

ANNUAL REPORT

2010-2011



MISHRA DHATU NIGAM LIMITED

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

REGISTERED OFFICE & WORKS :
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Shri M.M. Pallam Raju, Hon'ble Raksha Rajya Mantri, Ministry of Defence, seen laying Foundation stone for establishing dedicated plant for production of high quality fasteners made up of Titanium and Titanium alloys and Special Steels during his visit to MIDHANI on 25-06-2011. Also seen Shri M. Narayana Rao, C&MD, Midhani.



CHAIRMAN'S MESSAGE

It is a pleasant privilege for me to present the financial performance of the Company during the financial year 2010-'11 and the anticipated scenario in the years to come.

2. The performance over the years has been quite encouraging and gives every support to achieve higher echelons of growth, self sufficiency in extending critical materials support to the strategic sectors of our country.
3. The prestigious Modernisation & Up-gradation program taken up by the company in recent times has reached final stages of completion promising a major boost in the operations of the company taking the turnover level up to Rs. 600 Cr. in the current year and to attain a level of Rs.1,000 Cr. by 2015. The year 2010-'11 ended with an impressive sales turnover of Rs.418Cr.(approx.), VoP of Rs.485Cr., PBT of Rs.75.18Cr. and PAT of Rs.50.42Cr. MIDHANI's commitment towards growth, encouraged it to conclude



MIDHANI signed an MoU with Steel Authority of India Limited (SAIL) on 16-06-2011 for synergizing and utilizing its' competencies towards forward integration. Shri C.S. Verma, Chairman SAIL and Shri M. Narayana Rao, C&MD, Midhani are present on the occasion.

MoUs with Steel Authority of India Limited (SAIL) and Goa Shipyard Limited (GSL) for synergizing and utilizing the competencies of these organisations towards forward integration.

4. MIDHANI's continuous search for new products, technologies, applications and markets enabled it to move forward on growth path thereby ensuring **CUSTOMER DELIGHT**. The in-house Research & Development setup has been planned to strengthen further to groom skilled manpower with expertise in State-of-Art technologies, which can act as backbone of MIDHANI for achieving sustained development over the years.
5. The Company continued to attach highest importance to put in place the best systems and practices of **"CORPORATE GOVERNANCE"** in all its spheres of activities. A detailed report on compliance of applicable guidelines on Corporate Governance issued by Department of Public Enterprises, has been furnished as a part of Directors' Report. As a good **"Corporate Citizen"**, MIDHANI continues to attach highest importance for the well being of the society, environment and the economy in which it operates.
6. I, on my behalf and on behalf of the Board of Directors of MIDHANI, take this opportunity to extend sincere thanks to one and all who have associated with and contributed to the sustained development of the company over the years more particularly to Ministry of Defence, Dept. of Def. Prodn, other Govt. Depts, Institutions, Agencies, Customers, Suppliers and all sections of employees and their Associations and Union.



(M. NARAYANA RAO)
CHAIRMAN & MANAGING DIRECTOR

BOARD OF DIRECTORS



Shri Gyanesh Kumar
Joint Secretary
(Naval Systems)



Shri P. K. Kataria
Addl. F.A (K) & JS)
(Permanent Spl. Invitee)
(w.e.f 28.04.2011)



Shri G. Malakondaiah
Director (DMRL)



Shri P. K. Mishra
Addl. F.A (M) & JS)
Permanent Spl. Invitee
(upto 28.04.2011)



Shri V.S. Krishna Murthy
Director (Finance)



Shri M. Narayana Rao
Chairman & Managing Director



Shri V. S. Verma
Director (Prod. & Mktg.)
(upto 31.08.2011)



Mrs. Indu Liberhan
Director
(w.e.f 09.12.2010)



Dr. Dipankar Banerjee
Director
(w.e.f 09.12.2010)



Dr. Kota Bhanushankara Rao
Director
(from 27.04.2011)



Shri R. K. Mishra
Director
(upto 31.10.2010)



Dr. (Mrs.) B. Kinera Murthy
Director
(upto 31.10.2010)



Shri P. Ravi, IPS
Chief Vigilance Officer



Shri P. V. Subba Rao
Company Secretary

GENERAL MANAGERS



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



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



Shri A.K. Bhatia
General Manager
(Prodn.-II)
(upto 31.03.2011)



Shri T.K. Chandrasekhar
General Manager
(Services)
(upto 31.03.2011)

MEMBERS OF CORPORATE MANAGEMENT COMMITTEE

(As on 31-8-2011)

SHRI M. NARAYANA RAO, CHAIRMAN & MANAGING DIRECTOR

| | |
|--------------------------|---------------------------------|
| Shri V.S. Krishna Murthy | Director (Finance) |
| Shri V.S. Verma | Director (Prodn.&Mktg.) |
| Shri P. Ravi | Chief Vigilance Officer |
| Shri D.N. Bhatia | General Manager (Prodn.) |
| Shri B.G. Raj | General Manager (Comml.) |
| Shri P. Sarkar | Addl. Genl. Mgr (MS) |
| Dr. H.V. Kiran | Addl. Genl. Mgr (Mktg.) |
| Shri K. Shankar Rao | Addl. Genl. Mgr (Eng. Services) |
| Shri K. Rambabu | Addl. Genl. Mgr (Prod.-I) |
| Shri M.S. Chalapathy | Addl. Genl. Mgr (Prod.-II) |
| Shri K.Siva Subramanian | Addl. Genl. Mgr (Prod.-III) |
| Shri P. Mukhopadhyay | Addl. Genl. Mgr (QC) |
| Shri K.R. Acharya | Addl. Genl. Mgr (QCL) |
| Shri A.R. Ghatak | Addl. Genl. Mgr (PPC) |
| Shri V.V.R.S. Sharma | Addl. Genl. Mgr (AMD) |
| Shri R.N. Ray | Addl. Genl. Mgr (Prg. & Dev.) |
| Dr. M. Chatterjee | Addl. Genl. Mgr (R&D) |
| Shri A.B. Naidu | Addl. Genl. Mgr (HR) |
| Shri M.S. Ray | Addl. Genl. Mgr (F & A) |
| Shri A.K. Ghosh | Dy. Genl. Mgr (U&SS) |
| Shri T.V. Rao | Dy. Genl. Mgr (ER) |
| Shri G.V.R. Murthy | Dy. Genl. Mgr (QC) |
| Shri D. Giri | Dy. Genl. Mgr (Tech.Coord.) |
| Shri P. V. Subba Rao | Company Secretary |

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10 YEARS AT A GLANCE

Rs. in Lakhs

| Sl. No. | ITEM | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 |
|---------|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1 | Sales(tonnage) | 1489 | 1975 | 1088 | 1337 | 1215 |
| | Sales (Value) | | | | | |
| | ..To customers | 8,710.35 | 7,486.41 | 9,562.63 | 11,190.78 | 13,926.20 |
| | ..Despatch to sub-contractors | 1,713.30 | 1,648.76 | 2,949.96 | 1,936.23 | 1,362.92 |
| | Total | 10,423.65 | 9,135.17 | 12,512.59 | 13,127.01 | 15,289.12 |
| 2 | Value of Production(inclg.ED) | 10,717.41 | 9,350.23 | 11,641.88 | 14,166.73 | 17,759.69 |
| 3 | Cash Profit/Loss(-)* | 396.82 | -32.85 | 908.62 | 1,385.47 | 2,036.80 |
| 4 | PBT | 38.67 | (226.42) | 756.97 | 1,152.97 | 1,841.82 |
| 5 | Net Profit/Loss (-)** | 8.95 | -236.07 | 690.15 | 687.08 | 1,180.78 |
| 6 | Value Added | 7,160.95 | 6,768.64 | 9,082.89 | 9,697.49 | 10,112.80 |
| 7 | Value added per employee | 5.54 | 5.26 | 7.06 | 7.34 | 7.67 |
| 8 | Paid up Capital | 13,734.00 | 13,734.00 | 13,734.00 | 13,734.00 | 13,734.00 |
| 9 | Gross Block | 12,900.45 | 13,054.68 | 13,138.93 | 13,115.61 | 13,270.84 |
| 10 | Net Fixed asset | 2869.35 | 2831.35 | 2789.45 | 2583.94 | 2555.10 |
| 11 | Net current asset | 11224.44 | 10880.68 | 11036.09 | 11777.69 | 12826.29 |
| 12 | Capital employed(10+11) | 14,093.79 | 13,712.03 | 13,825.54 | 14,361.63 | 15,381.39 |
| 13 | Equity | 13734.00 | 13734.00 | 13734.00 | 13734.00 | 13734.00 |
| 14 | Reserves | -385.77 | -507.90 | 236.59 | 766.79 | 1695.16 |
| 15 | Net Worth(13+14) | 13,348.23 | 13,226.10 | 13,970.59 | 14,500.79 | 15,429.16 |
| 16 | Contribution to Exchequer | 2,029.00 | 1,863.00 | 2,031.00 | 2,418.00 | 2,671.00 |
| 17 | No.of employees (Fig. in Nos.) | | | | | |
| | ..Executives | 256 | 256 | 256 | 265 | 270 |
| | ..Non executives | 1,037 | 1,031 | 1,030 | 993 | 985 |
| | ..Non unionised supervisors | | | | 6 | 64 |
| 18 | Productivity per employee | 8.29 | 7.27 | 9.05 | 10.72 | 13.46 |

Note:- While calculating Net worth and Capital employed for the year 2010-11, Rs.39.08 crore received on account of Equity and Rs.39.08 crore towards loan totalling Rs.78.16 crore from Ministry has not been considered as the amount was received on 31st March 2011.

10 YEARS AT A GLANCE

Rs. in Lakhs

| Sl. No. | ITEM | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 |
|---------|--------------------------------|-----------|-----------|-----------|-----------|-----------|
| 1 | Sales(tonnage) | 1262 | 1919 | 1908 | 2429 | 3014 |
| | Sales (Value) | | | | | |
| | ..To customers | 17,256.58 | 23,111.71 | 27,142.74 | 31,482.89 | 33,062.14 |
| | ..Despatch to sub-contractors | 1,993.18 | 2,389.30 | 3,768.49 | 5,638.10 | 8,724.63 |
| | Total | 19,249.76 | 25,501.01 | 30,911.23 | 37,120.99 | 41,786.77 |
| 2 | Value of Production(inclg.ED) | 22,388.49 | 29,640.17 | 36,402.83 | 37,323.63 | 48,545.58 |
| 3 | Cash Profit/Loss(-)* | 3,768.16 | 5,737.67 | 6,605.56 | 7,085.33 | 7,955.19 |
| 4 | PBT | 3,559.04 | 5,494.68 | 6,289.65 | 6,766.78 | 7,518.14 |
| 5 | Net Profit/Loss (-)** | 2,318.01 | 3,548.93 | 4,114.63 | 4,455.52 | 5,090.02 |
| 6 | Value Added | 13,016.50 | 17,652.62 | 21,486.34 | 23,757.48 | 28,877.73 |
| 7 | Value added per employee | 10.16 | 13.97 | 17.48 | 19.95 | 25.76 |
| 8 | Paid up Capital | 13,734.00 | 13,734.00 | 14,634.00 | 14,634.00 | 18,334.00 |
| 9 | Gross Block | 13,340.11 | 13,810.98 | 14,228.28 | 15,454.37 | 17,693.55 |
| 10 | Net Fixed asset | 2438.47 | 2667.90 | 2779.32 | 3676.82 | 5,526.39 |
| 11 | Net current asset | 14602.87 | 16767.00 | 18485.64 | 22757.42 | 22,494.42 |
| 12 | Capital employed(10+11) | 17,041.34 | 19,434.90 | 21,264.96 | 26,434.24 | 28,020.81 |
| 13 | Equity | 13734.00 | 13734.00 | 14634.00 | 14634.00 | 18,334.00 |
| 14 | Reserves | 3474.21 | 6196.54 | 9341.50 | 12759.18 | 15,461.46 |
| 15 | Net Worth(13+14) | 17,208.21 | 19,930.54 | 23,975.50 | 27,393.18 | 29,887.46 |
| 16 | Contribution to Exchequer | 4,405.00 | 5,483.00 | 6,651.00 | 6,295.00 | 7,956.10 |
| 17 | No.of employees (Fig. in Nos.) | | | | | |
| | ..Executives | 250 | 249 | 249 | 255 | 258 |
| | ..Non executives | 905 | 862 | 837 | 775 | 685 |
| | ..Non unionised supervisors | 126 | 153 | 143 | 161 | 178 |
| 18 | Productivity per employee | 17.48 | 23.45 | 29.62 | 31.34 | 43.31 |

Note:- While calculating Net worth and Capital employed for the year 2010-11, Rs.39.08 crore received on account of Equity and Rs.39.08 crore towards loan totalling Rs.78.16 crore from Ministry has not been considered as the amount was received on 31st March 2011.

NOTICE OF THE 37th ANNUAL GENERAL MEETING

Notice is hereby given that the 37th Annual General Meeting of **MISHRA DHATU NIGAM LIMITED** will be held at 1100 hours on Tuesday, the 20th day of September, 2011 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, 2011 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, 2011.

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.27.02.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 : 22.08.2011

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, 2011, and the Profit and Loss Account for the year ended on that date along with all documents required to be annexed and attached there to 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 2010-2011 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 2010-2011 has resulted in a distributable Profit of Rs. 50.42Cr; the Board of Directors have recommended to transfer a sum of Rs. 27.02 Cr. to the General Reserves of the Company, after appropriating a sum of Rs. 20.00 Cr. towards payment of Final Dividend (including interim Dividend of Rs. 2.00 Cr.) and Rs. 3.40 Cr. towards tax on Dividend, for the financial year ended on 31st March, 2011 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. 27.02 Cr. 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 : 22.08.2011



DIRECTORS' REPORT

The Members Mishra Dhatu Nigam Limited,

Dear Members,

On behalf of the Board of Directors, I have immense pleasure in presenting the 37th Annual Report on the performance and achievements of your company for the year ended on 31st March, 2011 together with Audited Statement of Accounts, Auditors' Report and Financial highlights.

1.0 SIGNIFICANT ACHIEVEMENTS DURING THE YEAR UNDER REPORT WERE:

- ❖ **HIGHEST** ever achieved Sales Turnover was Rs. 418Cr. (more than double over a period of 5 years) and an increase of around 13% over the previous year;
- ❖ **HIGHEST** VoP of Rs. 485 Cr. registering an increase of around 29% over the previous year;

- ❖ **LAYING FOUNDATION STONE** by Shri AK Antony, Hon.ble Raksha Mantri, Ministry of Defence, symbolizing the start of a GOLDEN ERA of major Expansion & Modernisation in MIDHANI including inauguration of Indigenously built ESR furnace;
- ❖ **LAYING FOUNDATION STONE** by Shri M M Pallam Raju, Hon'ble Raksha Rajya Mantri, Ministry of Defence, for establishing dedicated plant for production of high quality fasteners made up of Titanium and Titanium alloys and Special Steels;
- ❖ **SUCCESSFUL COMMISSIONING** of critical equipment like 10 MT Vacuum Arc Re-melting Furnace;
- ❖ **SUCCESSFUL INNOVATION** in building up and bringing into operation, with in-house expertise & experience, at most possible economical cost:
 - ◆ *A 10 T Electro Slag Refining Furnace;*
 - ◆ *Two Electric Discharge-cutting machines*
- ❖ **COMPLETION OF PROCUREMENT ACTIVITY** for critical equipment, indicating commencement of new era of operations in MIDHANI i.e.
 - ◆ *6000 MT Forge Press,*
 - ◆ *20 MT Elec. Arc Furnace (VD/VOD)*
 - ◆ *Radial Axial Ring Rolling Mill*
- ❖ **CRYSTALLIZING** the proposal to acquire **State-of-Art equipment** i.e. 4 Hi-Wide plate rolling Mill and 20T Elec. Arc. Furnace /VD/VOD Melting Furnaces and **tying up**, financial support to the tune of Rs. 507 Crores from M/s ASL (DRDO) & OFB.

- ❖ Declaring “**GO-LIVE**” for an **IT** enabled solution i.e. Enterprise Resource Planning(ERP), for integrating all functional areas of operation in the Company.
- ❖ Receiving “**MoU Excellence Award**” from **Hon’ble Prime Minister of India Dr. Manmohan Singh, in respect of the year 2008-09** in the Mining and Metal sector.
- ❖ Winning of “**Hindustan Zinc Gold Medal**” instituted by Indian Institute of Metals, by one of the General Managers of MIDHANI for his contributions towards the development of Titanium processing for Non Ferrous Metallurgical industries.
- ❖ “**EXCELLENT**” performance during the year under report, as per criteria under MoU with Govt. of India for the “**EIGHTH**” year in succession.
- ❖ **REMAINED** as 23rd Profit Making and 8th Dividend paying year.
- ❖ **COMFORTABLE** order book position to the tune of Rs. 726 Cr. as on 01.04.2011.
- ❖ **BUILT UP** of Internal Reserves to the tune of Rs.154.61Cr. with a view to ploughing them back for creating contemporary State-of-Art technologies and capacities to meet challenges of the year 2020.

2.0 HIGHLIGHTS OF PRODUCTION & SUPPLIES

- ❖ Turnover increased to Rs. 417.87 (3,014 MT) as compared to Rs. 371.21 Cr. (2,429MT) during the previous year, thus registering a growth of about 13% value wise;

- ❖ Titan 31 satellite rings have been developed and supplied to Indian Space Research Organisation for the first time.
- ❖ Completion and put into operation of existing Roller Hearth Furnace after revamping.
- ❖ **MIDHANI** was the first to get clearance from Nuclear Power Corporation of India Limited (NPCIL) for supply of end fitting forging components required for the 700 MW PHWR (Pressurised Heavy Water Reactors) being set up by NPCIL.
- ❖ For the first time developed and supplied Titan 32 forged and machined bars for Ship Building Centre (SBC), Vishakapatnam.

