35.54
6	Value Added	237.57	214.87	176.53
7	Value added per employee	0.1995	0.1748	0.1397
8	Value Added per Direct Worker	0.615	0.557	0.457
9	Productivity per employee	0.313	0.296	0.234
10	Paid up Capital	146.34	146.34	137.34
11	Capital Employed	264.34	212.65	194.35
12	Net Worth	273.93	239.76	199.31

S. No	Particulars	2009-'10	2008-'09	2007-'08
13	Working Capital	227.57	184.68	167.67
14	Contribution to Exchequer	62.95	66.51	54.83
15	No of Employees	1,191	1,229	1,264

8.2.3 Some of the important financial ratios on the financial health and working of the Company at the end of last three years are as under:

S.No.	Ratios	2009-'10	2008-'09	2007-'08
A.	Liquidity Ratio (in Percentages)			
	Current Ratio (Current Assets to Current Liabilities and Provisions, Interest accrued due but excluding provision for Gratuity)	147.81	147.87	147.47
B.	Profitability Ratios			
a)	Profit Before Tax to			
i)	Capital Employed(%)	25.60	29.58	28.27
ii)	Net worth (%)	24.70	26.23	27.57
iii)	Sales (%)	18.23	20.35	21.55
b)	Profit After Tax to Equity (%)	30.49	28.06	25.88
c)	Earnings Per Share (in Rupees)	304.88	280.55	258.79

8.2.4 Amount available for Appropriation :

The amount available for appropriation is Rs.44.62 Cr. as against Rs. 41.06 Cr. in the previous year.

9.0 HUMAN RESOURCE DEVELOPMENT

9.1 The total manpower strength of MIDHANI as on 31.3.2010 is as under :

	Non-Executives	Non-Unionised Supervisors	Executives	Total
Male	748	154	236	1138
Female	27	7	19	53
Total	775	161	255	1191
Previous Year	837	143	249	1229
* Including functional Directors and deputationist (4 nos)				

9.2 Employee related costs have gone up to 24.9% by around Rs. 18.44 Cr. in view of implementation of recommendations of 2nd Pay Revision Committee constituted by Govt. as compared to 15% by around Rs. 9.69 Cr. in the previous year.

9.3 The concept of Performance Related Pay (PRP) has been newly introduced to make employee participation in the performance of the Company with new zeal and thrust. The modalities for the same are under compilation and it is expected that the same would be put in place in the Current Financial Year.

9.4 The rational distribution of man power between Administration and Production Depts., and between non-executives and executives, optimum degree of automation in operations are some of the areas that received focused attention during the year under report.

9.5 Considering the age mix of the employees and the major natural separations taking place in the year under report and also during the years to come, the Company needs to focus its attention in re-deployment and fresh induction of contemporary skills and expertise from the market.

9.6 Employees' Remuneration

9.6.1 The total expenditure incurred on the Employees' remuneration for the year 2009-'10 was Rs.92.46Cr. as against previous year expenditure of Rs. 74.02 Cr. The details are as follows :

(Rs. Lakhs)

Sl.No	Particulars	2009-'10	2008-'09
1	Salaries and Wages	6400.02	5289.97
2	Cont. to Provident Fund & EPS	499.42	412.69
3	Gratuity	569.91	839.60
4	Leave Encashment	461.92	173.52
5	Staff Welfare Expenditure (Net)	1313.26	684.64
6	Leave Salary & Pension Contribution	1.50	1.86
	TOTAL	9246.03	7402.28

10.0 CORPORATE SOCIAL RESPONSIBILITY

MIDHANI as a Corporate citizen has been discharging its social responsibilities by undertaking various welfare measures like community development, pollution control and eco-friendly measures. As a part of this exercise MIDHANI became a member of UN Global Compact and took initiatives to support its principles. MIDHANI has also been keen in taking steps to implement the guidelines received from Govt. of India, Dept. of Public Enterprises in its true letter and spirit. The guidelines envisaged earmarking of separate budget for these activities with the main object of developing company specific social responsibility strategies both in long term, medium term, short term with an in built mechanism for monitoring and accountability.

Annex: IV**1.0 STRENGTHS**

- Company's capability to manufacture a wide range of advanced metals and alloys in various mill forms viz. forgings, sheets, strips, bars, rods, wires, etc.
- World-class experience and expertise gained over 30 years in operating and maintenance of various high technology equipment and processes.
- Skilled and experienced manpower resource in manufacture of special metals and alloys.
- MIDHANI's systems and procedures are time tested, quality consistent and adheres to ISO-9001:2000 certification.
- Status of self certification was accredited by prestigious inspection agencies and major customers of the company for its supplies.
- Company's Modernisation, Upgradation and Expansion project would improve the competitive edge of the Company.

2.0 WEAKNESSES

- Plant and Equipments are age old
- Lack of scale economies leading to high incidence of overheads and production costs.
- Lack of adequate and matching downstream facilities.
- Long production cycle.
- Processing of small lots of various grades requiring tailor made operations
- Production normally involves product development involving long lead times.

3.0 OPPORTUNITIES

- With the growth of economies in India and abroad, demand for special alloys and steels is increasing.

- Some of the labour intensive operations required in the manufacture can be carried out economically in India when compared to other countries. The additional capacities created recently would bring in further reduction in operating costs thus improving Competitive edge for the Company.
- Programs of Strategic Sectors like fast breeder reactor program, commercial space vehicle launches by Indian Space Research Organization, components of tanks, aircrafts, submarines, etc. would create demand for special metals and alloys.
- Opportunity exists to diversify into Armour products, bio-medical implants and production of near net shape forgings.
- Home-grown technologies would reduce the country's dependence on outside world.
- Synergisation and integration with other Public Sector Undertakings for processing part of the materials
- Potential exists for ensuring long-term tie-ups with customers, Joint ventures and strategic alliances etc.

4.0 THREATS

- Lack of contemporary technology as is available in other parts of the globe resulting in high cost with long delivery periods.
- Adverse import duty structure for some of the company's products
- High volatile prices of some of the critical imported raw materials coupled with their non-availability at times.
- Dumping from China in respect of Molybdenum products.
- Lack of competitive edge in the international market on account of above
- Risk of obsolescence in processes and procedures.
- Stiff competition from private sector organizations in India and abroad.

Annex: V

The Role/Terms/Functions of the Audit Committee

- 1 Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2 Recommending to the Board the fixation of audit fees.
- 3 Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4 Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act 1956;
 - b Changes, if any, in accounting policies and practices and reasons for the same;
 - c Major accounting entries involving estimates based on the exercise of judgment by management;
 - d Significant adjustments made in the financial statements arising out of audit findings;
 - e Compliance with legal requirements relating to financial statements;
 - f Disclosure of any related party transactions; and
- g Qualifications in the draft audit report.
- 5 Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 6 Reviewing, with the management, performance of internal auditors and adequacy of the internal control systems.

- 7 Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 8 Discussion with internal auditors and/or auditors any significant findings and follow up there on.
- 9 Reviewing the findings of any internal investigations by the internal auditors/ auditors/ agencies into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 10 Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 11 To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- 12 To review the functioning of the Whistle Blower Mechanism.
- 13 Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- 14 To review the follow up action on the audit observations of the C&AG audit.
- 15 To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.
- 16 Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors
- 17 Review and pre-approve all related party transactions in the company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre-approving related party transactions.

- 18 Review with the independent auditors the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
- 19 Consider and review the following with the independent auditor and the management;
 - The adequacy of internal controls including computerized information system controls and security, and
 - Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.
- 20 Consider and review the following with the management, internal auditor and the independent auditor:
 - Significant findings during the year, including the status of previous audit recommendations
 - Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

Explanation (i) : The term "**related party transactions**" shall have the same meaning as contained in the Accounting Standards 18, Related Party Transactions, issued by the Institute of Chartered Accountants of India.

Explanation (ii) : If the Company has set up an Audit Committee pursuant to provision of the Companies Act, the said Audit Committee shall have such additional functions / features as contained in these guidelines.