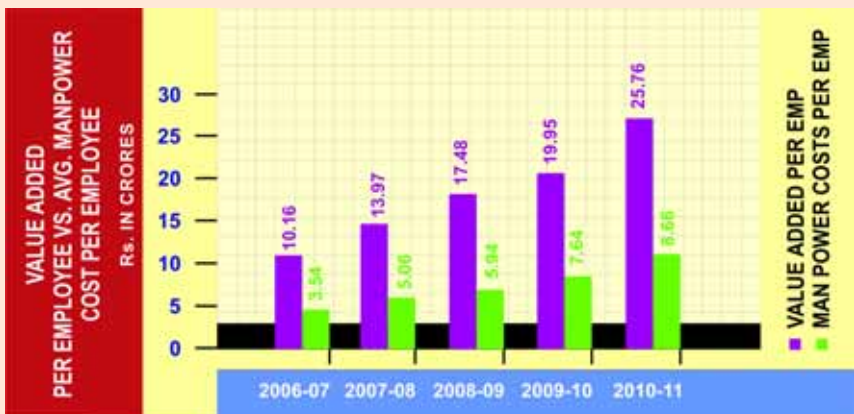
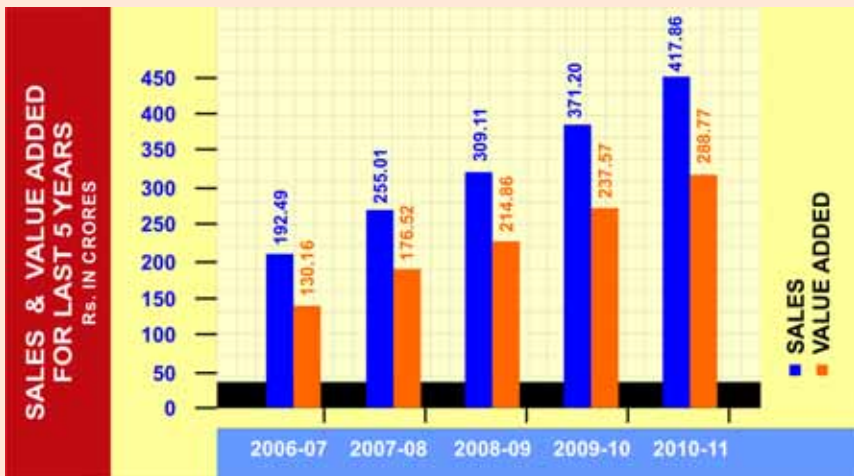
▣ **Under taking of Innovative measures in the area of enhancing the production capabilities include:**

- ▲ Indigenously designed and built two large capacity Electrical Discharge Sawing Machines (EDS) one for cutting 650 mm diameter solid blooms, and another for 1000 mm diameter thereby saving the Company approximately Rs. 2.40 Cr.



**Indigenously
Fabricated
Electric
Discharge
Sawing (EDS)
Machine.**

- ▲ In-house manufacture of 350 mm dia Band saw resulted in saving of around Rs.10 Lakhs.
- ▲ Completion of planning activity to indigenously manufacture one more Vacuum Arc Melting Furnace with in-house experience and expertise.
- ▲ In-house manufacture of 4 No.650 mm dia EDS Cutting Machines to gear up for extra cutting load due to three fold increase in production of Primary melting Electrodes.





3.0 FINANCIAL HIGHLIGHTS:

- 3.1 The Company has earned a Gross Margin of Rs. 79.07 Cr. and a Profit before Tax of Rs. 75.18 Cr. during the year 2010-'11 as compared to Rs. 70.91 Cr. and Rs. 67.67 Cr. in the previous year respectively. The Profit After Tax for the year stands at Rs. 50.42 Cr. as against Rs. 44.62 Cr. in the previous year, thus surpassing all the previous years' records.
- 3.2 The surplus available for appropriations would be Rs. 50.42 Cr. as against Rs. 44.62 Cr. in the previous year which would enable the Company to declare an Interim Dividend and a final dividend aggregating to Rs.20.00Cr.as against Rs. 8.92 Cr. in the previous year.
- 3.3 During the year under report, the Authorized Share Capital of the Company remained un-altered. At the beginning of the Financial Year 2010-'11, there has been infusion of fresh Share Capital by Govt. of India, Dept. of Def. Prod. to the tune of Rs. 37 Cr. towards Govts. contribution for procuring critical equipment like 6000 T Forge Press and 10T ESR. Accordingly, the Issued, Subscribed and Paid-up Share Capital has gone up, during May, 2010, 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. The Paid -up Share

Capital of the Company thus stood at Rs. 183.34 Cr. on 31.03.2011.

- 3.4 Your Company has achieved all the financial and operational targets set out for the year 2010-'11. The high lights are as under

(Rs. in lakhs)

| Particulars | 2010-2011 | 2009-2010 |
|------------------------------------|------------------|-----------|
| Sales (Less returns) | 41,787 | 37,121 |
| Other Income | 1,906 | 1,863 |
| Value of Production (Excluding ED) | 47,547 | 36,558 |
| Depreciation | 389 | 325 |
| Interest | 679 | 156 |
| Profit (before tax) | 7,518 | 6,767 |
| Profit (after tax) | 5,042 | 4,462 |

Ratios (Percentages)

| | | |
|---------------------------------------|--------|--------|
| Profit Before Tax to Capital employed | 26.83 | 27.47 |
| Profit Before Tax to Sales | 17.99 | 18.16 |
| Profit After Tax to Net Worth | 16.87 | 16.84 |
| Profit After Tax to Paid-up Capital | 27.50 | 30.49 |
| Sales to Capital Employed | 149.13 | 151.30 |
| Sales to Gross Block | 236.17 | 241.16 |
| Per capita Sales (Rs. Lakh) | 37.28 | 31.29 |

3.5 DIVIDEND AND TRANSFER TO GENERAL RESERVE

- 3.5.1 The Directors are pleased to recommend a Final Dividend @ 10.91% of the paid up Share capital of Rs.183.34 Cr. amounting to Rs. 20.00 Cr. as against 6.10% aggregating to Rs. 8.92 Cr. in

the previous year. Further an amount of Rs 3.40Cr. will be paid as Dividend Tax including surcharge as against Rs.1.52 Cr.in the previous year. The rate of Dividend works out to Rs.109.09 per Equity Share of Rs. 1000/- on 18,33,400 Equity Shares, as against Dividend of Rs. 60.95/- per Equity Share on 14,63,400 Shares in the previous year. MIDHANI has also declared an Interim Dividend of Rs. 2.00 Cr. for the Financial year 2010-'11, adjustable in the Final Dividend declared in the ensuring Annual General Meeting.

- 3.5.2 The Directors are happy to inform that a sum of Rs. 27.02 Cr. have been Transferred to General Reserves of the Company after Provision for payment of Dividend as above as against previous year's transfer of Rs. 34.18 Cr.; thereby accumulating the Reserve to the tune of Rs. 154.61 Cr.

4.0 PERFORMANCE AGAINST MoU

- 4.1 MIDHANI received the prestigious "MoU Excellence Award" for the year 2008-'09 in the Mining and Metal sector of Department of Public Enterprise from Hon'ble Prime Minister Dr. Manmohan Singh on December 15, 2010 at a glittering ceremony held at Vigyan Bhavan, New Delhi.
- 4.2 For the year 2010-'11 MIDHANI's performance has been ranked as "EXCELLENT" under various Performance Parameters as against previous year score of 1.43.
- 4.3 For the year 2011-'12, MIDHANI signed an MoU with Govt. of India to achieve an annual sales target of Rs. 460 Cr. with a gross margin of Rs.88.06. Cr. under Excellent criteria. All efforts would be made to achieve the target.

5.0 MODERNISATION & UP-GRADATION PROGRAM AND IMPLEMENTATION OF CORPORATE PLAN-2020 OF THE COMPANY.

- 5.1. MIDHANI has taken multifarious approach to become one of the global players in the production of Special Steels, Stainless Steels, Superalloys, Titanium alloys and many other Strategic alloys for different strategic and industrial sectors of our Country. Along with identifying new projects for development of new alloys, new processes, supply of finish components in place of semis and mill forms, new applications for the existing products, efforts were also made for augmenting, expanding and revamping in-house production facilities with full support from Govt. as well as from our esteemed customers. MIDHANI, being not designed initially to cater to large scale operations, the ploughing back of profits for investment being meager, phase - wise development strategy was adopted and the same has been yielding results.
- 5.2 The Phase - I, envisaged a revamping and Upgradation program with an investment of around Rs. 151 Cr. was completed - the substantial funding thereof coming from major Customers and internal resources of the Company.

5.2.1 Some Major equipments commissioned under this phase were:

- ❖ 6.5 MT Vacuum Induction Melting Furnace (VIM), 600 Kg Vacuum Induction Furnace, Gas fired Roller Hearth Furnace with hot & cold roller levellers, Water Jet Cutting Machine. The Electric discharge-cutting machines built with in-house innovation was also put in operation;

- ❖ Equipment like 10 T Vacuum Arc Re-melting (VAR) Furnace, supplied by M/s ALD Germany, meant for requirements of Space, went into Trial Production in the last week of March, 2011.
- ❖ Electron Beam Melting Furnace (100KW and 300KW) is at an advanced stage for order placement.
- ❖ The Erection of Radial Axial Ring Rolling Mill to be procured from M/s Stork International GmbH, Austria (Manufacture:M/s Uralmash plant OJSC, Russia) at a cost of Rs. 24 Cr., is expected to be completed in Sep/Oct '11 and commissioning by March, '12. Action has already been initiated for civil foundation and other related works in this direction.

Major Up-gradation activities completed under this phase include;

- ❖ revamping of 1500 MT Forge Press;
- ❖ Modernisation of 2.2 MT Vacuum Induction Melting Furnace (VIM) with PLC Control, Data logging system and Inverter Power Supply;
- ❖ Replacement of Steam ejector with mechanical Vacuum Pumping System in 5T Vacuum Induction Refining Furnace(VIR);
- ❖ Modernisation of 5 MT Electric Arc Furnace with Automatic Pulse Jet Cleaning Fume Extraction System;
- ❖ Modernisation of 5 MT Vacuum Arc Re-melting Furnace (VAR), 10 MT Vacuum Arc Re-melting Furnace (VAR-I) and Electro Slag Refining Furnace with PLC Control, Automatic Process Controller and Data Logging System;

- ❖ Installation & Commissioning of Band-saw cutting machine 800 dia Thread Rolling Machine, Universal Testing machine, NH22-2000 Lathe Machine.

5.2.2 Among the revamping activities undertaken/completed during the year, the prominent were;

- ❖ Overhauling of Bar Mill of HRM; Changing of drives of Bar and Wire Rod Mill of Hot rolling Mills from old DC drives to latest variable control AC drives;
- ❖ Changing of drive of strip mill and plate mill of HRM;
- ❖ Revamping of Vacuum Chamber Stringer Rod, pivoting column and vacuum seals of VAR-I furnace of Titanium Shop;
- ❖ Revamping of reheating furnace of Forge Shop through replacing brick work with high temperature ceramic blankets to reduce breakdown due to collapsing of bricks to make the furnaces more fuel-efficient

5.3 The Phase-II of modernisation envisaged with a capital outlay of Rs. 200 Cr. intended to enhance the capacity utilization of the Company, is at an advanced stage of implementation, with the funding support of Ministry of Defence to the extent of Rs. 100Cr. and the balance from internal generations. The critical equipment under this phase was : 6000 MT open die four column oil hydraulic forge press with a 20 MT rail bound manipulator - a State-of-Art equipment intended to enhance the forging capacity of MIDHANI. The Press is expected to be operationalised during the year 2013-'14. Activities for auxiliary facilities required for the press have already been planned.

The 10 T ESR facility envisaged under this phase has been completed and brought into commercial operation during the year under report.

5.4.0 The Phase - III of Modernisation: MIDHANI has embarked on a major expansion plan to acquire balancing equipment with an investment of Rs.507Cr. under this phase to cater to the requirements of Armored Vehicles of OFB and for supply of input materials like Barrel materials, jackal armor plates of 4 mm & 7 mm thick extra wide plates and other ultra high strength steel plates to sectors like Space, Atomic Energy, etc. The rolling & support facilities to undertake this range of products presently being available in the country are resulting in huge loss of expensive material besides time consuming thereby resulting in delayed deliveries. Hence the facility added under this phase would **improve Self Reliance in the area of Production of Strategic Materials.**

ANNUAL REPORT 2010-2011



Hon'ble Defence Minister Shri A.K.Antony laying the foundation stone for MODERNISATION of MIDHANI. Also seen are Shri R.K. Singh, the then Secretary Defence Production and Shri M. Narayana Rao, C&MD, Midhani.

- ❖ Contract signed for supply of 20 MT Electric ARC furnace with VD/VOD facility funded by Ordnance Factory Board (OFB) with M/s Sarralle and the supply of the equipment is expected during later part of 2012.
- 5.4.1 Your Directors feel extremely happy to take note that the required in-principle approvals for creating the above facilities were obtained and earmarking of funds was already made during the year under report. As per the present estimates, it is expected that the turnover of the Company would reach a level of Rs. 1000 Cr by the year 2016.

6.0 FUTURE OUTLOOK

- 6.1 MIDHANI is looking forward to undertake several diversified projects/ programs to enhance its Corporate Mission and to discharge its long term goals. Its future outlook include the attainment of an ambitious production level of about 15,000 Tonnes/year in about a time frame of 3 years when compared to the present level of 2900 MT / year.

6.2. Fasteners Plant

- 6.2.1 As a part of efforts to develop new products, MIDHANI has taken up required steps for setting up a full-fledged Fastener Plant to cater to the requirements of high quality fasteners made up of Titanium and Titanium alloys and Special Steels.
- 6.2.2 Shri M M Pallam Raju, Hon'ble Raksha Rajya Mantri, Ministry of Defence, has laid foundation on 25th June, 2011 at MIDHANI factory for establishing dedicated plant for the purpose and for construction of building to house precision equipment.

7.0 ENTERPRISE RESOURCE PLANNING (ERP)

- 7.1 MIDHANI has implemented an Enterprise Resource Planning (ERP) Package Oracle - EBS R12 with Administrative Staff College (ASCI) as consultant and M/s Price Waterhouse Coopers (PWC) as implementation partners. MIDHANI has declared **GO-LIVE** for **Phase-I** of the ERP project for modules like HRMs, ESS and payrolls on provisional basis on 27.05.2009 and for **Phase-II** consisting of balance modules consisting of Order Management, Maintenance, Purchase, Production Planning, Quality, Inventory, Finance and Costing on 06.09.2010.
- 7.2 Presently the system is under stabilization and pending Go-live acceptance. Few issues affecting the process are under resolution by M/s PWC and M/s Oracle Corporation. It is envisaged that real time transactions can be carried out in the system during the Financial year 2011-12.

8.0 LABOUR PRODUCTIVITY

- 8.1 The Direct Labour Productivity, in terms of value added per direct worker, stood at Rs. 67.16 Lakh as compared to Rs. 61.55 Lakh during the previous year. The value added per employee was Rs. 25.76 Lakh as compared to Rs. 19.95 Lakh in the previous year.



9.0 AWARDS:

- 9.1 Shri D N Bhatia, General Manager, MIDHANI received the "Hindustan Zinc Gold Medal" award by Indian Institute of metals for his contributions towards the development of Titanium processing for Non ferrous Metallurgical industries in November, 2010.
- 9.2 MIDHANI executive Shri N. Michal Praveen received the Society of Defence Technologists (SODET) Award for Technology in Bronze Category for the year 2009-10 on December, 23, 2010 at Hyderabad for his contribution towards indigenous development, fabrication and manufacture of various types of machines, jigs, fixtures, toolings etc.

10.0 CAPACITY UTILIZATION

- 10.1 The production levels during the year 2010-'11 have exceeded the capacity levels fixed as on date, as compared to 89% in the previous year. The value of import content in the total material cost was 87% as against 77% in the previous year.

11.0 OPERATIONAL EFFICIENCY

- 11.1 "Excellent" performance in the matter of recycling of reclaimed material from production process was to the extent of 29% (1,863 MT) obviating the use of virgin raw materials worth Rs.38.68 Cr. as against 33% (1,682 MT) of such material worth Rs. 30.85 Cr in the previous year.

11.2 Development of new products through R&D efforts during the year 2010-'11 include :

- ⦿ Directional solidified C247A turbine blades for aero engine
- ⦿ Ferritic Martensitic T92 for Nuclear application
- ⦿ Nickel based superalloy C214 for nuclear applications (IGCAR)
- ⦿ Nickel based superalloy Superni 617 for nuclear applications
- ⦿ Special stainless steel for space application.

11.3 In-house manufacture of two Electric Discharge machine one 1,000 mm and other 650 mm resulting in savings to the extent of Rs. 2.40 Cr.

11.4 In-house manufacture of 350 mm dia Band saw resulted in saving of Rs.10 Lakhs.

11.5 8 National and 1 International Technical papers were presented at various seminars by MIDHANI engineers during the year under report.