मिश्र धातु निगम लिमिटेड

(भारत सरकार का उपक्रम)

(एक मिनी रत्ना कंपनी)

सुपर आलॉय प्लांट

डाकघर : कंचनबाग, हैदराबाद - 500058, भारत

दूरभाष : 24340001 (लाईन 10)

फैक्स : 040-24340764, 24340214, 24340371

ई-मेल : spralloy.midhani@ap.nic.in

**MISHRA DHATU NIGAM LIMITED**

(A. Govt. of India Enterprise)

(A MINI RATNA COMPANY)

SUPERALLOYS PLANT

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E-mail : spralloy.midhani@ap.nic.in

Annexure - V

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Mishra Dhatu Nigam Limited

THIS IS TO CERTIFY that M/s Mishra Dhatu Nigam Limited, a Public sector undertaking having its Registered office at Kanchanbagh, Hyderabad - 500058 has adopted a Code of Business Conduct and Ethics as per the "Guidelines on Corporate Governance for Public Sector Enterprises, 2007" issued by Dept. of Public Enterprises, as per which it is the responsibility of all Directors and Senior Management Personnel to familiarize themselves with the code and comply with its standards; and

This is also to certify that the Board members and Senior Management personnel of Mishra Dhatu Nigam Limited have affirmed compliance with the code of the Company for the financial year ended 31st March 2010

This is also to certify that M/s Mishra Dhatu Nigam Limited, has complied with the guidelines on Corporate Governance issued by Department of Public Enterprises under "Guidelines on Corporate Governance for Public Sector Enterprises, 2007", except guidelines on Risk Management.

for MISHRA DHATU NIGAM LIMITED

(M. NARAYANA RAO)

CHAIRMAN & MANAGING DIRECTOR

Place : Hyderabad

Date : 30th July, 2010

AUDITORS' REPORT

To
The Members
Mishra Dhatu Nigam Limited
Hyderabad

1. We have audited the attached Balance Sheet of Mishra Dhatu Nigam Limited as at 31st March 2010, the Profit and Loss Account and also Cash Flow statement for the year ended on that date annexed thereto. 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 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditors' / Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto 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 in paragraph 3 above, we report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books.
- 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.
- d) In our opinion, the attached Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956, except.

Non-compliance of AS-17 - Segment Reporting as referred in Note No.21 in Schedule 20 to the financial statements. However, this has no effect on the profit for the current year.

- e) In terms of Ministry of Law, Justice and Company Affairs, Department of Company Affairs General Circular No.8/2002, dated March 22, 2002, Government Companies are exempt from the applicability of the provisions of Section 274(1) (g) of the Companies Act, 1956. Hence, no comments are offered.
- f) In our Opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Para-4 (d) above and read together with the Significant Accounting Policies and other notes thereon particularly regarding:

- Non-receipt of confirmation of balances, in respect of customer finance projects, pending settlement of accounts (Note-4(ii) in Schedule 20)
- Balances in Sundry Debtors, Loans & Advances, Claims Receivable, Deposits, Sundry Creditors, Materials with contractors/sub-contractors and others which are subject to confirmation and/or reconciliation (Note No.6 in Schedule 20)

the said 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 Balance Sheet, of the state of affairs of the Company as at 31st March, 2010.
- (ii) In the case of 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 of the Company for the year ended on that date.

For Satyam and Veerabhadra
Chartered Accountants
Reg. No.003666S

Place : Hyderabad,
Dated: 02.07.2010

(K.V.Chalamaiah)
Partner
Membership No.205574

Annexure to the Auditors' Report

(Referred to in Paragraph 3 of our report of even date)

RE: MISHRA DHATU NIGAM LIMITED

- (i) a The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of available information.
- b As explained to us, the fixed assets have been physically verified by the management during the year, in a phased manner which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. As per the information made available to us, no material discrepancies were reported on such physical verification. In our opinion the findings of the physical verification process need to be documented and summary of the findings to be recorded.
- c In our opinion, the Company has not disposed off any substantial part of fixed assets, during the year.
- (ii) a As explained to us inventories have been physically verified by the management at the year end. In our opinion, the frequency of verification is to be improved.
- b In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories 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 has maintained proper records of inventories. As explained to us, the discrepancies noticed on physical verification by the management valuing Rs.29.62 lacs pertaining to earlier years are brought into account and we are of the opinion that the same have been properly dealt with in the books of account.
- (iii) The Company has not granted or taken any loans to/from companies, firms or other parties covered in the register

maintained under Section 301 of the Companies Act, 1956.

- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal control system.
- (v) According to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) a. According to the records, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess, Service Tax and other statutory dues with the appropriate authorities.

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 and cess were in arrears, as at 31.3.2010 for a period of more than six months from the date they became payable.

- c. The disputed statutory dues aggregating to Rs.57.49 lakhs, that have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the Statute	Nature of the Dues	Forum where dispute is pending	Amount (Rs.)
Finance Act, 1994 (Service Tax)	Service Tax	Customs, Central Excise & Service Tax Appellate Tribunal, Bangalore.	57,49,223

- (x) The Company has no accumulated losses as at the end of the current financial year and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.
- (xii) In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/ society. Therefore, Paragraph-4 (xiii) is not applicable.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other investments. Therefore, Paragraph-4 (xiv) is not applicable.

- (xv) The Company has given guarantees for loans taken by others from banks or financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prima-facie prejudicial to the interests of the Company.
- (xvi) The Company has raised Rs. 16.00 lakhs as term loan from Banks/Financial Institutions and Rs.3700 lakhs as term loan from Govt. of India during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilized any funds raised on short term basis for long-term investment.
- (xviii) During the year, the Company has not made 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 raised any money by way of issue of debentures.
- (xx) The Company has not raised any money by way of public issue. Therefore, Paragraph-4 (xx) is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For Satyam and Veerabhadra
Chartered Accountants
Reg. No.003666S

Place : Hyderabad,
Dated: 02.07.2010

(K.V.Chalamaiah)
Partner
Membership No.205574

COMMENTS OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA UNDER SECTION 619(4) OF THE
COMPANIES ACT, 1956 ON THE ACCOUNTS OF MISHRA
DHATU NIGAM LIMITED, HYDERABAD FOR THE YEAR
ENDED 31 MARCH 2010.

The preparation of financial statements of Mishra Dhatu Nigam Limited, Hyderabad for the year ended on 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 02 July 2010.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Mishra Dhatu Nigam Limited Hyderabad for the year ended on 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India

Place: Hyderabad,
Date : 29 July 2010

(Dolly Chakrabarty)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad

SIGNIFICANT ACCOUNTING POLICIES

1.0 Accounting Method

The Financial accounts are prepared under the accrual basis at historical cost unless otherwise stated.

2.0 Fixed Assets

2.1.1 Land received from the Government as alienation/acquisition has been valued either at cost or estimated market value as indicated by State Government pending determination of liability.

2.1.2 The expenditure on development of open land is capitalized as part of the cost of land.

2.2 Other fixed assets are stated at cost. Cost includes, where applicable, allocation of expenditure during construction and expenditure as part of start up and commissioning.

2.3 Capital works, done internally, are valued at prime cost i.e., cost of direct labour, direct material and direct expenses

2.4 Initial pack of spares procured along with the plant, machinery and equipment are capitalized and depreciated in the same manner as plant and machinery.

2.5 Where actual cost of fixed assets cannot be accurately ascertained, such assets are initially capitalized on the basis of estimated cost. On ascertaining actual, gross block is adjusted and depreciation is provided proportionately over the balance life of the asset.

2.6 Pending disposal, unserviceable fixed assets are shown separately in the Fixed Assets schedule, at book value or realizable value, whichever is lower. The difference, if any, is charged off.

- 2.7 Depreciation on fixed assets is charged on straight-line method at the rates and in the manner laid down in Schedule-XIV to the Companies Act, 1956, as amended from time to time.
- 2.8 In respect of certain fixed assets, depreciation has been provided for on the basis of technical evaluation at the rates higher than the rates laid down in Schedule - XIV to the Companies Act.
- 2.9 In respect of Plant and Machinery, rate prescribed for continuous process plant is adopted based on technical evaluation.

3.0 Impairment of Assets

As at the end of each balance sheet date, the carrying amount of assets is assessed as to whether there is any impairment. If the estimated recoverable amount is less than its carrying amount, the impairment loss is recognized and assets are written down to their recoverable amount.

4.0 Inventories and Valuation

Inventories are valued on the following basis :

- 4.1 Raw materials, consumables, spares and Tools and Instruments in Central Stores :
- At weighted average Cost.
- 4.2 Raw materials in Shop floor/Sub-stores in the shops
- At weighted average rate of Central Stores, at the end of the year.
- 4.3 Consumables in Shop floor/Sub-Stores
- All consumables drawn from the Central Stores are charged off to expense. Only in respect of 'A' and 'B' class consumables identified by Management from time to time, the stock at the Shop floor/Shop sub-stores are brought to inventory at the close of the year at the weighted average rate. However, moulds, rolls,

dies etc., in use at the close of the year, are valued at issue rates with reference to the balance life, technically estimated.

4.4 Re-usable process scrap, process rejections and sales rejections with customers for return

- At estimated realizable value for scrap.

4.5 Tools and Gauges

Issued tools, instruments, gauges etc. are amortized uniformly over their estimated life.

4.6 Work-in-process

- At cost or estimated realizable value appropriate to the stage of production based on technical evaluation, whichever is less. However, the WIP of 5 years old and above is valued at the realizable scrap rate.

4.7 Finished Goods

- At cost or net realizable value (at shop finished stage) whichever is less. However, the Finished Goods of 5 years old and above is valued at the realizable scrap rate.

4.8 Goods in transit are valued at cost

4.9.1 Stores declared surplus / unserviceable are transferred to salvage stores for disposal, and charged to revenue.

4.9.2 Provision for the non-moving raw materials, consumables and spares for over three years is made as under:

Raw materials	: 85% of the book value
Consumables and Spares	: 50% of the book value

4.10 Stationery, uniforms, medical and canteen stores are charged off to revenue at the time of receipt.

5.0 Claims by / against the Company

- 5.1 Claims on underwriters/carriers towards loss / damage are accounted when monetary claims are preferred.
- 5.2 Claims for refund of customs duty including project imports/ port trust charge/excise duty are accounted on acceptance/ receipt.
- 5.3 Liquidated Damages on suppliers are accounted on recovery. Liquidated damages levied by the customers are charged off on recovery/advise from the customers.
- 5.4 Disputed/Time barred debts from Govt. Depts. & PSUs are not treated as Doubtful Debts, however, on a review appropriate provisions/write offs are made in the books of accounts on a case to case basis.
- 5.5 Provision for Doubtful Debts is made on the amounts due from other than Govt.Depts. & PSUs at the rates determined by the Board. (Less than one year - Nil, One to Two years 10%, Two to Three years 25%, Three to Four years 50%, Four to Five years 80% and above Five years 100%) .

6.0 Employee Benefits

- 6.1 Gratuity payable to eligible employees is administered by a separate Trust, which has taken a policy with LICGGF. Demands made by the trust on account of annual renewal premium of the LIC policy are charged to Profit and Loss Account.
- 6.2 Provision for leave encashment liability to employees is made on the basis of actuarial valuation as at the year end.
- 6.3 Settlement Allowance : Employees are paid eligible amount at the time of retirement for their settlement.

7.0 Sales

7.1 Sales include excise duty. In the case of Ex-Works/ F.O.R./F.O.B contracts, sale is set up when the goods are handed over to the carrier/agent for despatch to the buyer and wherever customer's prior inspection at works is stipulated, sale is accounted only after acceptance.

7.2 Claims for price escalation on sales are accounted on settlement of claim.

In the case of sale contracts/orders where specific escalation clause is provided, escalation is accounted on the basis of the claims made.

7.3 Where sale prices are not established, sales are set up on provisional basis at prices likely to be realized.

8.0 Despatches to Sub-contractors

In respect of the contracts for supply of items requiring long production cycle time which involve intermediary/final operations outside the company, income is recognized proportionately as under:

(a) Where prices are available for each stage of completion:-
The price appropriate to the stage of completion.

(b) Where prices are not available for each stage of completion :-

90% as the case may be, of the final contract value for the item less estimated cost to be incurred for completing the item.

Balance is recognized as income on completion / acceptance and despatch of the item.

- 9.0 Physical verification of Fixed Assets and Inventory
- 9.1 Fixed Assets under the heads Land & Development, Roads & Bridges, Drainage, Sewerage and water system and Buildings & Internal Services are verified once in 3 years. All other Fixed Assets are verified once in the Financial Year. Reconciliation is made for all items except minor value items like miscellaneous shop equipment, furniture, office equipment etc., individually valued Rs. 2000/- and less.
- 9.2 Inventories of work-in-process, finished goods, raw materials and consumables in the Company premises are verified at the end of the financial year.
- 9.3 Inventories of raw materials, stores and spares in the Central Stores are verified on perpetual basis as per norms fixed from time to time and reconciled. Provisional adjustments are made to revenue, in respect of discrepancies pending reconciliation.
- 10.0 Accounting for Foreign Currency transactions
- 10.1 Foreign currency transactions are recorded in the reporting currency by applying the exchange rate between the reporting currency and the foreign currency at the date of transaction.
- 10.2 Monetary items denominated in foreign currencies at the year end are restated at year end rates and Non-monetary items are carried at cost.
- 10.3 Exchange differences arising on settlement/restatement at rates different from those at which were initially recorded are recognized as income or as expenses in the year in which they arise.

11.0 Accounting on Cash basis

The following items are accounted at the time of receipt/payment.

- (a) Sale of unserviceable scrap / stores
- (b) Export Incentives
- (c) LTC encashment

12.0 Investments

12.1 Investments that are readily realizable and intended to be held for not more than a year are classified as current investments and are carried at lower of cost or fair value determined on an individual investment basis.

12.2 All other investments are classified as long term investments and are carried at cost after providing for any diminution in value, if such diminution is of a permanent nature.

13.0 Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as a part of the cost of such assets. All other borrowing costs are charged to revenue.

14.0 Deferred Tax

Deferred Tax is recognized, subject to the consideration of prudence, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax assets are recognized to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

15.0 Prior Period & Extra - Ordinary Items

Prior period & Extra-ordinary items are separately disclosed in the Profit & Loss Account.

16.0 Provisions

A provision is recognized when the company has a present obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

17. Classification of Expenditure

All expenditure and income are accounted for under natural heads of accounts. Where necessary, allocation of expenditure on functional basis has been given by way of note/schedule in the accounts.

As per our Report attached
For Satyam & Veerabhadra,
Chartered Accountants
(K.V. Chalamiah)
Partner

Place : Hyderabad,
Date : 02-07-2010.

For and on behalf of Board of Directors
M. Narayana Rao, Chairman & Managing Director
V.S. Krishna Murthy, Director (Finance)
P.V. Subba Rao, Company Secretary

Place : Hyderabad,
Date : 02-07-2010.

BALANCE SHEET AS AT 31st MARCH, 2010

	Sche- dule Ref.	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
SOURCES OF FUNDS			
Shareholders' Funds			
Equity Capital	1	18,334.00	14,634.00
Reserves and Surplus	2	<u>12,759.18</u>	<u>9,341.50</u>
		31,093.18	23,975.50
Loan Funds			
Secured Loans	3	17.45	7.46
Unsecured Loans		<u>4,420.00</u>	<u>900.00</u>
		4,437.45	907.46
Deferred Tax Liabilities	4	47.18	95.97
TOTAL		<u><u>35,577.81</u></u>	<u><u>24,978.93</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	15,454.37	14,228.28
Less : Depreciation		<u>11,777.55</u>	<u>11,448.96</u>
Net Block		3,676.82	2,779.32
Capital Work-in Progress	6	<u>1,550.08</u>	<u>3,521.68</u>
		5,226.90	6,301.00
Investments	7	210.11	210.11

c/f

BALANCE SHEET AS AT 31st MARCH, 2010 (Contd.)

b/f	Sche- dule Ref.	As at 31 st March, 2010 (Rs. in Lakhs)	As at 31 st March, 2009 (Rs. in Lakhs)
Current Assets, Loans & Advances	8		
Inventories		32,046.03	29,842.49
Sundry Debtors		10,753.71	8,259.75
Cash and Bank Balances		24,033.00	12,042.27
Other Current Assets		1,434.02	129.79
Loans and Advances		9,485.65	6,828.43
		<u>77,752.41</u>	<u>57,102.73</u>
Less : Current Liabilities and Provisions	9		
Liabilities		37,218.58	30,959.54
Provisions		<u>10,393.03</u>	<u>7,675.37</u>
		47,611.61	38,634.91
Net Current Assets		30,140.80	18,467.82
TOTAL		<u>35,577.81</u>	<u>24,978.93</u>

Notes to Accounts

20

The Schedules referred to above, and Notes to accounts form an integral part of the Balance Sheet

As per our Report attached
For Satyam & Veerabhadra,
Chartered Accountants
(K.V. Chalamaiah)
Partner

For and on behalf of Board of Directors
M. Narayana Rao, Chairman & Managing Director
V.S. Krishna Murthy, Director (Finance)
P.V. Subba Rao, Company Secretary

Place : Hyderabad,
Date : 02-07-2010.