12.0 ENERGY CONSERVATION

12.1 During the year under report, strenuous efforts were made to keep energy consumption levels at minimum by under taking strict periodic scrutiny and developing internal bench marks. Routine safeguards like periodical maintenance of refractory and burner blocks, prompt repairs to re-heating furnaces, measurement and monitoring the use of oxygen during melting, reduction of heat cycle time, compact charging, use of proper scrap mix etc., were of utmost importance.

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

| S.No | ITEM | Units | 2010-11 | 2009-'10 |
|------|---|----------------------|--------------|--------------|
| 1 | Total consumption of Electricity: | KWH | 366.88 Lakhs | 328.56 Lakhs |
| 2 | Total consumption of LPG | MT | 4,057 | 3,863 |
| 3 | Specific Consumptions - - Electricity Per MT of Prod.: | KWH / MT(Prod.) | 2,332 | 2,682 |
| | - LPG per MT of Prod. | MT(LPG) / MT (Prod.) | 0.26 | 0.32 |

13.0. MARKETING & BUSINESS DEVELOPMENT

13.1 MIDHANI had a comfortable Order Booking position during the year 2010-'11 despite several adverse factors like heavy pressure on selling prices on account of tough competition from overseas suppliers and also steep and sudden fall in imported raw material prices. The cumulative orders on hand at the beginning of the year for 2011-'12 was of the order of Rs.725 Crores and about Rs.415 Crores orders were booked during the year 2010-'11. Long term tie up and business agreements to supply high value and value added products were also made during the year which enabled the Company to achieve a higher order book. During the year 40 new customers joined MIDHANI's clientele.

13.2 **The prominent sectors contributing to such major order book were:** Defence to the extent of 53%; 17% from Space; 13% from Atomic Energy and 17% from other sector. As such the order

Book from Strategic Sectors in aggregate accounted for 83% which was similar to that of earlier year.

- 13.3 During the year under report the Order Booking from sectors like Space, Atomic Energy, Defence was quite encouraging. Order Booking from Aero sector is not encouraging as HAL (Koraput) stopped Mig Engine production and also there is no requirement for Kaveri Engine Project. Efforts are being made to improve the situation from this sector during 2011-'12.
- 13.4 Such comfortable order book position enabled MIDHANI to plan the production schedules systematically and out-sourcing activities with reliable sources at competitive costs, thus leading to timely supplies and adhering to quality standards.
- 13.5 To gain and sustain customer's confidence in terms of quality and timely deliveries, several programs of up-gradation and modernisation of production processes, installing State-of-Art production facilities, continuous efforts to ensure "zero" customer grievances, effective management of outsourcing activity were taken as thrust areas.
- 13.6 During the year under report, the activities like yield improvement, R&D efforts, establishment of contemporary State-of-Art manufacturing facilities & technologies, have been given high priority, for achieving higher productivity with a main objective of passing on the benefits so accrued to Customers in order to gain the ultimate objective of "**CUSTOMER DELIGHT**". During the year under report there were no Customer Grievances.
- 13.7 The total value of the orders executed during the year accounted for Rs. 418 Cr. The Individual sectors for which such supplies were made value-wise during the year were as follows: Defence: Rs. 153 Cr.; Atomic Energy Rs. 44 Cr.; Space Rs. 154 Cr.; Power Rs. 17 Cr. General Engineering Rs. 50 Cr.

- 13.8 MIDHANI has organized its Govt. Customers Meet on 24th Nov., 2010 wherein 90 Delegates from various strategic sectors viz., ISRO, DRDO, NAVY, HAL, BHAVINI, DAE have attended. Space, Atomic sectors and Commercial organizations like BHEL have presented their requirement for the next 10 years. The meet created a platform for interaction with the customers on their present and long term requirements of special metals & alloys and MIDHANI's expected contributions to meet their future plans.

13.9 EXPORTS

MIDHANI exports over the years have been focusing on titanium alloys in the form of slabs and rounds and Molybdenum wires. In spite of the volatile raw material prices like titanium sponge, molybdenum powder and small production facilities, MIDHANI strives hard for offering competitive prices for molybdenum wires and titanium products to increase export to traditional markets.

- 13.9.1 During the financial year 2010-'11, MIDHANI's export performance has not been encouraging in view of stiff competition in the international market coupled with global recession and due to lack of cost competitiveness and longer deliveries. Representatives from M/s Pratt & Whitney, USA, M/s Timet, USA, M/s Howaldtswerke, Deutsche Werft, GmbH (HDW), Germany were showing keen interest in sourcing Titanium alloys, Superalloys and Special Steels from MIDHANI. The Modernisation and substantial expansion of MIDHANI in the years to come may improve the competitive edge and may bring in opportunities to enter into Export markets

13.10 MARKETING OF SPECIAL PRODUCTS

- 13.10.1 In the pursuit of discharging the Corporate Social Responsibility towards society, MIDHANI has continued its operations on

manufacture and supply of Bio-medical implants to the needy at highly affordable prices when compared to imports. Such supplies amounted to Rs. 27 lakhs during the year under report which include 70 Nos of custom made prosthesis to Cancer patients.



Manufacture of Bio - Implants towards human cause

- 13.10.2 Midhani has supplied fasteners worth Rs. 76 Lakhs during the Financial year 2010-11.
- 13.11. As an effective marketing strategy, MIDHANI participated in various National and International Exhibitions, Conferences, Seminars to enhance its role both in the National and International Markets. Some of the programs attended were: the Africa Aerospace & Defence 2010 (AAD 2010) an international exhibition held at Cape Town, South Africa during Sept., 2010; Silver – Jubilee – Missile Seminar and Technical exhibition organized by INS Kalinga, Vizag during Nov., 2010; India International Trade Fair organized by Defence Exhibition Organisation at Pragati Maidan, New Delhi during Nov., 2010; Aero India 2011, International Exhibition held at Yelahanka, Bangalore from Feb., 2011 organised by Ministry of Defence, 2nd International Conference on Advances in Nuclear Materials (ANM 2011) organized jointly by Bhabha Atomic Research Centre, Mumbai & Indian Institute of Metals, Mumbai Chapter at Mumbai during Feb., 2011.

14.0 QUALITY CONTROL & ASSURANCE

- 14.1 During the year under report, the renewal audit of MIDHANI's Quality Management System ISO 9001-2008 was carried out by auditors from Bureau of Indian Standards (BIS) during February, 2011 and during the audit no non-conformities were observed. The renewed licence is valid upto 15.02.2014.

15.0 HUMAN RESOURCE DEVELOPMENT

- 15.1 **HUMAN RESOURCE** has been recognized as the most important asset of our organization. MIDHANI continues to aim at building a motivated, committed and satisfied work force to achieve its organizational goals. To-day HR Management has been transformed into a strategic function from that of a conventional/traditional support function. Globalization has brought radical changes in business environment with more emphasis on business viability, value addition and profitability. MIDHANI recognized that the most important asset is its employees and that could be a major differentiator in the face of competition from world over. Aligning HR initiatives with business strategy is of prime concern of MIDHANI.

The manpower of Midhani is its main asset. The employees are highly skilled and motivated individuals. It is the main challenge before the company for continuous up-gradation of their knowledge and skills through appropriate training and development modules. Special emphasis was given for the development of SC,ST & OBCs among employees.

The total manpower strength under Permanent Category in the Company as on 31.03.2011 is as follows:

| | NonExecutives | Non-Unionised Supervisors | Executives | Total |
|---------------|---------------|---------------------------|------------|-------|
| Male | 663 | 170 | 236 | 1069 |
| Female | 22 | 8 | 22 | 52 |
| Total | 685 | 178 | 258 | 1121 |
| Previous Year | 775 | 161 | 259 | 1191 |

The above includes functional Directors and persons on deputation. Statements showing the representation of SC/ST/OBC/PWD and their recruitment etc., are given in ***Appx:-I***

15.2 Particulars of Employees

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

15.3 Industrial Relations

The industrial relations scenario continued to be peaceful and cordial during the year under report. The management continues to receive maximum support and cooperation from the employees as in the past.

The management provides a proactive compassionate human relations by creating an atmosphere of mutual trust, participative management, up-gradation of compliances level in line with strategic theory of the organization and influence the employees performance.

15.4 Revision of Pay Scales to Non-Executives

During the year under report a Memorandum of Settlement under Section 12 (3) of Industrial Disputes Act, was signed with the Recognized Union in respect of wage revision of workmen to motivate them.

15.5 Encouraging small family norms

Midhani continued its commitment to encourage small family norms among its employees as a part of Government policy.

15.6 TRAINING & DEVELOPMENT

- 15.6.1 Training Programs were arranged to 221 Executives, 11 supervisors and 118 Non-Executives, for both in-house and external programs. MIDHANI officers had presented 8 technical papers at National level seminars and 1 paper at international level. As a part of succession planning, the Company has inducted 23 Management Trainees in the year 2009 and 14 MTs in the year 2010 in various disciplines. They all were imparted training, in basic Engineering and Application Engineering under Scheduled and structured training programs approved at the apex level in the organisation
- 15.6.2 Productivity Week with a theme "Green Productivity for Sustainable Energy & Environment" was organised during February, 2011.
- 15.6.3 24 Plant Visits were organised in MIDHANI to various Defence Personnel, Officers & Workers from other Public Sector Undertakings and also for the students of reputed Engineering

colleges/Universities located in India. 130 Engineering & MBA students, have undertaken project work in the Company under the able guidance of Department of Training & Development , Statutory Training programs under provisions of Apprentices Act, 1961 were continued in the year under report.

16.0 STATUTORY & SOCIAL OBLIGATIONS

16.1 CONTRIBUTION TO EXCHEQUER

16.1.1 Your Company contributed an amount of Rs. 7,956 Lakh in the form of Duties, Sales Tax, Income Tax and Surcharge during the year 2010-'11 as compared to Rs. 6,295 Lakh in the previous year.

16.2 EMPLOYEE WELFARE

16.2.1 Several employee welfare measures were continued during the year under report. Monetary awards were presented to meritorious students/children of SC,ST and OBC categories employees. As a corporate social responsibility towards the weaker section of the society and also to encourage their children, the Company awarded cash prizes to students from SC,ST & OBC categories. Midhani continued to discharge its social obligation by maintaining a small Township consisting of 87 quarters to cater to the housing needs of the employees working in essential services of the company

16.2.2 Brahm Prakash D A V School run by the Company in MIDHANI Township for the benefit of children of MIDHANI employees excel in all its activities.

16.3. EMPOWERMENT OF WOMEN

MIDHANI is providing the necessary platform for women employees to realize their potential, take personal responsibility for performing the job with commitment and take pride in what they do and contribute to achieve the organizational goals. MIDHANI is extending all facilities as per the statutes for the welfare of the Women employees.

- 16.3.1 A programme on International Women's Day was organized on 8th March, 2011 in MIDHANI. Women employees, both executives and non-executives were nominated for in-house as well as external training programs.
- 16.3.2 The strength of women employees were 52 as on 31.03.2011 as compared to 53 as on 31.3.2010.
- 16.3.3 As a part of MIDHANI's commitment for empowerment of women, it was proposed to set up a plant for manufacture of Fasteners, employing only women. Foundation stone was laid by Shri M M Pallam Raju, Hon'ble Raksha Rajya Mantri, Ministry of Defence, who visited MIDHANI on 25th June, 2011 and laid foundation stone for establishing dedicated plant for production of high quality fasteners made up of Titanium and Titanium alloys and Special Steels

16.4 IMPLEMENTATION OF RTI ACT 2005

- 16.4.1 MIDHANI is a Public Authority under RTI Act 2005 continued to discharge its obligations. The number of information seekers has gone up considerably during the year. In order to have access

to information to the Citizens and also as a part of Company's philosophy and corporate governance Midhani's Web-site was updated on continuous process by uploading the Company's news and developments.

16.5 RAJBHASHA IMPLEMENTATION

- 16.5.1 MIDHANI being a Government Company continued its committment in complying with the Official Language Policy of Govt. of India, the Official Language Act 1963, Official Language Rules 1973 made there under and the orders issued by Government of India from time to time for promoting the use of Hindi in official work. The quarterly meetings of Official Language Implementation Committee were held regularly under the Chairmanship of Chairman & Managing Director of the Company. The Company also participated in TOLIC held in the month of March, '11.
- 16.5.2 During the year under report 3 (three) Hindi Awareness Workshops were conducted for about 40 employees. A total of 19 employees were trained in "**PRAVEEN**" & "**PRAGYA**" courses. Efforts are being made to improve the use of Hindi in Official work.
- 16.5.3 The MoU entered into with Govt. of India and the Company, the Annual Report for the year 2010- '11 were released in HINDI.
- 16.5.4 During the year under review, programs such as "HINDI DIVAS" celebrations and release of 8th Edition of Techno Commercial Annual Hindi House Magazine "SANKALP" were held.

16.6 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. 1,028 lakhs from 64 units as compared to Rs. 356.11 lakhs from 49 units.

16.7 CORPORATE SOCIAL RESPONSIBILITY

16.7.1 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 up for implementation. as thrust area during the current financial year. During the current Financial year, a sum of Rs. 0.45 Cr. were spent on such programs. A "Silver Jubilee" was celebrated at Brahma Prakash Dayanand Anglo Vedic Schol (BPDAV) owned and managed by MIDHANI commemorating 25 years of completion. MIDHANI employees donated one day's salary to the Prime Minister's Relief Fund for extending succor to the Flood Victims of Jammu & Kashmir

Towards Discharge of MIDHANI's Corporate Social Responsibility, Environment protection has been given due importance during the year under report.



16.8 ENVIRONMENT MANAGEMENT

16.8.1 MIDHANI continued its efforts to maintain and promote ecological balance in and around factory premises by developing and maintaining extensive plantation. A thick canopy of greenery with thousands of plants of more than 50 species constitutes the green belt in and around Midhani. This not only controls air/dust pollution but also attracts birds of different species.

17.0 VIGILANCE

17.1 Vigilance awareness week was observed from October 25th to November 1st, 2010. On this occasion various seminars by eminent speakers were organized to create awareness about vigilance activities and vigilance pledge was administered to the employees.

17.2 During the year, effective measures were taken to improve vigilance administration in the Company. Examination of procurement case files resulted in suggesting system improvements wherever required. Preventive vigilance advices and system improvements were suggested on the lapses noticed during surprise/routine checks. Prominent among them which yielded results during the year was replacement of all the roof sheets of the storage sheds at Central Stores, which would otherwise was causing seepage of water through its roof damaging the costly raw materials, and constitution of a committee for developing more sources for off-loading jobs.

17.3 The focus of Vigilance Department was mainly on Preventive and Detective Vigilance rather than punitive vigilance. The same was reiterated during the Vigilance Awareness period observed during the year. Eminent speakers drawn from vigilance and police professions were invited to educate the employees on vigilance

matters. Police professionals were invited to educate the employees on vigilance aspects and necessary guidance on vigilance related issues was given during interactive sessions held with shop-floor executives during the above period.

18.0 GENERAL EXEMPTION FROM DISCLOSURES

18.1 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.

19.0 FOREIGN TRAVEL

19.1 An amount of Rs. 104.20 Lakh was spent towards foreign travel (previous year Rs. 65.55 Lakh) undertaken by the Directors and employees of the Company for technology development, market / business development, pre-inspection of Materials and Equipments etc.

20.0 ENTERTAINMENT EXPENDITURE

20.1 An amount of Rs. 0.41 Lakh was spent during the year towards entertainment expenditure (previous year Rs. 0.55 Lakh) which represents 0.001 % of the sales turnover.

21.0 CORPORATE GOVERNANCE

- 21.1 MIDHANI has implemented the revised guidelines issued by Govt. of India, Dept. of Public Enterprises, vide OM No. 18 (8)/2005-GM dt. 14th May, 2010. The phase-wise Modernisation & Up-gradation programs undertaken in MIDHANI enables it to take up issues like Assessment and Management of Business Risks in near future.
- 21.2 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.
- 21.3 The Revised Code of Business Conduct & Ethics for all Board Members and Senior Management, has been implemented in the Company. The adherence of which has been confirmed by respective members on an annual basis. A certificate to this effect from Chief Executive is made a part of this report **[Annx: VI]**. A detailed report on Corporate Governance and a report on the Management Discussion & Analysis were enclosed to this report **[Appx -II.]** & **[Appx -III]** respectively. The adherence to the guidelines issued by DPE in this regard was also certified by a practicing Company Secretary and such Certificate was enclosed with this report at **[Annx: V]**

22.0 BOARD OF DIRECTORS

- 22.1 During the year 2010-'11 and till the date of this report, the following changes have taken place in the composition of Board of Directors of MIDHANI:

- a) Presidential Orders were received in respect of :
- i) Appointment of Dr. G. Malakondaiah, Distinguished Scientist, Director, DMRL, Hyderabad as Part-time Official Director on the Board, who assumed charge w.e.f 14.07.2010;
 - (ii) Appointment of Dr. Dipankar Banerjee, Professor, Indian Institute of Science, and Mrs. Indu Liberhan, former Secretary, Ministry of Defence (Finance) as Part -time non-official Directors on the Board who assumed charge w.e.f 09.12.2010;
 - (iii) Appointment of Dr. Kota Bhanu Sankara Rao, Dean School of Engineering Sciences & Technology, University of Hyderabad as Part -time Non-Official Director on the Board, who assumed charge w.e.f .27.04. 2011;



Dr. Dipankar Banerjee, Director



Mrs. Indu Liberhan, Director



Dr. Kota Bhanu Sankara Rao, Director

**C&MD MIDHANI
seen inviting Part
Time Non Official
Directors on the eve
of joining Board of
MIDHANI**

- (iv) Appointment of Dr. D.K. Likhi, General Manager, SAIL, as Director (Production & Marketing) on the Board of MIDHANI. He is expected to join the services on or after 01.09.2011.