Place : Hyderabad,
Date : 02-07-2010.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

	Sche- dule Ref.	Year ended 31st March, 2010 (Rs. in Lakhs)	Year ended 31st March, 2009 (Rs. in Lakhs)
INCOME			
Sales (Gross)- Regular		29,124.27	25,503.24
Sales (Gross)-Expert Sourcing Solution		2,433.37	1,644.20
Less : Returns		74.75	(4.70)
Less : Excise Duty		775.33	(775.32)
Add : Income from Despatches to Sub-contractors		<u>5,638.10</u>	<u>3,768.49</u>
Sales (Net)		36,345.66	30,135.91
Accretion / (Decretion) to			
Work-in-Process & Finished Goods	10	202.64	5,491.60
Other Income	11	1,863.13	1,549.37
TOTAL INCOME		<u><u>38,411.43</u></u>	<u><u>37,176.88</u></u>
EXPENDITURE			
Consumption of Materials & Consumables	12	14,672.98	15,831.85
Power and Fuel	13	2,378.14	2,415.73
Employee's remuneration and benefits	14	9,246.03	7,402.28
Repairs and Maintenance	15	752.05	660.07
Off-loading of jobs and semis		2,682.29	2,787.76
Other expenses	16	1,425.03	1,445.54
Provisions	17	13.63	10.00
Interest	18	155.95	18.09
Depreciation	5	<u>324.69</u>	<u>306.92</u>
TOTAL EXPENDITURE		31,650.79	30,878.24
Profit before prior period adjustments		6,760.64	6,298.64
Prior Period adjustments (Net)	19	<u>(6.14)</u>	<u>8.99</u>
PROFIT BEFORE TAX	o/f	6,766.78	6,289.65

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010 (Contd.)

	Schedule Ref.	Year ended 31 st March, 2010 (Rs. in Lakhs)	Year ended 31 st March, 2009 (Rs. in Lakhs)
PROFIT BEFORE TAX	b/f	6,766.78	6,289.65
Provision for Tax - For the year	2,353.91		2,135.10
- Previous Year	-		-
Provision for Fringe Benefit Tax	-		43.25
Provision for Deferred Tax	(48.79)		5.66
		<u>2,305.12</u>	<u>2,184.01</u>
PROFIT AFTER TAX		<u>4,461.66</u>	<u>4,105.64</u>
Profit available for appropriations		<u><u>4,461.66</u></u>	<u><u>4,105.64</u></u>
APPROPRIATIONS			
Interim Dividend		100.00	100.00
Proposed Final Dividend		792.33	721.13
Tax on Dividend		151.65	139.55
General Reserves		3,417.68	3,144.96
Total of Appropriations		<u><u>4,461.66</u></u>	<u><u>4,105.64</u></u>
Earning Per Share (Face Value Rs. 1000/- each)			
in Rupee - Basic & Diluted		304.88	280.55

Notes to Accounts**20**

The Schedules referred to above and Notes to accounts form an integral part of the Profit and Loss Account.

As per our Report attached
For Satyam & Veerabhadra,
Chartered Accountants
(K.V. Chalamaiah)
Partner

For and on behalf of Board of Directors
M. Narayana Rao, Chairman & Managing Director
V.S. Krishna Murthy, Director (Finance)
P.V. Subba Rao, Company Secretary

Place : Hyderabad,
Date : 02-07-2010.

Place : Hyderabad,
Date : 02-07-2010.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2010

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
SCHEDULE - 1 : EQUITY CAPITAL		
Authorised		
20,00,000 Equity Shares of Rs. 1,000/- each (Previous year 20,00,000 Equity shares of Rs 1,000 each)	<u>20,000.00</u>	<u>20,000.00</u>
Issued, Subscribed and Paid Up		
14,63,400 Equity Shares (Previous year 14,63,400) of Rs. 1,000/- each, Fully paid	<u>14,634.00</u>	<u>14,634.00</u>
Share Application Money (Received on 31.3.10 for allotment of 3,70,000 equity shares of Rs. 1000/- each) - Prev year Nil	<u>3,700.00</u> <u>18,334.00</u>	<u>-</u> <u>14,634.00</u>

SCHEDULE - 2 : RESERVES AND SURPLUS**RESERVES****General Reserve**

Balance as per last account	9,341.50	6,196.54
Add : Transfer from Profit & Loss account	<u>3,417.68</u>	<u>3,144.96</u>

Total	<u>12,759.18</u>	<u>9,341.50</u>
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	As at 31 st March, 2010 (Rs. in Lakhs)	As at 31 st March, 2009 (Rs. in Lakhs)
SCHEDULE - 3 LOAN FUNDS		
SECURED*		
Term Loan from Bank	<u>17.45</u>	<u>7.46</u>
	17.45	7.46
UN SECURED*		
Loan from Govt of India	<u>4,420.00</u>	<u>900.00</u>
	4,420.00	900.00
Total	<u><u>4,437.45</u></u>	<u><u>907.46</u></u>

* By hypothecation of all tangible movable property of every description, movable machinery and Plant, Marketable securities, goods including book debts (both present and future)

SCHEDULE - 4 : DEFERRED TAX LIABILITY (NET)

Deferred Tax Liabilities		
- On Depreciation	<u>588.44</u>	<u>540.00</u>
	<u><u>588.44</u></u>	<u><u>540.00</u></u>
Deferred Tax Assets		
- on Provisions	181.62	180.40
- on Disallowances as per IT Act	<u>359.64</u>	<u>263.63</u>
	<u><u>541.26</u></u>	<u><u>444.03</u></u>
Net Deferred Tax Liabilities	<u><u>47.18</u></u>	<u><u>95.97</u></u>

SCHEDULE - 5 FIXED ASSETS						
	(Rs. in Lakhs)					
	Land and Develop- ment	Roads and Bridges	Drainage, Sewerage and Water systems	Electrical installa- tions etc.,	Buildings & Internal services	Plant and Machi- nery
Gross Block						
as at 1 st April, 2009	128.82	70.32	188.31	320.05	1,696.47	11,087.01
Additions	-	-	-	2.92	219.69	780.87
Deletions/Sales/Adjustment	-	-	-	-	-	-
As at 31 st March, 2010	128.82	70.32	188.31	322.97	1,916.16	11,867.88
Depreciation						
Up to 31 st March, 2009	-	30.68	176.50	270.24	1,348.06	9,201.47
For the year 2009-'10	-	1.15	0.29	4.53	24.97	225.30
Deletions/Sales/Adjustment	-	-	-	-	(3.51)	(0.34)
As at 31 st March, 2010	-	31.83	176.79	274.77	1,376.54	9,427.11
Net Block						
As at 31 st March, 2010	128.82	38.49	11.52	48.20	539.62	2,440.77
As at 31 st March, 2009	128.82	39.64	11.81	49.81	348.41	1,885.54

SCHEDULE - 5 FIXED ASSETS (Contd.) (Rs. in Lakhs)					
	Vehicles	Office Eqpt. Furniture etc.,	Unser- viceable Assets #	Total	Previous Year
Gross Block					
as at 1 st April, 2009	97.76	591.94	47.60	14,228.28	13,810.98
Additions	31.87	190.74	-	1,226.09	419.30
Deletions/Sales/Adjustment		-	-	-	2.00
As at 31 st March, 2010	129.63	782.68	47.60	15,454.37	14,228.28
Depreciation					
Up to 31 st March, 2009	54.55	320.18	47.28	11,448.96	11,143.08
For the year 2009-'10	7.25	61.20	-	324.69	306.92
Deletions/Sales/Adjustment	-	(0.05)	-	(3.90)	1.04
As at 31 st March, 2010	61.80	381.43	47.28	11,777.55	11,448.96
Net Block					
As at 31 st March, 2010	67.83	401.25	0.32	3,676.82	2,779.32
As at 31 st March, 2009	43.21	271.76	0.32	2,779.32	2,667.90
# Represents the value of Assets and Depreciation thereon for unserviceable assets. Depreciation provided in terms of Para 14.2 of Accounting Standard - 10 Rs. Nil for Current year (Previous year Rs. Nil)					

SCHEDULE - 6 : CAPITAL WORK-IN-PROGRESS

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
Capital Work-in-Progress-Civil	20.84	172.72
Capital Work-in-Progress -Electrical	1.33	0.65
Expenditure Pending Allocation-ERP	150.20	22.86
Capital Work-in-Progress- Plant & Machinery under Erection	162.01	321.47
Plant, Machinery & Equipment under Inspection and in Transit	1,209.57	497.53
Advances to Suppliers on Capital account		
- Considered good*	6.13	2,506.45
- Considered doubtful	<u>35.46</u>	<u>35.46</u>
Total	41.59	2,541.91
-Less Provision for doubtful advances	<u>(35.46)</u>	<u>(35.46)</u>
	6.13	2,506.45
Total	<u><u>1,550.08</u></u>	<u><u>3,521.68</u></u>

* Secured by Bank Guarantee Rs. Nil, (Prev.Year Rs. 2,443.05 Lakh) Unsecured Rs. 53.88 lakh, (Prev.Year Rs. 63.40 lakh)

SCHEDULE - 7 : INVESTMENTS

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
(Non-Trade, Unquoted) - LONG TERM - (AT COST)		
AP Gas Power Corporation Limited, 18,43,857 fully paid-up Equity Shares of Rs. 10/- each, including 7,71,847 fully paid-up Bonus Shares of face value of Rs.10/- each *	<u>107.20</u>	<u>107.20</u>
(Previous Year 18,43,857 fully paid-up Equity Shares of Rs. 10/- each	107.20	107.20
iincluding 7,71,847 fully paid-up Bonus shares of face value of Rs. 10/- each)		
4,28,800 fully paid-up Equity Shares of face value of Rs. 10/- each subscribed at Rs. 24/- each and paid-up Rs. 24/- each	<u>102.91</u>	<u>102.91</u>
(P.Y. 4,28,800 fully paid-up Equity Shares of face value of Rs. 10/- each subscribed at Rs. 24/- each and paid-up Rs. 24/-)	102.91	102.91
	<u><u>210.11</u></u>	<u><u>210.11</u></u>

* The Shares held on behalf of DRDO has been transferred to DRDO during
Financial year 2008-09

SCHEDULE - 8 : CURRENT ASSETS, LOANS & ADVANCES

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
SCHEDULE - 8.1 Inventories (as certified by Management)		
Raw Materials (in stock) @ (Net after provision of Rs. 4.63 lakh for Non-moving) (Previous Year Rs. 1.57 Lakh)	6,431.45	6,592.60
Internally Generated process scrap/rejected materials \$	1,483.48	1,653.00
Consumables (in stock) (Net after provision Rs. 14.91 lakh for non-moving) (Previous year Rs. 13.77 Lakh)	829.63	770.54
Instruments, Loose Tools etc., in use (net)	-	-
Spares (in stock) (Net after provision of Rs. 144.88 Lakh for non-moving) (Previous year Rs. 135.45 Lakh)	500.45	477.93
Raw Materials, Stores & Spares under inspection and Transit	3,476.98	1,227.02
Work-in-Process < > \$	19,288.14	18,992.95
Finished Goods	35.90	128.45
	<u>32,046.03</u>	<u>29,842.49</u>

@ Does not include Raw Materials worth Rs. 1,442.68 Lakh (Previous Year Rs. 2,091.10 Lakh) held on behalf of Customers

\$ Include materials lying with outsiders Rs. 2,086.10 Lakh (Previous Year Rs. 1,179.31 Lakh)

< > Include items valuing Rs. 29.62 Lakh (Previous Year Rs. 61.33 Lakh) pertaining to earlier years, brought into account, during the year, on reconciliation.

SCHEDULE - 8 : CURRENT ASSETS, LOANS & ADVANCES (Contd.....)

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
8.2 Sundry Debtors (Unsecured)		
(a) Debts Outstanding for a period exceeding Six Months		
- Considered Good	2,048.30	1,595.75
- Considered Doubtful	23.40	27.75
(b) Other Debts		
- Considered Good	8,705.41	6,664.00
- Considered Doubtful	0.80	1.11
	<u>10,777.91</u>	<u>8,288.61</u>
Less : Provision for Doubtful Debts	(24.20)	(28.86)
	<u><u>10,753.71</u></u>	<u><u>8,259.75</u></u>
8.3 Cash & Bank Balances		
(a) With Scheduled Banks		
- in Current Accounts	1,521.83	3,032.63
- in Fixed Deposits*	22,506.31	9,006.31
- interim Dividend Account	<u>-</u>	<u>-</u>
	24,028.14	12,038.94
(b) With Post Office Savings Bank Account @	1.40	1.40
(c) Cash on Hand	3.46	1.93
	<u><u>24,033.00</u></u>	<u><u>12,042.27</u></u>

* Includes Rs. 6.32 lakhs lodged with bank as Margin Money, (Previous year Rs.6.32 lakhs)

@ Pledged with Excise Authorities (Previous Year Rs. 1.43 Lakh). Maximum balance during the year Rs. 1.40 lakh (Previous Year Rs. 1.40 Lakh).

SCHEDULE - 8 : CURRENT ASSETS, LOANS & ADVANCES (Contd.....)

		As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
8.4	Other Current Assets		
	Despatches with Subcontractors (at estimated realisable Value)	3,923.17	1,831.39
	Less : Provision for DA Adjustment	-	(5.40)
	Less: Relatable (as per contra)	<u>(2,781.50)</u>	<u>(1,805.07)</u>
		<u>(2,781.50)</u>	<u>(1,810.47)</u>
		1,141.67	20.92
	Interest Accrued		
	- Considered good	292.35	108.87
	- Considered doubtful	286.58	286.58
	- Less Provision	<u>286.58</u>	<u>286.58</u>
		<u>1,434.02</u>	<u>129.79</u>

8.5 LOANS & ADVANCES

(Unsecured considered good, unless otherwise stated)

(a) Advances recoverable in cash or in
kind or for value to be received**Secured**

- Advances to Employees	0.21	-	0.69
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Unsecured

- Advances to Employees	319.55		59.22
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- Advances to Suppliers (Purchase)	269.44		133.80
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- Advances Considered Doubtful	<u>23.66</u>		<u>23.66</u>
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	293.10		157.46
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Less : Provision for Doubtful Advances	<u>(23.66)</u>		<u>(23.66)</u>
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	269.44		133.80
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- Claims / Account Receivables	108.05		16.82
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- VAT/Modvat/Service Tax/Customs	389.46		616.39
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Duty receivable

SCHEDULE - 8 : CURRENT ASSETS, LOANS & ADVANCES (Contd.....)

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
8.5 LOANS & ADVANCES		
(Unsecured considered good, unless otherwise stated)		
- Accounts receivable-Customer Fin.Projects	-	-
- Income Tax Deductions at Source	12.02	5.14
- Advance Tax paid	8,271.78	5,896.52
- Pre-paid expenses	34.30	18.51
Total (a)	<u>9,404.81</u>	<u>6,747.09</u>
 (b) Balances with Customs, Excise		
- Customs & Excise	1.12	0.82
- Others	<u>79.72</u>	<u>80.52</u>
	80.84	81.34
Total (b)	<u>80.84</u>	<u>81.34</u>
Total (a + b)	<u>9,485.65</u>	<u>6,828.43</u>
Dues from the Officers of the Company	0.07	0.10
Maximum amount due at any time during the year	0.14	0.34

SCHEDULE - 9 : CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
9.1 Current Liabilities		
Accounts payable for Equipment and Works		
(a) SSI Units	-	0.41
(b) Others	<u>708.97</u>	<u>533.45</u>
	708.97	533.86
Sundry Creditors		
(a) SSI Units	6.54	22.69
(b) Others	<u>1,839.96</u>	<u>1,605.67</u>
	1,846.50	1,628.36
Other Expenses		
(a) SSI Units	17.86	69.39
(b) Others	<u>2,345.53</u>	<u>1,213.06</u>
	2,363.39	1,282.45
Accounts payable for Employees	4,202.71	3,647.09
Taxes and Duties	230.46	208.24
Customer Financed Projects	58.55	252.52
Advances from Customers	27,925.13	23,460.00
Less : Amount Set-off against (per Contra)		
- Despatches with	<u>(2,781.50)</u>	<u>(1,805.07)</u>
Sub-contractors	25,143.63	21,654.93
Advances and Deposits - Others	1,089.43	586.19
Other Liabilities		
- Advances for Customer Financed Projects	901.56	492.52
- Other Liabilities	<u>673.38</u>	<u>673.38</u>
Total	<u><u>37,218.58</u></u>	<u><u>30,959.54</u></u>

SCHEDULE - 9: CURRENT LIABILITIES AND PROVISIONS....)