**Dr. D.K. Likhi,
General Manager,
SAIL appointed to
takeover as Director
(Production & Marketing)
MIDHANI w.e.f
01-09-2011**

- (v) The original term of appointment of Chairman & Managing Director has expired on 27.07.2011. He has been continuing in the office under interim instructions from Ministry of Defence.
- b) Approval of Raksha Mantri was received vide orders from Ministry of Defence, Dept. of Def. Prodn:
- (i) for appointment of Shri P.K. Kataria, Addl.FA (K) & JS as "Permanent Special Invitee" on the Board w.e.f 28.04.2011 vice P.K. Mishra, Addl. FA (M) & JS.



**C&MD
MIDHANI seen inviting
Shri P.K. Kataria, Addl.FA
(K) & JS as "Permanent
Special Invitee" on the
Board of
MIDHANI**

- 22.2 The bio-data of new Directors and the Special invitee to Board appointed during the year 2010-'11 was made part of the report on corporate governance.
- 22.3 During the year under report, the term of office of Prof. R.K. Mishra & Dr (Mrs.) B. Kinnera Murthy, as Part-time Non-Official Directors on the Board of MIDHANI has come to an end and accordingly they ceased to be Directors on the Board w.e.f. 01.11.2010.

23.0 DIRECTORS' RESPONSIBILITY STATEMENT

- 23.1 Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is confirmed:
- a) That in the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable Accounting Standards have been followed along with proper explanations on the material departure, if any;
 - b) 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, 2011 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, 2011 on a **'going concern'** basis.

24.0 AUDITORS & AUDITORS' REPORT

- 24.1 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, 2011.
- 24.2 With reference to observations of Statutory Auditors in para 4(d)&(f) of the Auditor's Report, attention is invited to Note No.23, 5(ii) and 7 respectively of Schedule 20 forming part of Accounts which are self explanatory.

25.0 COMMENTS OF COMPTROLLER & AUDITOR GENERAL OF INDIA

- 25.1 The "NIL" Comments on the Accounts by the Comptroller & Auditor General of India for the year ended 31st March, 2011 was placed in this report after the report of Statutory Auditors.

26.0 ACKNOWLEDGEMENT

- 26.1 The Board placed 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, and look forward to their continued support and cooperation in sustaining the growth of your company in the coming years.
- 26.2 The Directors also acknowledge with gratitude the continued patternage and support given by the Company's valued Customers

particularly, VSSC, Defence, OFB, Dept. of Atomic Energy etc. The Board extends its sincere thanks to vendors, Bankers, C&AG, Statutory /Internal Auditors, Chairperson - Audit Committee / Advisers, Consultants etc., of the Company for their continued support and guidance during the year.

- 26.3 The Board placed on record its appreciation for the sincere efforts put in by all, particularly the employees at all levels, who have contributed to the Company to sustain its growth path during the year under report and hope to continue the same in future.

For and on behalf of the Board of Directors



(M. NARAYANA RAO)
CHAIRMAN & MANAGING DIRECTOR

Place : Hyderabad,
Date : 22.08.2011

Appendix -I
**REPRESENTATIONS OF SCs, STs, OBCs, PHCs & Ex-Sn
AS ON 31.03.2011**

| Pay Scale & Group | Total No of Employees | Strength of Employees | | | | |
|---|-----------------------|-----------------------|--------|---------|--------|--------|
| | | SC | ST | OBC | PHC | Ex-sn |
| EXECUTIVES Group 'A' (Rs.16,400- Rs. 40,500 & above) | 253 | 33 | 6 | 49 | 2 | 1 |
| Group 'B' Rs. 12,600-Rs.32.500 (Gr-I) Rs. 12,250 - Rs. 31,600 (Non Unionised Supervisory Cadre) | 5 178 | - 11 | - 1 | 3 34 | 1 - | - 4 |
| NON-EXECUTIVES: Group 'C' From Rs.8,500 - 20,850 To Rs.11,750- 33,360 | 615 | 120 | 34 | 297 | 16 | 22 |
| Group 'D' From Rs.6,600 - 16,310 To Rs.8,350-20,470 | 70 | 14 | 5 | 26 | 2 | - |

RECRUITMENT OF SCs, STs DURING THE YEAR 2010

| Pay Scale & Group | Total recruited during the year | No. of posts reserved | | No. of candidates appointed | |
|---|---------------------------------|-----------------------|----|-----------------------------|----|
| | | SC | ST | SC | ST |
| EXECUTIVES Group 'A' (Rs.16,400- Rs. 40,500 & above) | 23 | 4 | 1 | 4 | 1 |
| Group 'B' Rs. 12,600-Rs.32.500 (Gr-I) Rs. 12,250 - Rs. 31,600 (Non Unionised Supervisory Cadre) | - | - | - | - | - |
| NON-EXECUTIVES: Group 'C' From Rs.8,500 - 20,850 To Rs.11,750- 33,360 | - | - | - | - | - |
| Group 'D' From Rs.6,600 - 16,310 To Rs.8,350-20,470 | - | - | - | - | - |

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), a **MINI-RATNA-Category - I** company, 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. As a Good Corporate Citizen the Company also strives to carry out its Mission, Objectives and Business obligations with good Corporate Values, highest standards of ethics in all spheres. The good Governance, its practices, is based on its stated belief and the guidelines of the Government of India issued from time to time which enables the Company to go a long way in enhancing values for all those who are associated with the Company - Owners, Customers, Suppliers, Creditors, Govt. agencies and society at large. Towards this direction, the Board exercises its fiduciary role towards the Company with effective accountability, respect for law, maintaining Corporate Governance standard beyond law, putting systems in place for planning, budget, internal controls, risk-management, communication policy on various facets of Company's operations including creation of environment for growth and development of human resources.

2.0 BOARD OF DIRECTORS

2.1 Composition & Details of the Board Members

In accordance with the provisions of Articles of Association of the Company, as amended from time to time, the minimum and maximum strength of the Board of MIDHANI is 2 and 15 respectively. The directors shall not be required to hold any qualification shares.

During the year under report, the composition of the Board was 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 EIGHT (8) 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,
Chairman & Managing Director
- (ii) Shri V.S. Krishna Murthy,
Director (Finance)
- (iii) Shri. V.S. Verma
Director (Prodn.& Mktg.)

(b) Part-time Official/Government Directors : 2 (Two)

- (i) Shri Gyanesh Kumar
Joint Secretary(Naval Systems),
Dept. of Def. Production
Ministry of Defence
- (ii) Dr. G. Malakondaiah [From:14.07.2010]
Distinguished Scientist
Director, DMRL,DRDO
Ministry of Defence

(c) Part-time Non-Official Directors : 3 (Three)

- (i) Mrs. Indu Liberhan [From :09.12.2010]
Ex-Secretary.
Ministry of Defence(Finance)

- (ii) Dr. Dipankar Banerjee [From:09.12.2010]
Professor,
Department of Materials Engineering,
Indian Institute of Science,
Bangalore.
- (iii) Dr.Kota Bhanu Sankara Rao [From :27.04.2011]
Dean School of Engineering
Sciences & Technology ,
University of Hyderabad, Hyd.
- (iv) Prof. R.K. Mishra [Upto 31.10.2010]
Director, Institute of Public
Enterprises, Osmania
University, Hyderabad
- (v) Dr. (Mrs.) B. Kinnera Murthy [Upto 31.10.2010]
Prof. & Chair Person Strategic
Management Area,
Administrative Staff
College of India, Hyderabad.

(d) **Permanent Special Invitee to Board :** 1 (One)

- (i) Shri P.K. Kataria [From : 28.04.2011]
Addl. FA & Jt. Secy.
Ministry of Defence (Fin.)
New Delhi.
- (ii) Shri P.K. Mishra [Upto : 28.04.2011]
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. The Directors appointed were persons of eminence in respective fields of their activity. The bio-data in respect of the new Directors appointed during the year under report is given in the **Annx - I**. The required Training on Corporate Governance for the benefit of New Directors is being arranged from time to time.
- 2.3 The Chairman & Managing Director and Functional Directors were appointed by Govt. of India, initially for a period of 5 years or till the age of superannuation or until further orders whichever is earlier. The extension of service thereafter, shall be with the approval of Appointment Committee of Cabinet (ACC). The Independent Directors are normally appointed by ACC, initially for a period of 3 years or until further orders whichever is earlier. Any extension or re-appointment shall be to the extent of guidelines issued by Govt of India in this behalf.

3.0 MEETINGS OF THE BOARD AND ATTENDANCE THEREOF

- 3.1 The Board met, eight (8) times during the financial year under report as compared to statutory minimum requirement of four (4) meetings per year. The dates and attendance of directors at such meetings are given below:

| SL. NO. | NAME OF THE MEETING | DATE | BOARD STRENGTH | NO. OF DIRECTORS PRESENT |
|---------|---------------------|------------|----------------|--------------------------|
| 1 | 188 | 14.04.2010 | 6 | 5 |
| 2 | 189 | 25.05.2010 | 6 | 5 |
| 3 | 190 | 02.07.2010 | 6 | 6 |
| 4 | 191 | 18.08.2010 | 7 | 7 |
| 5 | 192 | 22.11.2010 | 5 | 4 |
| 6 | 193 | 24.01.2011 | 7 | 6 |
| 7 | 194 | 22.02.2011 | 7 | 7 |
| 8 | 195 | 28.03.2011 | 7 | 5 |

Leave of absences were recorded at every Meeting in case of inability expressed by any Director due to unavoidable reasons

The Attendance of individual Directors is placed at: **Annx: II**

- 3.2 As per guidelines of DPE, the Company has nominated Chairperson of Audit Committee and/or another 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.
- 3.3 All Board Members had disclosed to Board about the personnel, official and other pecuniary 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 as and when such appointments were held. Such disclosures are being renewed every year, in the manner prescribed under Sections 297, 299 and other applicable provisions of the Companies Act, 1956. Such disclosures made at the meeting of the Board at the end of the year 2010-'11 are furnished hereunder:

| SL. NO. | NAME OF THE DIRECTOR | BODIES CORPORATE IN WHICH THE DIRECTOR IS INTERESTED. | NATURE OF INTEREST AND THE DATE FROM WHICH INTERESTED |
|---------|--------------------------------|--|--|
| 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. 4) M/s Goa Ship Yard | Part-time Official Director w.e.f 31-12-2007 - do- - do- w.e.f 22-02-2010 Permanent Special Invite on Board of Directors, w.e.f 31-12-2007 |
| 2 | Shri M. Narayana Rao | 1) Andhra Pradesh Gas Power Corporation Limited, Hyderabad | Part-time Director w.e.f. 30.09.2010 |
| 3 | Dr.Dipankar Banerjee, Director | The Scientific Instrument Co. Ltd. Allahabad | Share holder (No.of Shares :1375) |
| 4 | Other Members of the Board | NIL | NIL |

3.4 No resolution was passed through circulation amongst Directors during the year under report.

4.0 ANNUAL GENERAL MEETINGS:

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

| No.of AGM | Financial Year | Date of the Meeting | Time of the Meeting | Venue of the Meeting |
|-----------|----------------|---------------------|---------------------|--|
| 34 | 2007-'08 | 26.09.'08 | 1200 Hours | M/s. Mishra Dhatu |
| 35 | 2008-'09 | 25.09.'09 | 1000 Hours | Nigam Ltd. Regd.Office, |
| 36 | 2009-'10 | 25.08.'10 | 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 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" during the year under report.

5.0 MEETING OF THE BOARD'S COMMITTEES

5.1. MIDHANI has Four (4) 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) Procurement Committee of the Board to authorize procurement of materials beyond the individual delegated powers of Chairman & Managing Director functioning w.e.f: 22.01.2008.
- c) Remuneration Committee of the Board alongwith internal officers of the Company as its members functioning w.e.f. 28.04.2009, for laying 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.
- d) Technical Committee w.e.f. 24.01.2011 consisting of Directors having technical expertise in metallurgy, as members, for carrying out technical study whether any technological gaps exist in the Modernisation, Up-gradation and Expansion programs of the Company being undertaken or proposed to be undertaken in near future.

6.0 AUDIT COMMITTEE

6.1 The constitution of the Audit Committee as on the date of the report is furnished hereunder:

| Sl. No. | Name of the Director | Status | Date of Appointment or change in the Committee |
|---------|---|-------------|--|
| 1 | Smt. Indu Liberhan, Part-time Non Official Director | Chairperson | 24.01.2011 |
| 2 | Dr. D. Banerjee, Part-time-Non-Official Director | Member | 24.01.2011 |
| 3 | Dr. G. Malakondaiah Part-time Official | Member | from 24.01.2011 |

| | | | |
|---|--|--------------------------------|---|
| 4 | Director Dr. K. Bhanu Sankara Rao Part-time-Non-Official Director | Member | To: 22.07.2011 22.07.2011 |
| 5 | Shri. V.S. Verma, Director (Prod. & Mktg.) | Member Permanent Invitee | Up to 23.01.2011 w.e.f. 24.01.2011 |
| 6 | Rep. of Statutory Audit Firm | -do- | Since formation of the Committee |
| 7 | Director (Finance) | -do- | -do- |
| 8 | Rep. of External Chartered Accountant firms doing Internal Audit work | On Invitation | -do- |
| 9 | Shri P.K. Mishra, Permanent Special Invitee on Board | Permanent Invitee | Upto: 28.04.2011 |
| 10 | Prof. R.K. Mishra, | Chairman | Upto: 31.10.2010 |
| 11 | Dr. (Mrs.) B. Kinnera Murthy | Member | Upto: 31.10.2010 |
| The Company Secretary acts as Secretary of the Committee. | | | |

- 6.2 The terms of reference to Audit Committee, have continuously been upgraded and professionalized by the Board of Directors of the Company from time to time. A copy of the terms of reference revised by Board during the year under report, incorporating the provisions contained in the revised guidelines on Corporate Governance issued by Dept. of Public Enterprise, is enclosed.

[Annex: III]

6.2.1 Four (4) meetings of the Audit Committee were held during the year under report. The dates on which such Meetings were held and the attendance of Directors/Members thereof is furnished below:

Attendance of Directors in Audit Committee Meetings

| SL. NO. | NUMBER OF THE MEETING | DATE | COMMITTEE STRENGTH | NO. OF DIRECTORS PRESENT |
|---------|-----------------------|------------|--------------------|--------------------------|
| 1 | 28 | 21.06.2010 | 3 | 3 |
| 2 | 29 | 31.10.2010 | 3 | 3 |
| 3 | 30 | 08.02.2011 | 3 | 2 |
| 4 | 31 | 25.03.2011 | 3 | 2 |

Leave of absences were recorded at every Meeting in case of inability expressed by any Director to attend the meeting due to unavoidable reasons

The Attendance of individual Directors is placed at: **Annx: II**

6.3 PROCUREMENT COMMITTEE OF THE BOARD

6.3.1 The constitution of the Procurement Committee as on date of the report is as follows:

- (i) C&MD of the Company : Chairman,
- (ii) One Part-time Non-Official Director : Member
- (iii) Whole time Directors of the company : Members
 - Director (Finance)
 - Director (Prod. & Mktg.)

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. The Company Secretary acts as Secretary of the Committee

6.3.2 There were three (3) 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 hereunder:

Attendance of Directors in Procurement Committee Meetings

| SL. NO. | DATE | COMMITTEE STRENGTH | NO. OF DIRECTORS PRESENT |
|--|------------|--------------------|--------------------------|
| 1 | 08.06.2010 | 5 | 5 |
| 2 | 16.06.2010 | 5 | 4 |
| 3 | 21.09.2010 | 5 | 4 |
| Leave of absences were recorded at every Meeting in case of inability expressed by any Director due to unavoidable reasons | | | |
| The Attendance of individual Directors is placed at: Annx: II | | | |

6.4 REMUNERATION COMMITTEE

6.4.1 The Committee has been reconstituted on 24.01.2011 in accordance with the guidelines issued by Dept. of Public Enterprises to consider all relevant issues contained in DPE OM dt. 26.11.2008 relating to Variable Pay or Performance Related Pay. The terms of reference to the Committee is enclosed **[Annex -IV]**

6.4.2 The Composition of the Committee is as on the date of the Report is as under:

| Sl. No. | Name & Designation | Status |
|---------|--|---------------|
| (i) | Mrs. Indu Liberhan, Part-time Non Official Director | : Chairperson |
| (ii) | Dr. Dipankar Banerjee, Part-time Non Official Director | : Member |
| (iii) | Dr. K. Bhanu Sankara Rao Part-time Non Official Director. | : Member |

The Company Secretary acts as Secretary of the Committee

- 6.4.3 There were no meetings of the Remuneration Committee during the year 2010-'11. The issues as per terms of reference Committee are under examination of the Committee. The report is yet to be made and finalised.
- 6.5 The Chairperson of the Audit Committee or another Independent Part-time Non-Official Director who is also 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 12 (Twelve) 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". The Company Secretary acts as Secretary of the Committee.
- 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 & ETHICS FOR DIRECTORS AND SENIOR EXECUTIVES

- 7.1 The Code of Business Conduct & Ethics was revised by Dept. of Public Enterprises during April, 2010, while framing its guidelines relating to Corporate Governance. The same was adopted by the Company in respect of its Directors and Senior Level Executives. A copy of the same is enclosed as ***Annex: V***

- 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 CEO of the Company is placed as a part of this report. **Annex: VI**

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 15.1 & 15.2 i.e. the notes forming part of Annual Accounts for 2010-'11. 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 whistle blower policy and risk Management system, 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. No Presidential Directive has been received by the Company during the year under report.

- 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 2.05 % as compared to 1.90 % in the previous year and such percentage in respect of financial expenses was 1.62% when compared to 0.49% in the previous year.
- ix. No extravagancy was found in the Expenditure on the part of the Board Members and Senior Management Personnel.
- x. The deviation from Accounting Standards, if any, have been explained by the Directors in their report to shareholders.

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 a practicing Company Secretary regarding compliance of the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by Dept of Pubic Enterprises is made part of this Report. ***Annex: V***

10.0 MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

A separate report is enclosed at ***Appdx: III***

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

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 affected 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, Projects, 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: VI*

4.0 SECTOR WISE PERFORMANCE

4.1. Presently about 84 % of MIDHANI's products cater to strategic sectors viz Ordnance Factories (OFB), Defence Research and Development Organization (DRDO) and applications of Air, Naval, Land Forces; Indian Space Research Organization (ISRO), Department of Atomic Energy (DAE), etc. In addition MIDHANI

also supplies special alloys to commercial sector including Larsen & Toubro, Wallchandnagar etc., which also goes into Defence and Atomic energy sectors of our country. During the year 2010-'11 the percentage of MIDHANI's supplies accounted for 37% to Defence, 37% to Space, 10% 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 | 2010-2011 | | 2009-2010 | |
|--|--------------|----------------------|-----------|----------------------|
| | Qty. | Value (Rs. Lakhs) | Qty. | Value (Rs. Lakhs) |
| Super alloys, Titanium Alloys and Special Stainless Steels, etc. | 3,014 | 417.87 | 2,429 | 371.21 |

| SL. NO. | SECTOR | OPENING BALANCE 1-4-'10 | ORDERS BOOKED | SUPPLIES DURING THE YEAR | BALANCE AS ON 1-4-'11 |
|---------|-------------------|----------------------------|---------------|-----------------------------|--------------------------|
| 1 | Defence | 203.08 | 222.00 | 152.96 | 272.12 |
| 2 | Nuclear | 67.20 | 54.00 | 43.92 | 77.28 |
| 3 | Space | 368.85 | 71.00 | 153.75 | 286.10 |
| 4 | Comml / others | 88.61 | 68.00 | 67.24 | 89.37 |
| | TOTAL | 727.74 | 415.00 | 417.87 | 724.87 |

- 4.3 The order book position standing at Rs. 725 Cr. at the beginning of the year 2011-'12. Efforts are on hand to substantially improve this level during the year 2012-13 when new equipment is expected to be commissioned to meet the enhanced supply level.

5.0 MODERNISATION & UP-GRADATION PROGRAM

- 5.1 Keeping in view the stringent advanced technical specifications demanded by the Strategic Sectors of our Country, with uncompromising quality standards and to meet the growing expectations of Govt. for critical programs of National importance; a well thought out strategy of Expanding, Up-grading and Modernising the existing critical facilities has been taken up in MIDHANI phase-wise under its Corporate Plan prepared upto 2020 submitted to Ministry.

After successful completion of **1st phase** of expansion with the active support of major customers of MIDHANI like VSSC, DRDO at an estimated investment of Rs. 151 Cr.; the **2nd phase** of expansion was taken up with the active support of Administrative Ministry at an estimated capital outlay of Rs. 200 Cr. [50% to be funded by Ministry of Defence in the form of Equity and Loan on 50:50 basis and the balance from internal generations] wherein establishment of major equipment like 6000 T Forge Press, 10MT ESR with MoD support and balance like ring Rolling mill, cutting machines etc., through internal resources have been taken up as thrust areas for expansion. The main aim of 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 progress under this phase is at an advanced stage of completion.

- 5.2 Under its III phase of Expansion, MIDHANI proposes for setting up of certain balancing production facilities for uninterrupted supply of input materials for critical defence applications and other ultra high strength steel plates for the manufacture of Armoured Vehicles by OFB as also in the form of inputs for other sectors like Space, Atomic Energy, etc. An MoU to this effect between OFB and MIDHANI has been entered into leading to an investment of

approx. Rs. 507 Cr. (Rs. 307 Cr. funding from OFB and Rs. 200 Cr. from DRDO (ASL). This project is mainly to improve Self Reliance in the area of Production of Strategic Materials

MIDHANI's Phase -wise strategic planning above is expected to yield a sale turnover of Rs. 1000 Cr. by the year 2016.

6.0 RISKS AND CONCERNS

- 6.1 The volatile nature of prices and non- availability of critical imported raw material in the International market coupled with unfavourable trend in exchange rates of Rupee Vs US\$, play adversely on the competitive edge of the Company. The exact prediction of timing and the price at which most economic buying can be resorted to has become highly volatile.
- 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\$ & Euro, 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 were implemented in the area of cost reduction, yield improvement, optimizing process parameters to ensure uncompromising quality

6.4 Power & Fuel Costs

Several shop floor controls were introduced to contain costs on Power and Fuel at optimum levels, which includes making provision for separate meters at all possible consumption centres to collect consumption data / pattern. Taking indices from reputed industry leaders bench marking was evolved during the year for close monitoring of consumption of those inputs.

6.5 Meeting Customers stringent and dynamic technical specifications

The company's aim to achieve customer's delight is not possible unless innovative activities and improvements in processes, products, product applications etc., are carried out with technological excellence and expertise.

- 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 continued its efforts during the year under report for achieving 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 the incidence of contractual penalties and damages for delayed deliveries; strategic decisions like outsourcing of some of the company's operations to premier institutions were resorted to in the non-core area of functioning of the Company wherever such facilities are cost effective and quicker.

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, controls and report thereon which were subjected to periodical review by Audit Committee appointed by Board.

8.0 FINANCIAL PERFORMANCE

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

(Rs Crore)

| Sl. No. | Particulars | 2010-'11 | 2009-'10 | 2008-'09 |
|-----------|---|---------------|----------|----------|
| I | LIABILITIES | | | |
| a) | (i) Paid Up Capital | 183.34 | 146.34 | 146.34 |
| | (ii) Reserves and Surplus | 154.62 | 127.59 | 93.42 |
| b) | Loan Funds | 36.07 | 44.37 | 9.07 |
| c) | Deferred Taxes | 0.40 | 0.47 | 0.96 |
| d) | (i) Current Liabilities & Provisions | 515.73 | 475.95 | 386.17 |
| | (ii) Gratuity Provision | 0.20 | 0.17 | 0.18 |
| | Share application money | - | 37.00 | - |
| | TOTAL | 890.36 | 831.89 | 636.14 |
| II | ASSETS | | | |
| e) | Net Block | 55.27 | 36.77 | 27.79 |
| f) | Capital Work in Progress | 14.15 | 15.50 | 35.22 |
| g) | Investments | 2.10 | 2.10 | 2.10 |
| h) | Current Assets, Loans & Adv | 818.84 | 777.52 | 571.03 |
| i) | Misc. Expenses not written off | - | - | - |
| | TOTAL | 890.36 | 831.89 | 636.14 |
| j) | Working Capital | 224.75 | 209.57 | 184.68 |
| k) | Capital Employed | 280.21 | 246.34 | 212.65 |
| l) | Net Worth | 298.87 | 264.93 | 239.76 |
| m) | Net worth per rupee of paid up capital (Rupees) | 1.63 | 1.81 | 1.64 |

8.2 WORKING RESULTS

8.2.1 The company for the eighth time in succession achieved "EXCELLENT" MoU rating for all round growth and overall financial and operational performance in the year 2010-'11. The significant highlights of the performance for the year 2010-'11 and a comparison with the previous two years are as under:

(Rs in Cr.)

| Sl. No | Particulars | 2010-'11 | 2009-'10 | 2008-'09 |
|--------|--|----------|----------|----------|
| 1 | Sales -To Customers | 330.62 | 314.60 | 271.42 |
| | Sales -Export | - | 0.23 | - |
| | Sales-Dispatches to Sub-Contractors | 87.25 | 56.38 | 37.69 |
| 2 | Value of Production (Incl.ED) | 485.46 | 373.24 | 364.03 |
| 3 | Cash Profit (Excl. prior period items) | 79.55 | 70.85 | 66.06 |
| 4 | Profit Before Tax | 75.18 | 67.66 | 62.90 |
| 5 | Net Profit (PAT) | 50.42 | 44.62 | 41.06 |
| 6 | Value Added | 288.78 | 237.57 | 214.87 |
| 7 | Value added per employee | 0.2576 | 0.1995 | 0.1748 |
| 8 | Value Added per Direct Worker | 0.672 | 0.552 | 0.557 |
| 9 | Productivity per employee | 0.433 | 0.313 | 0.296 |
| 10 | Paid up Capital | 183.34 | 146.34 | 146.34 |
| 11 | Share Application Money | - | 37.00 | - |

| Sl. No | Particulars | 2010-'11 | 2009-'10 | 2008-'09 |
|--------|---------------------------|----------|----------|----------|
| 12 | Capital Employed | 280.21 | 246.34 | 212.65 |
| 13 | Net Worth | 298.87 | 264.93 | 239.76 |
| 14 | Working Capital | 224.75 | 227.57 | 184.68 |
| 15 | Contribution to Exchequer | 79.56 | 62.95 | 66.51 |
| 16 | No of Employees | 1,121 | 1,191 | 1,229 |

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:

| Sl. No | Particulars | 2010-'11 | 2009-'10 | 2008-'09 |
|--------|---|----------|----------|----------|
| A | Liquidity Ratio in Percentages) Current Ratio (Current Assets to Current Liabilities & Provisions, Interest accrued due but excluding provision for Gratuity) | 143.62 | 144.03 | 147.87 |
| B | Profitability Ratios | | | |
| a) | Profit Before Tax to | | | |
| | i) Capital Employed (%) | 26.83 | 27.47 | 29.58 |
| | ii) Net worth (%) | 25.15 | 25.54 | 26.23 |
| | iii) Sales (%) | 17.99 | 18.16 | 20.35 |
| b) | Profit After Tax to Equity (%) | 27.50 | 30.49 | 28.06 |
| c) | Earnings Per Share (in Rupees) | 275.02 | 304.88 | 280.55 |

8.2.4 Amount available for Appropriation:

The amount available for appropriation is Rs.50.42 Cr.as against Rs. 44.62 Cr. in the previous year.

9.0 HUMAN RESOURCE DEVELOPMENT

9.1 The total manpower strength of MIDHANI as on 31.3.2011 is 1121 as under:

| | Non-Executives | Non-Unionised Supervisors | Executives | Total |
|--|-----------------------|----------------------------------|-------------------|--------------|
| Male | 663 | 170 | 236 | 1069 |
| Female | 22 | 8 | 22 | 52 |
| Total | 685 | 178 | 258 | 1121 |
| Previous Year | 775 | 161 | 255 | 1191 |
| * Including functional Directors and deputationist (4 nos) | | | | |

- 9.2 Employee related costs have gone up 8 % by around Rs. 7.63 Cr. in view of implementation of Wage Revision to Workmen cadre as compared to 24.9% by around Rs. 18.44 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. The number of separations and the fresh inductions during the year under report were 92 & 22 respectively.

9.6 Employees Remuneration

9.6.1 The total expenditure incurred on the Employees remuneration for the year 2010-'11 was Rs.100.09 Cr. as against previous year expenditure of Rs. 92.46 Cr. The details are :

(Rs. Lakhs)

| Sl.No | Particulars | 2010-'11 | 2009-'10 |
|-------|-------------------------------------|------------------|----------|
| 1 | Salaries and Wages | 6,475.19 | 6,400.02 |
| 2 | Cont. to Provident Fund & EPS | 565.69 | 499.42 |
| 3 | Gratuity | 1,211.85 | 569.91 |
| 4 | Leave Encashment | 465.91 | 461.92 |
| 5 | Staff Welfare Expenditure (Net) | 1,284.45 | 1,313.26 |
| 6 | Leave Salary & Pension Contribution | 6.24 | 1.50 |
| | TOTAL | 10,009.33 | 9,246.03 |

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. MIDHANI has also been keen in taking steps to implement the guidelines received from Govt. of India, Dept. of Public Enterprises on the subject 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 in built mechanism for monitoring and accountability.

Dr. Dipankar Banerjee, Part-time Non Official Director

Dr. Banerjee aged 59 years, graduated from IIT Madras in 1974 and obtained his PhD from the then Metallurgy department of the Indian Institute of Science in 1979. He then joined the Defence Metallurgical Research Laboratory and was the Director of DMRL from 1996 to 2003. As the director of DMRL, Dr. Banerjee provided leadership for many critical defence related materials programs including armour for the main battle tank, special naval steels for the Indian Navy's aircraft carriers, investment casting processes for single crystal, directionally solidified and equiaxed Ni base alloys and the development of titanium alloys products for aero-engines. He took over as Chief Controller of Research and Development for DRDO's Aeronautics and Materials Sciences laboratories from 2003 and coordinated military engine and combat aircraft programs, and major system development efforts in unmanned aerial vehicle and airborne early warning projects and airborne electronic warfare. He is currently Professor of Materials Engineering at IISc.

Dr. Banerjee is a fellow of the Indian Academy of Sciences, the National Academy of Sciences and the Indian National Academy of Engineering . He has been recognized as a distinguished alumnus of the Indian Institute of Technology, Chennai. He has been awarded the Shanti Swaroop Bhatnagar Prize in the field of Engineering Sciences and DRDO's Young Scientist and Technology Leadership Award, and also recognized with the Padma Shri by the Government of India.

He is not related to any Director of the Company and holds no pecuniary relationship with the company.

Mrs. Indu Liberhan, Part-time Non Official Director

Indu Liberhan is a 1972 batch officer of the Indian Defence Accounts Service who retired as Secretary Defence Finance Min. of Defence, Govt. of India. She is a post graduate in English from Delhi University and M.Phil in Public Administration from Indian Institute of Public Administration. After training in finance, accounts and law, she held a

series of increasingly responsible positions in her own service from 1973-78; 1985-88; 1990-93 and in 2007-2009 as Additional Controller General Defence Accounts

In addition, Indu Liberhan held a series of positions that broadened her experience and knowledge. She served in the Ministry of Tourism and Civil Aviation (1978-81), the Ministry of Energy (Deptt. Of Power) (1982-85); the Department of Economic Affairs (1988-90); and the Telecom Regulatory Authority of India (2001-07). These assignments have given her a very full understanding of the policy formulation and implementation process at the secretariat level, as well as in the field agencies. In her long assignment in TRAI, she was instrumental in establishing and nurturing a new regulatory framework in a rapidly growing and evolving sector. In her last assignment as Secretary Defence Finance she interacted with the senior most levels of government both at home and internationally and is fully conversant with policy formulation, parliamentary matters, public dealing and communication, and the legal framework of public policy.

Having held posts in such a wide variety of sectors like Tourism, Civil Aviation, Power, Finance, Defence, Home and Telecommunication, besides her own department, Mrs Liberhan brings with her a very extensive and rich experience specially in the areas of Financial Analysis, Project Evaluation, Project Management, Costing, Financial Management, Budget Formulation, Audit, Accounting and Administration. She also has long experience of development of Computerized systems and E-Governance.

Shri P.K. Kataria, Addl. FA (K) & JS - Permanent Special Invitee

Shri. P.K. Kataria, aged 51 years, holds Masters Degree in Science and an Indian Audit and Accounts Service Officer of 1985 Batch. He possess rich experience of working in senior positions in the Office of Comptroller and Auditor General of India and handled matters relating to Defence, Telecom and all Civil Ministries of the Union Govt. He was

Accountant General of Manipur from 2004 to 2006 and worked as Tax Adviser to the Govt. of Antigua and Barbuda in West Indies from 2000-2004. He has also done management reviews of several organisations of United Nations. He joined Ministry of Defence (Finance) as Additional Financial Adviser & Joint Secretary on deputation w.e.f. 1st July, 2010. In addition to MIDHANI, he has been nominated by the Govt. as a Permanent Special Invitee to attend all the Board of Directors Meetings of BEL and Garden Reach Shipbuilders & Engineers Limited. He is a Part-Time Official Director on the Boards of Hindustan Aeronautics Limited, Mazagon Dock Limited and Goa Shipyard Limited. In the Ministry of Defence, he deals with the financial matters relating to all the Defence PSUs, Border Roads Organisation, DGQA and Army Construction Works.

He is not related to any Director of the Company and holds no pecuniary relationship with the company.

DR. K. BHANU SANKARA RAO, Part-time Non Official Director

Dr. K. Bhanu Sankara Rao, is an Engineering graduate in Metallurgy from Nagpur University and completed his M. Tech. in Physical Metallurgy in the year 1975 from IIT Bombay. He was awarded Doctorate Degree (Ph.D) in Met. Engng. from University of Madras in 1989.

2. He started his carrier in 1975 and made significant research contributions in Powder Metallurgy and served Indira Gandhi Centre for Atomic Research, (IGCAR) Kalpakkam (Department of Atomic Energy) since 1977. He had held various prestigious positions such as Head, Mechanical Metallurgy Division and Associate Director, Materials Development and Characterisation Group.

3. He made significant contributions in the field of metallurgy and was instrumental in establishing various research laboratories at Indira Gandhi Centre for Atomic Research during its initiation stage and pioneered research in the area of materials development, structure-property

correlations, Welding Metallurgy, Creep, Low Cycle Fatigue, Thermo mechanical fatigue and Creep-Fatigue Interaction studies on Nickel and Cobalt Base Superalloys, Stainless Steels, Ferritic Steels, Intermetallics and Fiber Reinforced Metal Matrix Composites, High temperature creep and fatigue life prediction and extension.