9.2 Provisions

(Rs. in Lakhs)

	Balance as at 1 st Apr. 2009	Additions during the year	Amounts used/Adj during the year	Unused amount reversed during the year	Balance as at 31 st Mar, 2010
Provision for Gratuity	17.82	-	1.20	-	16.62
Provision for Leave Encashment	776.42	281.66	-	-	1,058.08
Provision for Income Tax	5,919.13	2,353.91	-	-	8,273.04
Provision for Dividend	721.13	892.33	821.13	-	792.33
Provision for Tax on Dividend	122.56	151.65	139.56	-	134.65
Provision for FBT	107.27	-	-	-	107.27
Provision-Others	11.04	-	-	-	11.04
TOTAL	7,675.37	3,679.55	961.89	-	10,393.03

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2010

SCHEDULE - 10

Accretion / (Decretion) to Work-in-
Process and Finished Goods

	As at 31st March, 2010 (Rs. in Lakhs)	As at 31st March, 2009 (Rs. in Lakhs)
(i) Work-in-Process		
Closing Balance	19,288.14	18,992.95
Opening Balance	<u>18,992.95</u>	<u>13,376.44</u>
Total (i)	295.19	5,616.51
(ii) Finished Goods		
Closing Balance	35.90	128.45
Opening Balance	<u>128.45</u>	<u>253.36</u>
Total (ii)	<u>(92.55)</u>	<u>(124.91)</u>
Total (i + ii)	<u><u>202.64</u></u>	<u><u>5,491.60</u></u>
	Year ended 31st March, 2010 (Rs. in Lakhs)	Year ended 31st March, 2009 (Rs. in Lakhs)

SCHEDULE - 11 : OTHER INCOME

Interest Earned

- Corporate Deposits	-	-
- Bank Deposits	1,230.91	1,253.42
- Others *	394.59	6.94
Export Incentives	-	-
Income from disposal of Scrap	12.62	49.27
Liquidated Damages / Penalties	46.42	28.15
Profit on Sale of Fixed Assets (Net)	-	0.40
Write Back of Provisions	10.06	136.00
Other Miscellaneous Income	168.53	75.19
Exchange Rate variance	-	-
	<u><u>1,863.13</u></u>	<u><u>1,549.37</u></u>

*Includes Rs. 392.66 lakhs earned on advances paid to HBE Press Korea backed up by B.G. and consequential encashment of BG along with interest as per terms of contract.

	Year ended 31 st March, 2010 (Rs. in Lakhs)	Year ended 31 st March, 2009 (Rs. in Lakhs)
SCHEDULE - 12		
CONSUMPTION OF MATERIALS AND CONSUMABLES		
Raw Materials	13,566.15	14,916.49
Consumables	1,106.83	915.36
	<u>14,672.98</u>	<u>15,831.85</u>
SCHEDULE - 13		
POWER AND FUEL		
Power	877.68	915.18
Liquified Petroleum Gas	1,421.41	1,397.12
Furnace Oil, Diesel etc.,	79.05	103.43
	<u>2,378.14</u>	<u>2,415.73</u>
SCHEDULE - 14		
EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries and Wages	6,400.02	5,289.97
Contribution to Provident Fund and EPS	499.42	412.69
Gratuity	569.91	839.60
Leave Encashment	461.92	173.52
Staff Welfare Expenses (Net)	1,313.26	684.64
Leave Salary and Pension Contribution	1.50	1.86
	<u>9,246.03</u>	<u>7,402.28</u>
SCHEDULE - 15		
REPAIRS AND MAINTENANCE *		
(Excluding Salaries and Wages)		
Repairs to		
- Buildings	164.26	92.40
- Plant and Machinery	562.50	534.45
- Others	25.29	33.22
Total	<u>752.05</u>	<u>660.07</u>

* Includes Consumables and Spares Rs. 467.60 Lakh (Previous year Rs. 423.78 Lakh)

SCHEDULE - 16	Year ended 31 st March, 2010 (Rs. in Lakhs)	Year ended 31 st March, 2009 (Rs. in Lakhs)
OTHER EXPENSES		
Water Charges	63.63	63.00
Rates and Taxes	12.71	47.71
Insurance	20.23	26.95
Amortisation of Tools etc.,	-	-
Miscellaneous - Factory	11.88	15.01
Rent and Service Charges	12.44	11.68
Postage, Telephone, Telegram and Telex	52.33	36.57
Printing and Stationery	25.09	23.96
Travel Expenses (Including Directors' Travel Rs. 29.48Lakh (Previous Year Rs. 26.48 Lakh)	175.53	118.33
Directors sitting fees	-	3.20
Bank Charges	19.87	18.94
Advertisement (Tenders/Notification)	33.18	32.92
Auditors Remuneration		
- Audit Fees	2.00	1.00
- Tax Audit Fees	<u>0.50</u>	<u>0.60</u>
Legal Expenses	1.66	1.17
Miscellaneous - Administration	280.64	260.42
(Including Entertainment expenses Rs. 0.55 Lakh-Previous Year Rs. 0.52 Lakh)		
Internal Audit Fees, PF audit and other audit fees	2.62	1.62
Commission to selling agents	0.37	7.57
Publicity expenses	71.40	70.13
Miscellaneous & Selling expenses	52.98	379.55
Write off-Adv/Misc Exp/		
Claims/Interest/Liquidated Damages	395.57	327.85
Exchange Rate Variance	190.40	(2.64)
Loss on sale of Asset (Net)	-	-
	<u>1,425.03</u>	<u>1,445.54</u>

	Year ended 31st March, 2010 (Rs. in Lakhs)	Year ended 31st March, 2009 (Rs. in Lakhs)
SCHEDULE - 17		
PROVISIONS		
Provisions for		
- Doubtful Debts	-	-
- Non-moving stores/Spares / Stock Discrepancies	13.63	10.00
- DA adjustment and Others	-	-
	<u>13.63</u>	<u>10.00</u>

SCHEDULE - 18		
INTEREST		
Cash Credit	50.72	18.00
Interest - Others	1.73	0.09
Interest - Govt. Loans	103.50	-
	<u>155.95</u>	<u>18.09</u>

SCHEDULE - 19 - PRIOR PERIOD ADJUSTMENT

	Debit	Credit	Debit	Credit
Consumption of Materials etc.,	-	12.28	-	3.98
Manufacturing Expenses	-	0.96	-	0.26
Other Administrative Expenses	3.66	0.46	-	0.50
Depreciation	3.90	-	-	-
Sales	-	-	13.73	-
Total	7.56	13.70	13.73	4.74
Net		6.14		(8.99)

SCHEDULE - 20

NOTES ON ACCOUNTS ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2010.

A. BALANCE SHEET

1. Estimated amount of contracts remaining to be executed on capital account not provided for : (net of advances)

Rs.Lakhs

	Current Year	Previous Year
- Own Projects	11084.77	11808.59
- Customer Projects	3413.30	1432.93

2. Contingent Liabilities not provided for:

Rs.Lakhs

SL. No.		Current Year	Previous Year
(i)	Bank Guarantee	163.29	146.53
(ii)	Letters of Credit Outstanding	3736.59	1099.08
(iii)	Claims not acknowledged as debt	7791.52	2617.47
(iv)	Others	50.00	50.00

- 3.1 Conveyance deeds for 275 acres and 35guntas of Land acquired are yet to be executed. Out of the above, the extent of land leased to the following parties: DRDO- 35 acres and 39 guntas AP State Govt.-1 acre BDL- 1 acre, and 1.5 acres is under dispute on account of unauthorized possession by a third party.
- 3.2 Claims for reimbursement of cost for 70 acres and 23 guntas of Land transferred by DRDO not acknowledged, as various claims were made by them at different times and no final settlement has been reached.

- 3.3 Pending registration/receipt of claims no Provision has been made towards stamp Duty on conveyance deeds/conversion of Land use/property taxes/service charges (amount not ascertainable)
4. (i) As at the end of the year, Midhani is holding assets worth Rs.11688.10 Lakh (Previous year 10693.06 Lakh (including advances and Goods-in-Transit) procured under Customer Financed Projects.
4. (ii) Final adjustments have not been made to the balances against Customer Financed Projects and confirmations of Balances have not been obtained, pending Settlement of accounts.
5. In the absence of information from the Company's creditors with regard to submission of Memorandum with the specific authority, as required under Micro, Small & Medium Enterprises Development Act, 2006, the Company is unable to furnish the information under the said Act.
6. Balances in Sundry Debtors, Loans and Advances, Claims Receivables, Deposits, Sundry Creditors, Materials with contractors/sub-contractors and others are subject to confirmation and/or reconciliation.
7. Advances and Deposits - Others (Schedule-9.1) include Rs.26.30 lakh (Previous year Rs.26.30 lakh) received as "Funding under PATSER" scheme from Department of Scientific and Industrial Research (DSIR). As the project was unsuccessful the Company has sought for waiver of the refund.