4. His sustained contributions have resulted in the development of nitrogen alloyed stainless steels for structural components, improved versions of Alloy D9 for clad tubes and modified version of 9Cr1Mo steel for wrapper applications of sodium cooled fast reactors in the last three years. He has taken very keen interest and developed reduced activation ferritic-martensitic steels meeting very stringent chemical composition and mechanical property requirements for development Indian Test Blanket Module of International Thermonuclear Experimental Reactor. He has also taken initiative and conducted research work towards realization of Oxide Dispersion Strengthened Ferritic-Martensitic Steels for fission and fusion reactor applications. He has to his credit 350 Research Publications.

5. He was awarded the National Research Council of USA fellowship in 1993 and was recipient of Japan Society for Promotion of Science (JSPS) short-term Invitation Fellowship in 2005. He was also bestowed with the Best Metallurgist Award from Ministry of Steel, Government of India in 1995. He is also the recipient of Binani Gold Medal of IIM in 1990, SAIL Gold Medal of IIM in 2000 and 2004, Materials Research Society of India Medal in 1997, NASA (USA) Appreciation Award in 1994, I.T. Mirchandani Memorial Research Award of IIW in 1990, H.D. Govindaraj Memorial Research Award of IIW in 1990, D&H Schechron Award of IIW in 1994, and Nucor Award of IIW in 1996. Dr. K. Bhanu Sankara Rao is Fellow of Indian National Academy of Engineering, Fellow of Indian Academy of Sciences, Fellow of The Indian Institute of Metals, and Fellow of ASM International (USA),.

He is not related to any Director of the Company and holds no pecuniary relationship with the company.

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. NARAYANARAO | 8 | 8 | NA | NA |
| 2. | GYANESH KUMAR | 8 | 7 | NA | NA |
| 3. | DR. G. MALAKONDAIAH | 5 | 3 | 2 | NA |
| 4. | PROF. R.K. MISHRA | 4 | 3 | 2 | 2 |
| 5. | DR. (MRS.) B.KINNERA MURTHY | 4 | 3 | 2 | 2 |
| 6. | V. S. KRISHNA MURTHY | 8 | 8 | 4 | 4 |
| 7. | V.S. VERMA | 8 | 8 | 4 | 3 |
| 8. | MRS. INDU LIBERHAN | 3 | 2 | 2 | 2 |
| 9. | DR. DIPANKAR BANERJEE | 3 | 2 | 2 | 2 |
| PERMANENT SPECIAL INVITEE: | | | | | |
| 10. | P. K. MISHRA | 8 | 7 | 2 | 2 |
| 11. | STATUTORY AUDITORS | 1 | 1 | 4 | 2 |

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 | PROCUREMENT 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. NARAYANARAO | 3 | 3 | 1 | 1 |
| 2. | GYANESH KUMAR | NA | NA | NA | NA |
| 3. | DR. G. MALAKONDAIAH | NA | NA | 1 | 1 |
| 4. | PROF. R.K. MISHRA | 3 | 2 | NA | NA |
| 5. | DR. (MRS.) B.KINNERA MURTHY | 3 | 2 | NA | NA |
| 6. | V. S. KRISHNA MURTHY | 3 | 3 | 1 | 1 |
| 7. | V.S. VERMA | 3 | 3 | 1 | 1 |
| 8. | MRS. INDU LIBERHAN | NA | NA | NA | NA |
| 9. | DR. DIPANKAR BANERJEE | NA | NA | NA | NA |
| PERMANENT SPECIAL INVITEE: | | | | | |
| 10. | P. K. MISHRA | NA | NA | NA | NA |
| 11. | STATUTORY AUDITORS | NA | NA | | |

* Annual General Meeting held on 25.08.2010;

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

Annex: III**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 statements are correct, sufficient and credible.
- (2) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- (3) 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.
- (4) **AUDIT(S):**
 - i) INTERNAL AUDIT:**
 - a) Reviewing, with the management, performance of internal auditors (external firms) and adequacy of the internal control systems.
 - b) Reviewing the adequacy of internal audit (in house) 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 such audit.

- c) Discussion with internal auditors on any significant findings and follow up thereon.
- d) Recommending to the Board the fixation of fees for Internal Auditors for Audit and other services if any.

ii) STATUTORY AUDIT

- (a) 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.
 - (b) Discussion with Statutory auditors on any significant findings and follow up thereon.
 - (c) Recommending to the Board the fixation of Statutory Audit fees.
 - (d) Approval of payment to statutory auditors for any other services (other than audit) rendered by them;
- (5) Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors.
 - (6) 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.
 - (7) 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.
 - (8) 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.

(9) **GOVT. AUDIT**

To review the follow up action on the audit observations of the C&AG audit.

- (10) Reviewing the findings of any internal investigations by the internal auditors/ Statutory auditors/ other 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.
- (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) To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.
- (14) 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.

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.

[Presently, 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.]

*Annex: IV***TERMS OF REFERENCE TO REMUNERATION COMMITTEE**

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, 2010-11 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 2012-'13 and on wards, keeping the past experience / hardships and affordability in view.
- (e) The Committee shall complete its exercise and submit its recommendations to Chairman & Managing Director which will be placed before the Board of Directors for approval.
- (f) The Committee shall obtain and study the pattern of Performance Related Pay (PRP) prevailing in other Defence PSUs.
- (g) The Committee can frame its own guidelines for conducting its meetings.



PUTTAPARTHI JAGANNATHAM & CO.
COMPANY SECRETARIES

(D): 315, Bhanu Enclave, Adj. to ESI Hospital, Erragadda, Hyderabad - 38.
(Res): F-1, Pavani Apartments, 40, Rajeev Nagar, Hyderabad - 500045.
Tel: (D) 23701964, Fax: 23701374, (R) 23833265.
E-mail: jagannatham123@rediffmail.com

Annexure - V

CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of Mishra Dhatu Nigam Limited

We have examined all the relevant records of Mishra Dhatu Nigam Limited for the purpose of certifying compliance of the revised guidelines on Corporate Governance i.e. "Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010" issued by the department of public Enterprises, New Delhi during May 2010, for the financial year ended 31st March 2011. We have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our knowledge and according to the explanations given to us, we certify that the Company has complied with the above said guidelines except that no whistle Blower Mechanism and formal statement of Board Charter have been put in place.

Place : Hyderabad
Date : 4th July 2011



For Puttaparthi Jagannatham & Co.,
Company Secretaries

[Signature]
B. Rama
Partner, C.P. No.7739

मिश्र धातु निगम लिमिटेड

(भारत सरकार का उपक्रम)

(एक मिनी रत्ना कम्पनी)

सूपर आलॉयस प्लांट

डाकघर : कंचनबाग, हैदराबाद - 500058, भारत

दूरभाषा : 24340001 (लाईन 10)

फैक्स : 040-24340764, 24340214, 24340371

ई-मेल : spralloy.midhani@ap.nic.in



AN ISO 9001:2000 COMPANY



MISHRA DHATU NIGAM LIMITED

(A. Govt. of India Enterprise)

(A MINI RATNA COMPANY)

SUPERALLOYS PLANT

P.O. Kanchanbagh, Hyderabad - 500 058, India

Phone : 24340001 (10 Lines)

Fax : 040-24340764, 24340214, 24340371

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

Annexure - VI

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 2011

for MISHRA DHATU NIGAM LIMITED

(M. NARAYANA RAO)

CHAIRMAN & MANAGING DIRECTOR

Place : Hyderabad

Date : 30th June, 2011

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, Fasteners for Aero space 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.

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 2011, 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.23 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-5(ii) in Schedule 20)
- Deposits with various Banks for Fixed Deposits are verified and confirmations obtained. Deposits with other Government / Semi Government Agencies such as axcise, customs etc. need confirmation / reconciliation.
- Confirmation letters were sent to all Sundry Debtors by the Company. Thus balances in Sundry Debtors need confirmation / reconciliation.
- Balances in Loans & Advances, Claims Receivable, Sundry Creditors, Materials with contractors/sub-contractors and others are subject to confirmation and/or reconciliation (Note No.7 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, 2011.
- (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: 25.07.2011**

**(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.109.93 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 31.3.2011 for a period of more than six months from the date they became payable.

- c. The disputed statutory dues aggregating to Rs.233.05 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.) |
|----------------------------|---------------------------------|---|---------------------|
| Income Tax Act, 1961 | Income Tax for the A.Y. 2008-09 | Commissioner of Income Tax (Appeals)-V, Hyderabad | 2,33,04,866/- |

- (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 not raised any loan from Banks/Financial Institutions /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.

**Place : Hyderabad,
Dated: 25.07.2011**

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

**(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 2011.

The preparation of financial statements of Mishra Dhatu Nigam Limited, Hyderabad for the year ended on 31 March 2011 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 25 July 2011.

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 2011. 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 : 18 August 2011**

**(Y.N. Thakare)
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.
- 2.10 Assets whose actual cost does not exceed Rs. 5000/- depreciation is provided at the rate of hundred percent in the year of capitalization.

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. 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 : 25-07-2011.**

**Place : New Delhi,
Date : 22-07-2011.**

BALANCE SHEET AS AT 31st MARCH, 2011

| | <u>Sche- dule Ref.</u> | <u>As at 31st March, 2011 (Rs. in Lakhs)</u> | <u>As at 31st March, 2010 (Rs. in Lakhs)</u> | |
|---------------------------------|--------------------------------|---|---|-----------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Equity Capital | 1 | 18,334.00 | 18,334.00 | |
| Reserves and Surplus | 2 | <u>15,461.46</u> | <u>12,759.18</u> | |
| | | 33,795.46 | | 31,093.18 |
| Loan Funds | | | | |
| Secured Loans | 3 | 106.92 | 17.45 | |
| Unsecured Loans | | <u>3,500.00</u> | <u>4,420.00</u> | |
| | | 3,606.92 | | 4,437.45 |
| Deferred Tax Liabilities | 4 | 40.04 | | 47.18 |
| TOTAL | | <u>37,442.42</u> | <u>35,577.81</u> | |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | | | | |
| Gross Block | 5 | 17,693.55 | 15,454.37 | |
| Less : Depreciation | | <u>12,167.16</u> | <u>11,777.55</u> | |
| Net Block | | 5,526.39 | 3,676.82 | |
| Capital Work-in Progress | 6 | <u>1,415.15</u> | <u>1,550.08</u> | |
| | | 6,941.54 | | 5,226.90 |
| Investments | 7 | 210.11 | | 210.11 |

c/f

BALANCE SHEET AS AT 31st MARCH, 2011 (Contd.)

| b/f | Sche- dule Ref. | As at 31 st March, 2011 (Rs. in Lakhs) | As at 31 st March, 2010 (Rs. in Lakhs) |
|--|-----------------------|---|---|
| Current Assets, Loans & Advances | 8 | | |
| Inventories | | 39,226.10 | 32,046.03 |
| Sundry Debtors | | 10,406.38 | 10,753.71 |
| Cash and Bank Balances | | 18,847.38 | 24,033.00 |
| Other Current Assets | | 1,040.71 | 1,434.02 |
| Loans and Advances | | <u>12,363.47</u> | <u>9,485.65</u> |
| | | <u>81,884.04</u> | <u>77,752.41</u> |
| Less : Current Liabilities and Provisions | 9 | | |
| Liabilities | | 37,178.11 | 37,218.58 |
| Provisions | | <u>14,415.16</u> | <u>10,393.03</u> |
| | | 51,593.27 | 47,611.61 |
| Net Current Assets | | 30,290.77 | 30,140.80 |
| TOTAL | | <u><u>37,442.42</u></u> | <u><u>35,577.81</u></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. Chalamaiiah)
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 : 25-07-2011.**

**Place : New Delhi,
Date : 22-07-2011.**

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

| | Sche- dule Ref. | Year ended 31 st March, 2011 (Rs. in Lakhs) | Year ended 31 st March, 2010 (Rs. in Lakhs) |
|---|-----------------------|--|--|
| INCOME | | | |
| Sales (Gross)- Regular | | 29,227.43 | 29,124.27 |
| Sales (Gross)-Expert Sourcing Solution | | 3,869.88 | 2,433.37 |
| Less : Returns | | 35.17 | 74.75 |
| Less : Excise Duty | | 998.34 | 775.33 |
| Add : Income from Despatches to Sub-contractors | | <u>8,724.63</u> | <u>5,638.10</u> |
| Sales (Net) | | 40,788.43 | 36,345.66 |
| Accretion / (Decretion) to | | | |
| Work-in-Process & Finished Goods | 10 | 6,758.81 | 202.64 |
| Other Income | 11 | 1,906.05 | 1,863.13 |
| TOTAL INCOME | | <u><u>49,453.29</u></u> | <u><u>38,411.43</u></u> |
| EXPENDITURE | | | |
| Consumption of Materials & Consumables | 12 | 21,118.22 | 14,672.98 |
| Power and Fuel | 13 | 3,091.20 | 2,378.14 |
| Employee's remuneration and benefits | 14 | 10,009.33 | 9,246.03 |
| Repairs and Maintenance | 15 | 820.27 | 752.05 |
| Off-loading of jobs and semis | | 3,826.64 | 2,682.29 |
| Other expenses | 16 | 1,916.04 | 1,425.03 |
| Provisions | 17 | 36.99 | 13.63 |
| Interest | 18 | 679.41 | 155.95 |
| Depreciation | 5 | 389.21 | 324.69 |
| TOTAL EXPENDITURE | | <u><u>41,887.31</u></u> | <u><u>31,650.79</u></u> |
| Profit before prior period adjustments | | 7,565.98 | 6,760.64 |
| Prior Period (-) income/(+) expenses adjustments (Net) | 19 | 47.84 | (6.14) |
| PROFIT BEFORE TAX | c/f | <u><u>7,518.14</u></u> | <u><u>6,766.78</u></u> |

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MAR, 2011 (Contd.)

| | Schedule Ref. | Year ended 31 st March, 2011 (Rs. in Lakhs) | Year ended 31 st March, 2010 (Rs. in Lakhs) |
|--|------------------|--|--|
| PROFIT BEFORE TAX | b/f | 7,518.14 | 6,766.78 |
| Provision for Tax - For the year | 2,483.10 | | 2,353.91 |
| - Previous Year | - | | - |
| Provision for Deferred Tax | (7.14) | | (48.79) |
| | | <u>2,475.96</u> | 2,305.12 |
| PROFIT AFTER TAX | | <u>5,042.18</u> | 4,461.66 |
| Profit available for appropriations | | <u>5,042.18</u> | <u>4,461.66</u> |
| APPROPRIATIONS | | | |
| Interim Dividend | | 200.00 | 100.00 |
| Proposed Final Dividend | | 1,800.00 | 792.33 |
| Tax on Dividend | | 339.90 | 151.65 |
| General Reserves | | 2,702.28 | 3,417.68 |
| Total of Appropriations | | <u>5,042.18</u> | <u>4,461.66</u> |
| Earning Per Share (Face Value Rs. 1000/- each) in Rupee - Basic & Diluted | | 275.02 | 304.88 |

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 : 25-07-2011.**

**Place : New Delhi,
Date : 22-07-2011.**

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2011

| | <u>As at 31st March, 2011 (Rs. in Lakhs)</u> | <u>As at 31st March, 2010 (Rs. in Lakhs)</u> |
|--|---|---|
| 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 * | | |
| 18,33,400 Equity Shares (Previous year 14,63,400) of Rs. 1,000/- each, Fully paid | <u>18,334.00</u> | <u>14,634.00</u> |
| Share Application Money | | |
| (Prev Year 3,70,000 equity shares of Rs. 1000/- each)- | <u>-</u> | <u>3,700.00</u> |
| | <u>18,334.00</u> | <u>18,334.00</u> |

* This includes Rs. 39.08 Cr. received from MoD exclusively towards procurement of Forge Press which is kept in fixed deposit as the same was retendered.

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

General Reserve

| | | |
|---|------------------|-----------------|
| Balance as per last account | <u>12,759.18</u> | 9,341.50 |
| Add : Transfer from Profit & Loss account | <u>2,702.28</u> | <u>3,417.68</u> |

| | | |
|--------------|------------------|------------------|
| Total | <u>15,461.46</u> | <u>12,759.18</u> |
|--------------|------------------|------------------|

| | As at 31 st March, 2011 (Rs. in Lakhs) | As at 31 st March, 2010 (Rs. in Lakhs) |
|--------------------------------|---|---|
| SCHEDULE - 3 LOAN FUNDS | | |
| SECURED | | |
| Term Loan from Bank & | 9.67 | 17.45 |
| Cash Credit from Banks # | <u>97.25</u> | <u>-</u> |
| | 106.92 | 17.45 |
| UNSECURED | | |
| Loan from Govt of India ** | <u>3,500.00</u> | 4,420.00 |
| | 3,500.00 | 4,420.00 |
| Total | <u>3,606.92</u> | <u>4,437.45</u> |

** This Includes Rs. 35.00 Cr. received from MoD exclusively towards procurement of Forge Press which is kept in fixed deposit as the same was retendered.

& Loan is secured by way of hypothecation of vehicles.

By hypothecation of raw materials, stock in process, finished goods and book debts.

SCHEDULE - 4 : DEFERRED TAX LIABILITY (NET)

Deferred Tax Liabilities

| | | |
|-------------------|----------------------|----------------------|
| - On Depreciation | <u>686.01</u> | <u>588.44</u> |
| | <u>686.01</u> | <u>588.44</u> |

Deferred Tax Assets

| | | |
|----------------------------------|---------------|---------------|
| - on Provisions | 187.18 | 181.62 |
| - on Disallowances as per IT Act | <u>458.79</u> | <u>359.64</u> |
| | 645.97 | 541.26 |

Net Deferred Tax Liabilities

| | | |
|--|---------------------|---------------------|
| | <u>40.04</u> | <u>47.18</u> |
|--|---------------------|---------------------|

| SCHEDULE - 5 FIXED ASSETS | | | | | | |
|--|----------------------|-------------------|--------------------------------------|--------------------------------|-------------------------------|-----------------------|
| | | | | | | (Rs. in Lakhs) |
| | Land and Development | Roads and Bridges | Drainage, Sewerage and Water systems | Electrical installations etc., | Buildings & Internal services | Plant and Machinery |
| Gross Block | | | | | | |
| as at 1 st April, 2010 | 128.82 | 70.32 | 188.31 | 322.97 | 1,916.16 | 11,867.88 |
| Additions | - | - | - | - | 56.82 | 2,089.78 |
| Deletions/Sales/Adjustment | - | - | - | - | - | - |
| As at 31st March, 2011 | 128.82 | 70.32 | 188.31 | 322.97 | 1,972.98 | 13,957.66 |
| Depreciation | | | | | | |
| Up to 31 st March, 2010 | - | 31.83 | 176.79 | 274.77 | 1,376.54 | 9,427.11 |
| For the year 2010-'11 | - | 1.15 | 0.29 | 3.17 | 30.27 | 268.01 |
| Deletions/Sales/Adjustment | - | - | - | - | - | (0.48) |
| As at 31st March, 2011 | - | 32.98 | 177.08 | 277.94 | 1,406.81 | 9,695.60 |
| Net Block | | | | | | |
| As at 31st March, 2011 | 128.82 | 37.34 | 11.23 | 45.03 | 566.17 | 4,262.06 |
| As at 31 st March, 2010 | 128.82 | 38.49 | 11.52 | 48.20 | 539.62 | 2,440.77 |

| 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, 2010 | 129.63 | 782.68 | 47.60 | 15,454.37 | 14,228.48 |
| Additions | 30.25 | 62.33 | - | 2,239.18 | 1,226.09 |
| Deletions/Sales/Adjustment | | - | - | - | - |
| As at 31st March, 2011 | 159.88 | 845.01 | 47.60 | 17,693.55 | 15,454.37 |
| Depreciation | | | | | |
| Up to 31 st March, 2010 | 61.80 | 381.43 | 47.28 | 11,777.55 | 11,448.96 |
| For the year 2010-'11 | 9.89 | 76.43 | - | 389.21 | 324.69 |
| Deletions/Sales/Adjustment | - | 0.08 | - | (0.40) | (3.90) |
| As at 31st March, 2011 | 71.69 | 457.78 | 47.28 | 12,167.16 | 11,777.55 |
| Net Block | | | | | |
| As at 31st March, 2011 | 88.19 | 387.23 | 0.32 | 5,526.39 | 3,676.82 |
| As at 31 st March, 2010 | 67.83 | 401.25 | 0.32 | 3,676.82 | 2,779.32 |

SCHEDULE - 6 : CAPITAL WORK-IN-PROGRESS

| | As at 31 st March, 2011 (Rs. in Lakhs) | As at 31 st March, 2010 (Rs. in Lakhs) |
|---|---|---|
| Capital Work-in-Progress-Civil | 59.72 | 20.84 |
| Capital Work-in-Progress -Electrical | - | 1.33 |
| Expenditure Pending Allocation-ERP | 210.87 | 150.20 |
| Capital Work-in-Progress- Plant & Machinery under Erection | 137.83 | 162.01 |
| Plant, Machinery & Equipment under Inspection and in Transit | 530.39 | 1,209.57 |
| Advances to Suppliers on Capital account | | |
| - Considered good* | 476.34 | 6.13 |
| - Considered doubtful | <u>35.46</u> | <u>35.46</u> |
| Total | 511.80 | 41.59 |
| - Less Provision for doubtful advances | <u>35.46</u> | <u>35.46</u> |
| | 476.34 | 6.13 |
| Total | <u><u>1,415.15</u></u> | <u><u>1,550.08</u></u> |

* Secured by Bank Guarantee Rs. 456.36 Lakh, (Prev.Year Rs. Nil) Unsecured Rs. 17.30 lakh, (Prev.Year Rs. 6.13 lakh)

SCHEDULE - 7 : INVESTMENTS

| | As at 31st March, 2011 (Rs. in Lakhs) | As at 31st March, 2010 (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 |
| iiincluding 7,71,847 fully paid-up Bouns 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> |

SCHEDULE - 8 : CURRENT ASSETS, LOANS & ADVANCES

| | As at 31 st March, 2011 <u>(Rs. in Lakhs)</u> | As at 31 st March, 2010 <u>(Rs. in Lakhs)</u> |
|---|--|--|
| SCHEDULE - 8.1 Inventories | | |
| (as certified by Management) | | |
| Raw Materials (in stock) @ (Net after provision of Rs. 24.16 lakh for Non-moving) (Previous Year Rs. 4.63 Lakh) | 9,231.02 | 6,431.45 |
| Internally Generated process scrap/rejected materials \$ | 1,663.73 | 1,483.48 |
| Consumables (in stock) (Net after provision Rs. 21.64 lakh for non-moving) (Previous year Rs. 14.91 Lakh) | 762.28 | 829.63 |
| Spares (in stock) (Net after provision of Rs. 155.61 Lakh for non-moving) (Previous year Rs. 144.88 Lakh) | 513.72 | 500.45 |
| Raw Materials, Stores & Spares under inspection and Transit | 972.50 | 3,476.98 |
| Work-in-Process <> \$ | 24,740.37 | 19,288.14 |
| Finished Goods | 1,342.48 | 35.90 |
| | <u>39,226.10</u> | <u>32,046.03</u> |

@ Does not include Raw Materials worth Rs. 2075.50 Lakh (Previous Year Rs. 1442.68 Lakh) held on behalf of Customers

\$ Include materials lying with outsiders Rs. 2,060.76 Lakh (Previous Year Rs. 2086.10 Lakh)

<> Include items valuing Rs. 109.93 Lakh (Previous Year Rs. 29.62 Lakh) pertaining to earlier years, brought into account, during the year, on reconciliation.

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

| | As at 31 st March, 2011 <u>(Rs. in Lakhs)</u> | As at 31 st March, 2010 <u>(Rs. in Lakhs)</u> |
|---|--|--|
| 8.2 Sundry Debtors (Unsecured) | | |
| (a) Debts Outstanding for a period exceeding Six Months | | |
| - Considered Good | 3,090.36 | 2,048.30 |
| - Considered Doubtful | 16.29 | 23.40 |
| (b) Other Debts | | |
| - Considered Good | 7,316.02 | 8,705.41 |
| - Considered Doubtful | 0.12 | 0.80 |
| | <u>10,422.79</u> | <u>10,777.91</u> |
| Less : Provision for Doubtful Debts | 16.41 | 24.20 |
| | <u><u>10,406.38</u></u> | <u><u>10,753.71</u></u> |

8.3 Cash & Bank Balances

| | | |
|---|-------------------------|-------------------------|
| (a) With Scheduled Banks | | |
| - in Current Accounts | 1,354.83 | 1,521.83 |
| - in Fixed Deposits* \$ | <u>17,490.00</u> | <u>22,506.31</u> |
| | 18,844.83 | 24,028.14 |
| (b) With Post Office Savings Bank Account @ | 1.40 | 1.40 |
| (c) Cash on Hand | 1.15 | 3.46 |
| | <u><u>18,847.38</u></u> | <u><u>24,033.00</u></u> |

\$ This includes Rs. 78.16 Cr. received from MoD towards financing of Forge Press (Refer Note No. 1 Sch. - 20)

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

@ Pledged with Excise Authorities (Previous Year Rs. 1.40 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, 2011 (Rs. in Lakhs) | As at 31st March, 2010 (Rs. in Lakhs) |
|---|---|---|
| 8.4 Other Current Assets | | |
| Despatches with Subcontractors (at estimated realisable Value) | 6,698.80 | 3,923.17 |
| Less: Relatable, advances (as per contra) | <u>6,317.19</u> | <u>2,781.50</u> |
| | <u>6,317.19</u> | <u>2,781.50</u> |
| | 381.61 | 1,141.67 |
| Interest Accrued | | |
| - Considered good | 659.10 | 292.35 |
| - Considered doubtful | 286.58 | 286.58 |
| - Less Provision | <u>286.58</u> | <u>286.58</u> |
| | <u><u>1,040.71</u></u> | <u><u>1,434.02</u></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 | - | 0.21 |
|-------------------------|-------------|---|------|

Unsecured

| | | | |
|-------------------------|--------------|--|--------|
| - Advances to Employees | 47.71 | | 319.55 |
|-------------------------|--------------|--|--------|

| | | | |
|------------------------------------|---------------|--|--------|
| - Advances to Suppliers (Purchase) | 227.58 | | 269.44 |
|------------------------------------|---------------|--|--------|

| | | | |
|--------------------------------|---------------------|--|--------------|
| - Advances Considered Doubtful | <u>23.66</u> | | <u>23.66</u> |
|--------------------------------|---------------------|--|--------------|

| | | | |
|--|---------------|--|--------|
| | 251.24 | | 293.10 |
|--|---------------|--|--------|

| | | | |
|--|---------------------|--|--------------|
| Less : Provision for Doubtful Advances | <u>23.66</u> | | <u>23.66</u> |
|--|---------------------|--|--------------|

| | | | |
|--|---------------|--|--------|
| | 227.58 | | 269.44 |
|--|---------------|--|--------|

| | | | |
|--------------------------------|---------------|--|--------|
| - Claims / Account Receivables | 127.45 | | 108.05 |
|--------------------------------|---------------|--|--------|

| | | | |
|---|---------------|--|--------|
| - VAT/Modvat/Service Tax/Customs Duty receivable | 750.18 | | 389.46 |
|---|---------------|--|--------|

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

| 8.5 LOANS & ADVANCES (Unsecured considered good, unless otherwise stated) | As at 31st March, 2011 (Rs. in Lakhs) | As at 31st March, 2010 (Rs. in Lakhs) |
|---|---|---|
| - Income Tax Deductions at Source | 32.16 | 12.02 |
| - Advance Tax paid | 11,047.82 | 8,271.78 |
| - Pre-paid expenses | 48.78 | 34.30 |
| Total (a) | <u>12,281.89</u> | <u>9,404.81</u> |
| (b) Balances with Customs, Excise | | |
| - Customs & Excise | 1.38 | 1.12 |
| - Others | <u>80.20</u> | <u>79.72</u> |
| | 81.58 | 80.84 |
| Total (b) | <u>81.58</u> | <u>80.84</u> |
| Total (a + b) | <u><u>12,363.47</u></u> | <u><u>9,485.65</u></u> |
| Dues from the Officers of the Company | Nil | 0.07 |
| Maximum amount due at any time during the year | Nil | 0.14 |

SCHEDULE - 9 : CURRENT LIABILITIES AND PROVISIONS

As at
31st March, 2011
(Rs. in Lakhs)

As at
31st March, 2010
(Rs. in Lakhs)

| | | | | |
|---|-----------------|---------------|----------|----------|
| 9.1 Current Liabilities | | | | |
| Accounts payable for Equipment and Works | | | | |
| (a) SSI Units | - | | | |
| (b) Others | <u>482.66</u> | 482.66 | 708.97 | 708.97 |
| Sundry Creditors | | | | |
| (a) SSI Units | 30.12 | | 6.54 | |
| (b) Others | <u>1,496.32</u> | 1,526.44 | 1,839.96 | 1,846.50 |
| Other Expenses | | | | |
| (a) SSI Units | 69.51 | | 17.86 | |
| (b) Others | <u>2,793.91</u> | 2,863.42 | 2,345.53 | 2,363.39 |
| Accounts payable for Employees Taxes and Duties | | 6,143.17 | | 4,202.71 |
| Customer Financed Projects | | 285.18 | | 230.46 |
| | | <u>265.83</u> | | 58.55 |

SCHEDULE - 9 : CURRENT LIABILITIES AND PROVISIONS

As at
31st March, 2011
(Rs. in Lakhs)

As at
31st March, 2010
(Rs. in Lakhs)

| | | | |
|--|------------------|-----------|------------------|
| Advances from Customers Less : Amount Set-off against (per Contra) | 29,625.43 | 27,925.13 | |
| - Despatches with Sub-contractors | 6,317.19 | 2,781.50 | 25,143.63 |
| Advances and Deposits - Others | 23,308.24 | | 1,089.43 |
| Other Liabilities | 1,504.60 | | 901.56 |
| - Advances for Customer Financed Projects | 125.19 | | 673.38 |
| - Other Liabilities | 673.38 | | |
| Total | 37,178.11 | | 37,218.58 |

SCHEDULE - 9 : CURRENT LIABILITIES AND PROVISIONS (Contd.....)**9.2 Provisions****(Rs. in Lakhs)**

| | Balance as at 1st Apr. 2010 | Additions during the year | Amounts used/Adj. during the year | Unused amount during the year | Balance as at 31st Mar, 2011 |
|--------------------------------|---|----------------------------------|--|--------------------------------------|--|
| Provision for Gratuity | 16.62 | 3.03 | - | - | 19.65 |
| Provision for Leave Encashment | 1,058.08 | 323.08 | - | - | 1,381.16 |
| Provision for Income Tax | 8,273.04 | 2,483.10 | - | - | 10,756.14 |
| Provision for Dividend | 792.33 | 1,800.00 | 792.33 | - | 1,800.00 |
| Provision for Tax on Dividend | 134.65 | 339.90 | 134.65 | - | 339.90 |
| Provision for FBT | 107.27 | - | - | - | 107.27 |
| Provision-Others | 11.04 | - | - | - | 11.04 |
| TOTAL | 10,393.03 | 4,949.11 | 926.98 | - | 14,415.16 |

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2011**

| | As at 31 st March, 2011 (Rs. in Lakhs) | As at 31 st March, 2010 (Rs. in Lakhs) |
|---|---|---|
| SCHEDULE - 10 | | |
| Accretion / (Decretion) to Work-in- Process and Finished Goods | | |
| (i) Work-in-Process | | |
| Closing Balance | 24,740.37 | 19,288.14 |
| Opening Balance | <u>19,288.14</u> | <u>18,992.95</u> |
| Total (i) | 5,452.23 | 295.19 |
| (ii) Finished Goods | | |
| Closing Balance | 1,342.48 | 35.90 |
| Opening Balance | <u>35.90</u> | <u>128.45</u> |
| Total (ii) | 1,306.58 | (92.55) |
| Total (i + ii) | <u><u>6,758.81</u></u> | <u><u>202.64</u></u> |

| | Year ended 31 st March, 2011 (Rs. in Lakhs) | Year ended 31 st March, 2010 (Rs. in Lakhs) |
|-------------------------------------|--|--|
| SCHEDULE - 11 : OTHER INCOME | | |
| Interest Earned | | |
| - Corporate Deposits | - | - |
| - Bank Deposits | 1,607.44 | 1,230.91 |
| - Others | 8.31 | 394.59* |
| Income from disposal of Scrap | 11.59 | 12.62 |
| Liquidated Damages / Penalties | 85.83 | 46.42 |
| Write Back of Provisions | 7.79 | 10.06 |
| Other Miscellaneous Income | 185.09 | 168.53 |
| | <u>1,906.05</u> | <u>1,863.13</u> |

* Includes Rs. 392.66 Lakhs earned on advance paid to HBE Press Korea backed up by B.G. and consequential encashment of B.G along with interest as per terms of contract during 09-10.