8. The net deferred tax liability as at 31st March 2010 comprise of the following:

Rs.Lakhs

Particulars	As at 31 st March 2009	Charge/ Credit for the period	As at 31 st March 2010
(a) Deferred Tax Liability			
Depreciation	540.00	48.44	588.44
Total	540.00	48.44	588.44
(b) Deferred Tax Assets			
- Provisions	180.40	1.22	181.62
- Disallowances as per IT Act	263.63	96.01	359.64
Total	444.03	97.23	541.26
Net Assets/(Liabilities)	(95.97)	48.79	(47.18)

B. PROFIT AND LOSS ACCOUNT

9. Remuneration paid by the company to the Chairman & Managing Director and whole time Directors:

Rs.Lakhs

	2009-10	2008-09
Salary & Allowances	60.31	30.57
Contribution to Provident fund	5.12	2.46
Gratuity	–	3.50
Total	65.43	36.53

Sitting Fees paid To independent Directors 3.10 3.20

10. On a review, an amount of Rs. 31.24 Lakh (Previous year Rs.58.72 Lakh) has been written off as bad debts.
11. On a review an amount of Rs. 32.20 lakhs (previous year Rs. 7.49) has been written back on account of unclaimed amount by creditors.
12. Details of Research and Development expenditure included in the natural heads of accounts are as follows :

Rs.Lakhs

Sl. No.		Current Year	Previous Year
(i)	Consumption of materials	100.01	136.90
(ii)	Conversion costs	134.01	162.93
	TOTAL	234.02	299.83

13. Disclosure as per AS-20 relating to Earning Per Share:

Rs.Lakhs

Particulars	31 st March 2010	31 st March 2009
Net Profit After Tax (Rs.Lakh)	4461.66	4105.64
No.of shares	14,63,400	14,63,400
Basic and Diluted Earnings Per Share of face value of Rs.1000/-each (in Rupees)	304.88	280.55

There is no dilutive potential Equity Shares. Share Application Money of Rs. 3700 Lakh received on 31st March has not been considered above.

14.1 Disclosure relating to AS-18. Names of Related Parties:

Key Management Personnel:

- (a) **Shri M Narayana Rao**
Chairman & Managing Director
- (b) **Shri V.S.Krishna Murthy**
Director (Finance)
- (c) **Shri V.S. Verma**
Director (Prodn.&Mktg.)

14.2 Nature of Transaction : Manegerial Remuneration

Rs.Lakhs

	09-10	08-09
S/Shri		
M Narayan Rao	23.78	18.10
V.S.Krishna Murthy	21.02	5.42
V.S. Verma	20.63	-
K. Ramesh	-	13.41

15. The indications listed in paragraph 8 to 10 of Accounting Standard 28-Impairment of Assets, have been examined and on such examination, it has been found that none of the indications are present

in the case of the Company and hence no provision for a potential impairment loss is required. In respect of Titanium Tube Plant, a comparison of the estimated recoverable amount vis a vis the carrying cost indicates that there is no potential impairment loss and hence no provision is required.

16. The future minimum lease payments under non- cancellable operating lease are as under :

Rs.Lakhs

	As on 31.3.2010	As on 31.3.2009
- Not later than one year	2.54	4.13
- Later than one year and not later than five years	0.40	2.40
- Later than five years	-	-
Total	2.94	6.53

17. No provision has been made in respect of Cess payable under Section 441A of the Companies Act 1956, since no notification has been issued by the Central Government in terms of Section 441A of the Companies Act 1956.
18. The Company has been exempted by the Company Law Board from disclosing the information under provisions of Para 3 (i) (a), (3) (ii) (a) (1) and (2), 4C and 4D of PartII of Schedule VI of the Companies Act 1956 (as amended) .
19. As per the provision of the Revised Accounting Standard - 15, the following information is disclosed in respect of gratuity as per actuarial valuation as on 31.3.2010 provided by LIOGGF with whom the company has taken the Policy through its Gratuity Trust :

1	ASSUMPTION	31 MAR 2010
a)	Discount rate (per annum)	8%
b)	Salary Escalation (per annum)	3.25%
2	Table showing the changes in the present value of the Obligation as on 31 March 2010	Figures in Rs.Lakhs
a)	Present value of obligation at the beginning of the year	3283.29
b)	Interest cost	262.66
c)	Current service cost	116.59
d)	Benefits paid -Actuals	225.73
e)	Present value of obligation at the end of the year	3898.81
f)	Actuarial gain/loss	(461.99)
3	Changes in fair value of the Plan Assets	
a)	Fair value of plan assets at the beginning of the year	2578.66
b)	Expected return on plan assets	281.00
c)	Contributions	1221.23
d)	Benefits paid	225.73
e)	Actuarial gain/loss on plan assets	NIL
f)	Fair value of plan assets at the end of the year	3855.16
4	Table showing fair value of plan assets	
a)	Fair value of plan assets at the beginning of the year	2578.66
b)	Actual return on plan assets	281.00
c)	Contributions	1221.23
d)	Benefits paid	225.73
e)	Fair value of plan assets at the end of the year	3855.16
f)	Funded Status	(436.53)
g)	Excess of Actual over estimated return on plan assets	NIL
5	Actuarial Loss or Gain recognized	
a)	Actuarial Loss for the year-Obligation	461.99
b)	Actuarial Loss for the year -Plan Assets	NIL
c)	Total Loss for the year	461.99
d)	Actuarial Loss recognized	461.99

6	Amount to be recognized in the Balance sheet and Statements of P&L	
a)	Present value of the obligations at the end of the year	3898.81
b)	Fair value of plan assets at the end of the year	3855.16
c)	Funded Status	(43.65)
d)	Net Liability/Asset recognized in the balance sheet	(43.65)
7	Expenses recognized in the statement of P&L account for the year ended on 31 MAR 2010	
a)	Current service cost	116.59
b)	Interest cost	262.66
c)	Expected return on plan assets	281.00
d)	Net Actuarial (gain)/ loss recognized in the year	461.99
e)	Expenses recognized in statement of Profit and Loss	560.24

C. GENERAL

20. Work-in-process has been valued as per the Accounting Policy No. 4.6. However, Work-in-Process carried over from earlier years is valued on the basis of value as on 1st April 2009 or realizable market value during 2009-10, whichever is lower.
21. In accordance with Section 211 (3B) of the Companies Act, 1956, it is to state that in view of the confidential nature of the information pertaining to defence products, Segment Reporting (AS-17 of the Institute of Chartered Accountants of India) as required under Section 211 (3A) of the Companies Act, 1956, is not made. There is no effect on the Accounts, due to such deviation.
22. Previous year's figures have been regrouped/recast, wherever necessary, to conform to current year's classification.

As per our Report attached
For Satyam & Veerabhadra,
Chartered Accountants
(K.V. Chalamaiah)
Partner

For and on behalf of Board of Directors
M. Narayana Rao, Chairman & Managing Director
V.S. Krishna Murthy, Director (Finance)
P.V. Subba Rao, Company Secretary

Place : Hyderabad,
Date : 02-07-2010.

Place : Hyderabad,
Date : 02-07-2010.

STATEMENT OF CASH FLOW	Year ended 31 st March, 2010 (Rs. in Lakhs)	Year ended 31 st March, 2009 (Rs. in Lakhs)
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	6,766.78	6,289.65
Adjustment to reconcile net income to net cash providing by operating activities :		
Depreciation	328.59	306.92
Profit/Loss on Sale of Fixed Asset	-	(0.40)
Interest Paid	155.95	18.09
Interest Received	(1,037.40)	(1,411.91)
Write back of provisions	(10.06)	(136.00)
Write Offs	395.57	327.85
Exchange Rate Variation	190.40	
Provision for Doubtful debts/Advances/Modvat/ Non-moving stores/spares	294.09	117.49
Sub-Total	317.14	(777.96)
Operating Profit before Working Capital Changes	<u>7,083.92</u>	<u>5,511.69</u>
Adjustment for Changes in Assets and Liabilities		
(Increase) / Decrease in Sundry Debtors	(2,493.96)	(772.90)
(Increase) / (Decrease) in Inventories	(2,203.54)	(10,998.93)
(Increase) / Decrease in Other Current Assets	(2,378.89)	(413.88)
(Increase) / Decrease in Sundry Creditors	6,259.04	1,056.10
(Increase) / Decrease in Bank Borrowings	3,529.99	907.46
(Increase) / Decrease in Prov. For Tax	-	-
(Increase) / Decrease in Prov. For FBI	-	(48.79)
Sub-Total	<u>2,712.64</u>	<u>(10,270.94)</u>
C/f	9,796.56	(4,759.25)

STATEMENT OF CASH FLOW (Contd.)

	Year ended 31st March, 2010 (Rs. in Lakhs)	Year ended 31st March, 2009 (Rs. in Lakhs)
B/f	9,796.56	(4,759.25)
Cash Generated from Operations before adjustment from Other Assets		
Adjustment for Other Assets	-	-
Sub-Total		
Cash Generated from Operations	9,796.56	4,759.25
Direct Tax Paid	(2,172.10)	(1,948.92)
Sub-Total	<u>(2,172.10)</u>	<u>(1,948.92)</u>
Net Cash provided by Operating Activities (a)	<u>7,624.46</u>	<u>(6,708.17)</u>
II. Cash Flow from Investing Activities		
Purchase of Fixed Assets	745.51	(3,555.65)
Proceeds from Sale of Fixed Assets	-	1.36
Interest Received	1,037.40	1,411.91
Net Cash provided (used in) by Investing Activities (b)	<u>1,782.91</u>	<u>(2,142.38)</u>
III. Cash Flow from Financing Activities		
Interest Paid	(155.95)	(18.09)
Dividend Paid	(821.13)	(811.00)
Tax on Dividend Paid	(139.56)	(137.83)
Share Capital/Share application money Increase/Decrease	3,700.00	900.00
Net Cash provided by Financing Activities (c)	2,583.36	(66.92)

STATEMENT OF CASH FLOW (Contd.,)

	Year ended 31st March, 2010 (Rs. in Lakhs)	Year ended 31st March, 2009 (Rs. in Lakhs)
Abstract		
Net Cash provided by Operating Activities (a)	7,624.46	(6,708.17)
Net Cash provided (used in)		
by Investing Activities (b)	1,782.91	(2,142.38)
Net Cash provided by		
Financing Activities (c)	2,583.36	(66.92)
Net Increase / (decrease) in cash & cash		
equivalent during the year	<u>11,990.73</u>	<u>(8,917.47)</u>
Cash and Cash equivalent		
at the beginning of the year	12,042.27	20,959.74
Cash and Cash equivalent		
at the end of the year	<u>24,033.00</u>	<u>12,042.27</u>
	<u>11,990.73</u>	<u>(8,917.47)</u>
Components of Cash and Cash		
equivalents as at	31st March, 2010 (Rs. in Lakhs)	31st March, 2009 (Rs. in Lakhs)
Cash on Hand	3.46	1.93
With Post Office Savings Bank Account	1.40	1.40
With Scheduled Banks		
- in Current Account	1,521.83	3,032.63
- in Fixed Deposit	22,500.00	9,000.00
- in Margin Money	6.31	6.31
- in Interim Dividend A/c	-	-
TOTAL	<u>24,033.00</u>	<u>12,042.27</u>

As per our Report attached
For Satyam & Veerabhadra,
Chartered Accountants
(K.V. Chalamaiah)
Partner

For and on behalf of Board of Directors
M.Narayana Rao, Chairman & Managing Director
V.S. Krishna Murthy, Director (Finance)
P.V. Subba Rao, Company Secretary

Place : Hyderabad,
Date : 02-07-2010.

Place : Hyderabad,
Date : 02-07-2010.

BALANCE SHEET ABSTRACT AND COMPANY'S
GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

Registration Number	1660	State Code	01
Balance Sheet Date	31st March 2010		

II CAPITAL RAISED DURING THE YEAR

(Amounts in Rupees Thousands)

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amounts in Rupees Thousands)

Total Liabilities	8,318,942	Total Assets	8,318,942
Sources of Funds			
Paid Up Capital	1,463,400	Reserves and Surplus	1,275,918
Share Application Money	370,000		
Secured Loans	1,745	Unsecured Loans	442,000
Deferred Taxes	4,718	Current Liabilities	4,761,161
		& Provisions	
Application of Funds			
Net Fixed Assets	522,690	Investments	21,011
Current Assets, Loan & Advan.	7,775,241	Misc. Expenditure	-
Accumulated Losses	-		-

IV PERFORMANCE OF THE COMPANY

(Amounts in Rupees Thousands)

Turnover (Gross earnings)	3,841,143	Total Expenditure	3,164,465
Profit/ (-) Loss Before Tax	676,678	Profit/ (-) Loss after Tax	446,166
Earning Per Share in Rupees	304.88	Dividend Rate %	6.098%

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS /
SERVICE OF COMPANY

Items Code Number (ITC Code)	72240000
Product Description	: Other Alloy Steel in semi-finished forms : Special Stainless Steel MDN 172/155/250
Items Code Number (ITC Code)	81080000
Product Description	: Titanium and Titanium base Alloys - Titan 12/15/31
Items Code Number (ITC Code)	81029300
Product Description	: Molybdenum and articles thereof - Moly wire

For and on behalf of Board of Directors
M.Narayana Rao, Chairman & Managing Director
V.S. Krishna Murthy, Director (Finance)
P.V. Subba Rao, Company Secretary

Place : Hyderabad,
Date : 02-07-2010.

A. EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR 2009-10 - CAPITAL
(Rs. in Lakhs)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 1.4.2009	Additions during the year	Adj/Ded during the year	As at 31.3.2010	As at 31.3.2009	Adj/Ded during the year	As at 31.3.2010	As at 31.3.2009
Land	28.66	--	--	28.66	--	--	28.66	28.66
Township Buildings:								
- Residential	100.69	--	--	100.69	39.39	1.65	59.65	61.30
Township Buildings:								
- Non-Residential								
(a) School	44.74	--	--	44.74	12.5	0.73	31.51	32.24
(b) Hospital	1.77	--	--	1.77	0.71	0.03	1.03	1.06
(c) Sub-station buildings	1.92	--	--	1.92	0.73	0.03	1.16	1.19
Township External Services:								
(a) Water	2.44	--	--	2.44	2.36	--	0.08	0.08
(b) Electrical	7.45	--	--	7.45	7.13	--	0.32	0.32
(c) School Furniture	6.66	--	--	7.66	7.63	--	0.03	0.03
Township Roads	8.24	--	--	8.24	3.00	0.14	5.1	5.24
TOTAL	203.57	--	--	203.57	73.45	2.58	127.54	130.12
Previous Year	203.57	--	--	203.57	70.87	2.58	130.12	132.70

**B. EXPENDITURE ON SOCIAL OVERHEADS
FOR THE YEAR 2009-10 - REVENUE**

(Rs. in Lakhs)

Description	Township	School	Medical facilities Over & above those which statutorily required	Subsidies at transport	Other subsidies	Other items of welfare expenditure	Total
Salaries & Wages (including P.F. Contribution)	11.40	--	--	--	--	--	16.72
Electricity	23.82	--	--	--	--	--	11.40
Repair & Maintenance	Co.--	--	--	160.77	--	--	23.82
Payment to Transport	--	--	--	--	--	--	160.77
Subsidies (Net)	73.52	--	--	--	--	--	73.52
Reimbursement of Tuition-Fee	--	--	--	--	1.80	--	1.8
Interest Subsidy on H.B. Loans	--	--	--	--	1.17	--	1.17
Misc. expenses	--	--	--	--	--	5.55	5.55
Township Dispensary	2.58	--	2.14	--	--	--	2.14
Depreciation	--	--	--	--	--	--	2.58
Total Expenditure	54.52	73.52	2.14	160.77	2.97	5.55	299.47
Previous year	36.54	28.55	1.17	152.78	6.73	5.19	230.96
Income for Current Year	4.23	-	-	12.41	-	-	16.64
Income for Previous Year	93	--	--	5.06	--	--	8.99

MISHRA DHATU NIGAM LIMITED

(A GOVT. OF INDIA UNDERTAKING, MINISTRY OF DEFENCE)

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Website: www.midhani.com

GENERAL MANAGERS

Shri D.N. Bhatia	General Manager (Prodn.-I)
Shri A.K. Bhatia	General Manager (Prodn.-II)
Shri T.K. Chandrasekhar	General Manager (Services)
Shri B.G. Raj	General Manager (Commercial)

CORPORATE MANAGEMENT COMMITTEE (AS ON 30-09-2010)

SHRI M. NARAYANA RAO, CHAIRMAN & MANAGING DIRECTOR

Shri V.S. Krishna Murthy Director (Finance)	Shri T.B. Harikishan Rao Addl. Genl. Mgr (Mktg.)
Shri V.S. Verma Director (Prodn.&Mktg.)	Shri K. Shankar Rao Addl. Genl. Mgr (Mktg.)
Shri P. Ravi Chief Vigilance Officer	Dr. H.V. Kiran Addl. Genl. Mgr (QCL)
Shri D.N. Bhatia General Manager (Prodn.-I)	Shri A.K. Ghosh Dy. Genl. Mgr (U&SS)
Shri A.K. Bhatia General Manager (Prodn.-II)	Shri S. Sen Dy.Gen.Mgr (F&A)
Shri T.K. Chandrasekhar General Manager (Services)	Shri K.Siva Subramanian Dy.Gen.Mgr (P-III)
Shri B.G. Raj General Manager (Comml.)	Shri S.K. Dwivedi Sr. Manager (Tech.Coord.)
Shri P. Sarkar Addl. Genl. Mgr (MS)	Shri P. V. Subba Rao Company Secretary

COMMERCIAL OFFICES

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<p>STATUTORY AUDITORS M/s Satyam & Veerabhadra Chartered Accountants, Hyderabad</p>	<p>BANKERS Andhra Bank, HDFC Bank State Bank of India State Bank of Hyderabad</p>