SCHEDULE - 12**CONSUMPTION OF MATERIALS
AND CONSUMABLES**

| | | |
|---------------|------------------|------------------|
| Raw Materials | 19,667.85 | 13,566.15 |
| Consumables | 1,450.37 | 1,106.83 |
| | <u>21,118.22</u> | <u>14,672.98</u> |

SCHEDULE - 13**POWER AND FUEL**

| | | |
|---------------------------|-----------------|-----------------|
| Power | 1,206.95 | 877.68 |
| Liquified Petroleum Gas | 1,833.20 | 1,421.41 |
| Furnace Oil, Diesel etc., | 51.05 | 79.05 |
| | <u>3,091.20</u> | <u>2,378.14</u> |

SCHEDULE - 14**EMPLOYEES' REMUNERATION AND BENEFITS**

| | | |
|--|-------------------------|-----------------|
| Salaries and Wages | 6,475.19 | 6,400.02 |
| Contribution to Provident Fund and EPS | 565.69 | 499.42 |
| Gratuity | 1,211.85 | 569.91 |
| Leave Encashment | 465.91 | 461.92 |
| Staff Welfare Expenses (Net) | 1,284.45 | 1,313.26 |
| Leave Salary and Pension Contribution | 6.24 | 1.50 |
| | <u>10,009.33</u> | <u>9,246.03</u> |

SCHEDULE - 15**REPAIRS AND MAINTENANCE ***

(Excluding Salaries and Wages)

Repairs to

| | | |
|-----------------------|----------------------|---------------|
| - Buildings | 181.83 | 164.26 |
| - Plant and Machinery | 605.37 | 562.50 |
| - Others | 33.07 | 25.29 |
| Total | <u>820.27</u> | <u>752.05</u> |

* Includes Consumables and Spares Rs. 489.02 Lakh (Previous year Rs. 467.60 Lakh)

SCHEDULE - 16**OTHER EXPENSES**

| | Year ended 31st March, 2011 (Rs. in Lakhs) | Year ended 31st March, 2010 (Rs. in Lakhs) |
|--|--|--|
| Water Charges | 50.78 | 63.63 |
| Rates and Taxes | 12.20 | 12.71 |
| Insurance | 48.33 | 20.23 |
| Miscellaneous - Factory | 15.35 | 11.88 |
| Rent and Service Charges | 13.42 | 12.44 |
| Postage, Telephone, Telegram and Telex | 47.31 | 52.33 |
| Printing and Stationery | 31.21 | 25.09 |
| Travel Expenses (Including Directors' Travel Rs. 41.22Lakh (Previous Year Rs. 29.48 Lakh) | 207.04 | 172.43 |
| Directors sitting fees | 2.00 | 3.10 |
| Bank Charges | 39.76 | 19.87 |
| Advertisement (Tenders/Notification) | 25.76 | 33.18 |
| Auditors Remuneration | | |
| - Audit Fees | 1.50 | 2.00 |
| - Tax Audit Fees | 1.00 | 0.50 |
| Legal Expenses | 1.96 | 1.66 |
| Miscellaneous - Administration (Including Entertainment expenses Rs. 0.41 Lakh-Previous Year Rs. 0.55 Lakh) | 484.51 | 280.64 |
| Internal Audit Fees, PF audit and other audit fees | 2.89 | 2.62 |
| Commission to selling agents | 4.71 | 0.37 |
| Publicity expenses | 104.75 | 71.40 |
| Miscellaneous & Selling expenses | 359.66 | 52.98 |
| Write off-Adv/Misc Exp/ Claims/Interest/Liquidated Damages | 464.38 | 395.57 |
| Exchange Rate Variance | (2.48) | 190.40 |
| | <u>1,916.04</u> | <u>1,425.03</u> |

Year ended
31st March, 2011
(Rs. in Lakhs)

Year ended
31st March, 2010
(Rs. in Lakhs)

SCHEDULE - 17 PROVISIONS

Provisions for

- Non-moving stores/Spares
/ Stock Discrepancies

36.99

13.63

36.99

13.63

SCHEDULE - 18 INTEREST

Cash Credit

0.35

0.48

Interest - Others

170.76

51.97

Interest - Govt. Loans

508.30

103.50

679.41

155.95

SCHEDULE - 19 - PRIOR PERIOD ADJUSTMENT

| | Debit | Credit | Debit | Credit |
|--------------------------------|--------------|----------------|-------|--------|
| Consumption of Materials etc., | 43.47 | - | - | 12.28 |
| Manufacturing Expenses | 1.77 | - | - | 0.96 |
| Other Administrative Expenses | 2.20 | - | 3.66 | 0.46 |
| Depreciation | 0.40 | - | 3.90 | - |
| Total | 47.84 | - | 7.56 | 13.70 |
| Net | | (47.84) | | 6.14 |

SCHEDULE - 20**NOTES ON ACCOUNTS ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011.****A. BALANCE SHEET**

1. Paid up share capital includes Rs. 39.08 crore and unsecured loan includes Rs. 35.00 crore drawn from MOD towards financing Forge Press. Similarly cash and bank balances include Rs. 78.16 crore kept seperately in fixed deopit towards meeting capital expenditure of Forge Press as the fund cannot be diverted to any other purpose as per the said sanction letter. Hence Rs. 78.16 crore is not considered for the purpose of calculation of Capital employed and Net Worth.
2. 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 | 3986.33 | 11084.77 |
| - Customer Projects | 1318.21 | 3413.30 |

3. Contingent Liabilities not provided for:

Rs.Lakhs

| Sl. No. | | Current Year | Previous Year |
|---------|---------------------------------|---------------------|---------------|
| (i) | Bank Guarantee | 378.15 | 163.29 |
| (ii) | Letters of Credit Outstanding | 963.77 | 3736.59 |
| (iii) | Claims not acknowledged as debt | 7960.80 | 7791.52 |
| (iv) | Others | 50.00 | 50.00 |

- 4.1 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.

- 4.2 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.
- 4.3 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)
5. (i) As at the end of the year, Midhani is holding assets worth Rs.13639.03 Lakh (Previous year 11688.10 Lakh(including advances and Goods-in-Transit)procured under Customer Financed Projects.
5. (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.
6. 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.
7. 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.

8. 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.
9. The net deferred tax liability as at 31st March 2011 comprise of the following:

Rs.Lakhs

| Particulars | As at 31st March 2010 | Charge/ Credit for the period | As at 31st March 2011 |
|-----------------------------------|---|--|---|
| (a) Deferred Tax Liability | | | |
| Depreciation | 588.44 | 97.57 | 686.01 |
| Total | 588.44 | 97.57 | 686.01 |
| (b) Deferred Tax Assets | | | |
| - Provisions | 181.62 | 5.56 | 187.18 |
| - Disallowances as per IT Act | 359.64 | 99.15 | 458.79 |
| Total | 541.26 | 104.71 | 645.97 |
| Net Assets/(Liabilities) | (47.18) | 7.14 | (40.04) |

B. PROFIT AND LOSS ACCOUNT

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

Rs.Lakhs

| | 2010-11 | 2009-10 |
|--------------------------------|----------------|---------|
| Salary & Allowances | 55.03 | 60.31 |
| Contribution to Provident fund | 4.36 | 5.12 |
| Gratuity | - | - |
| Total | 59.39 | 65.43 |

Sitting Fees paid To independent Directors **2.00** 3.10

11. On a review, an amount of Rs. 24.98 Lakh (Previous year Rs.31.24 Lakh) has been written off as bad debts.
12. On a review an amount of Rs. Nil lakhs (previous year Rs. 32.20) has been written back on account of unclaimed amount by creditors.
13. 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 | 138.99 | 100.01 |
| (ii) | Conversion costs | 137.93 | 134.01 |
| | TOTAL | 276.92 | 234.02 |

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

Rs.Lakhs

| Particulars | 31 st March 2011 | 31 st March 2010 |
|---|--------------------------------|--------------------------------|
| Net Profit After Tax(Rs.Lakh) | 5042.18 | 4461.66 |
| No.of shares | 18,33,400 | 14,63,400 |
| Basic and Diluted Earnings Per Share of face value of Rs.1000/-each (in Rupees) | 275.02 | 304.88 |

15.1 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.)

15.2 Nature of Transaction : Manegerial Remuneration

Rs.Lakhs

| | 10-11 | 09-10 |
|-------------------------|--------------|-------|
| S/Shri M Narayan Rao | 22.37 | 23.78 |
| V.S.Krishna Murthy | 18.41 | 21.02 |
| V.S. Verma | 18.61 | 20.63 |

16. 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.

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

Rs.Lakhs

| | As on 31.3.2011 | As on 31.3.2010 |
|---|------------------------|-----------------|
| - Not later than one year | Nil | 2.54 |
| - Later than one year and not later than five years | Nil | 0.40 |
| - Later than five years | - | - |
| Total | Nil | 2.94 |

18. 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.
19. 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).
20. Net effect of depreciation provided on the assets for which higher rate of depreciation than the rates prescribed is Rs. 49.99 Lakhs (Previous year Rs. 49.99 Lakhs). The assets fall into the category of Plant and Machinery and normal depreciation rates are ranging from 4.75% to 5.28% against which depreciation has been charged with rates ranging from 19% to 25.47%.
21. 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 31.3.2011 provided by LICGGF with whom the company has taken the Policy through its Gratuity Trust :

| | |
|---|----------------------------|
| 1 ASSUMPTION | 31 MAR 2011 |
| a) Average Age | 51.81 yrs. |
| b) Discount rate (per annum) | 8% |
| c) Salary Escalation (per annum) | 3.00% |
| 2 Table showing the changes in the present value of the Obligation as on 31 March 2011 | Figures in Rs.Lakhs |
| a) Present value of obligation at the beginning of the year | 3898.81 |
| b) Interest cost | 311.90 |
| c) Current service cost | 119.66 |
| d) Benefits paid -Actuals | (714.63) |
| e) Present value of obligation at the end of the year | 4436.64 |
| f) Actuarial gain/loss | 820.90 |
| 3 Changes in fair value of the Plan Assets | |
| a) Fair value of plan assets at the beginning of the year | 3855.16 |
| b) Expected return on plan assets | 334.88 |
| c) Contributions | 463.31 |
| d) Benefits paid | (714.63) |
| e) Actuarial gain/loss on plan assets | NIL |
| f) Fair value of plan assets at the end of the year | 3938.71 |
| 4 Table showing fair value of plan assets | |
| a) Fair value of plan assets at the beginning of the year | 3855.16 |
| b) Actual return on plan assets | 334.88 |
| c) Contributions | 463.31 |
| d) Benefits paid | (714.63) |
| e) Fair value of plan assets at the end of the year | 3938.71 |
| f) Funded Status | (497.93) |
| g) Excess of Actual over estimated return on plan assets | NIL |

5 Actuarial Loss or Gain recognized

| | |
|---|----------|
| a) Actuarial Loss for the year-Obligation | (820.90) |
| b) Actuarial Loss for the year -Plan Assets | NIL |
| c) Total Loss for the year | 820.90 |
| d) Actuarial Loss recognized | 820.90 |

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 | 4436.64 |
| b) Fair value of plan assets at the end of the year | 3938.71 |
| c) Funded Status | (497.93) |
| d) Net Liability/Asset recognized in the balance sheet | (497.93) |

7 Expenses recognized in the statement of P&L account for the year ended on 31 MAR 2011

| | |
|--|----------|
| a) Current service cost | 119.66 |
| b) Interest cost | 311.90 |
| c) Expected return on plan assets | (334.88) |
| d) Net Actuarial (gain)/ loss recognized in the year | 820.90 |
| e) Expenses recognized in statement of Profit and Loss | 917.59 |

C. GENERAL

22. 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 2010 or realizable market value during 2010-11, whichever is lower.

23. 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.
24. 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 : 25-07-2011.**

**Place : New Delhi,
Date : 22-07-2011.**

STATEMENT OF CASH FLOW

Year ended
31st March, 2011
(Rs. in Lakhs)

Year ended
31st March, 2010
(Rs. in Lakhs)

CASH FLOW FROM OPERATING ACTIVITIES

| | | |
|--|--------------------------|-----------------|
| Net Profit Before Tax | 7,518.14 | 6,766.78 |
| Adjustment to reconcile net income to net cash providing by operating activities : | | |
| Depreciation | 389.61 | 328.59 |
| Interest Paid | 679.41 | 155.95 |
| Interest Received | (1,607.44) | (1,037.40) |
| Write back of provisions | (7.79) | (10.06) |
| Write Offs | 464.38 | 395.57 |
| Exchange Rate Variation | (2.48) | 190.40 |
| Provision for Doubtful debts/Advances/Modvat/ Non-moving stores/spares | 363.10 | 294.09 |
| Sub-Total | <u>278.79</u> | <u>317.14</u> |
| Operating Profit before Working Capital Changes | <u>7,796.93</u> | <u>7,083.92</u> |
| Adjustment for Changes in Assets and Liabilities | | |
| (Increase) / Decrease in Sundry Debtors | 347.33 | (2,493.96) |
| (Increase) / (Decrease) in Inventories | (7,180.07) | (2,203.54) |
| (Increase) / Decrease in Other Current Assets | (107.74) | (2,378.89) |
| (Increase) / Decrease in Sundry Creditors | (40.47) | 6,259.04 |
| (Increase) / Decrease in Bank Borrowings | (830.53) | 3,529.99 |
| Sub-Total | <u>(7,811.48)</u> | <u>2,172.64</u> |
| Cash Generated from Operations before adjustment from Other Assets | (14.55) | 9,796.56 |

STATEMENT OF CASH FLOW (Contd.)

| | Year ended 31 st March, 2011 (Rs. in Lakhs) | Year ended 31 st March, 2010 (Rs. in Lakhs) |
|--|--|--|
| B/f | (14.55) | 9,796.56 |
| Adjustment for Other Assets | - | - |
| Sub-Total | | |
| Cash Generated from Operations | (14.55) | 9,796.56 |
| Direct Tax Paid | (2,500.00) | (2,172.10) |
| Sub-Total | (2,500.00) | (2,172.10) |
| Net Cash provided by Operating Activities (a) | <u>2,514.55</u> | <u>7,624.46</u> |
| II. Cash Flow from Investing Activities | | |
| Purchase of Fixed Assets | (2,104.26) | 745.51 |
| Proceeds from Sale of Fixed Assets | - | - |
| Interest Received | 1,239.58 | 1,037.40 |
| Net Cash provided (used in) by Investing Activities (b) | <u>(864.68)</u> | <u>1,782.91</u> |
| III. Cash Flow from Financing Activities | | |
| Interest Paid | (679.41) | (155.95) |
| Dividend Paid | (992.33) | (821.13) |
| Tax on Dividend Paid | (134.65) | (139.56) |
| Share Capital/Share application money Increase/Decrease | - | 3,700.00 |
| Net Cash provided by Financing Activities(c) | (1,806.39) | 2,583.36 |

STATEMENT OF CASH FLOW (Contd.,)

| | Year ended 31 st March, 2011 (Rs. in Lakhs) | Year ended 31 st March, 2010 (Rs. in Lakhs) |
|--|--|--|
| Abstract | | |
| Net Cash provided by Operating Activities (a) | (2,514.55) | 7,624.46 |
| Net Cash provided (used in) by | | |
| Investing Activities (b) | (864.68) | 1,782.91 |
| Net Cash provided by | | |
| Financing Activities (c) | (1,806.39) | 2,583.36 |
| Net Increase/(decrease) in cash & cash equivalent during the year | (5,185.62) | 11,990.73 |
| Cash and Cash equivalent at the beginning of the year | 24,033.00 | 12,042.27 |
| Cash and Cash equivalent at the end of the year | 18,847.38 | 24,033.00 |
| | (5,185.62) | 11,990.73 |
| Components of Cash and Cash equivalents as at | 31st March, 2011 (Rs. in Lakhs) | 31st March, 2010 (Rs. in Lakhs) |
| Cash on Hand | 1.15 | 3.46 |
| With Post Office Savings Bank Account | 1.40 | 1.40 |
| With Scheduled Banks | | |
| - in Current Account | 1,354.83 | 1,521.83 |
| - in Fixed Deposit | 17,490.00 | 22,500.00 |
| - in Margin Money | - | 6.31 |
| - in Interim Dividend A/c | - | - |
| TOTAL | 18,847.38 | 24,033.00 |

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

**Place : Hyderabad,
Date : 25-07-2011.**

**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 : New Delhi,
Date : 22-07-2011.**

**BALANCE SHEET ABSTRACT AND COMPANY'S
GENERAL BUSINESS PROFILE****I REGISTRATION DETAILS :**

| | | | |
|---------------------|-----------------|------------|----|
| Registration Number | 1660 | State Code | 01 |
| Balance Sheet Date | 31st March 2011 | | |

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 | 8,903,569 | Total Assets | 8,903,569 |
| Sources of Funds | | | |
| Paid Up Capital | 1,833,400 | Reserves and Surplus | 1,546,146 |
| Share Application Money | - | | |
| Secured Loans | 10,692 | Unsecured Loans | 350,000 |
| Deferred Taxes | 4,004 | Current Liabilities & Provisions | 5,159,327 |
| Application of Funds | | | |
| Net Fixed Assets | 694,154 | Investments | 21,011 |
| Current Assets, Loan & Advan. | 8,188,404 | Misc. Expenditure | - |
| Accumulated Losses | - | | - |

IV PERFORMANCE OF THE COMPANY**(Amounts in Rupees Thousands)**

| | | | |
|-----------------------------|-----------|----------------------------|-----------|
| Turnover (Gross earnings) | 4,078,843 | Total Expenditure | 4,193,515 |
| Profit/ (-) Loss Before Tax | 751,814 | Profit/ (-) Loss after Tax | 504,218 |
| Earning Per Share in Rupees | 275.02 | Dividend Rate % | 10.909% |

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 : New Delhi,
Date : 22-07-2011.

A. EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR 2010-11 - CAPITAL

(Rs. in Lakhs)

| Description | GROSS BLOCK | | | DEPRECIATION | | | NET BLOCK | | |
|-----------------------------|----------------|---------------------------|--------------------------|-----------------|-----------------|--------------------------|---------------------------|-----------------|-----------------|
| | As at 1.4.2010 | Additions during the year | Adj./Ded during the year | As at 31.3.2011 | As at 31.3.2010 | Adj./Ded during the year | Depreciation for the year | As at 31.3.2011 | As at 31.3.2010 |
| Land | 28.66 | -- | -- | 28.66 | -- | -- | -- | 28.66 | 28.66 |
| Township Buildings: | | | | | | | | | |
| - Residential | 100.69 | -- | -- | 100.69 | 41.04 | -- | 1.65 | 42.69 | 59.65 |
| Township Buildings: | | | | | | | | | |
| - Non-Residential | | | | | | | | | |
| (a) School | 44.74 | -- | -- | 44.74 | 13.23 | -- | 0.73 | 13.96 | 31.51 |
| (b) Hospital | 1.77 | -- | -- | 1.77 | 0.74 | -- | 0.03 | 0.77 | 1.03 |
| (c) Sub-station buildings | 1.92 | -- | -- | 1.92 | 0.76 | -- | 0.03 | 0.79 | 1.16 |
| Township External Services: | | | | | | | | | |
| (a) Water | 2.44 | -- | -- | 2.44 | 2.36 | -- | - | 2.36 | 0.08 |
| (b) Electrical | 7.45 | - | -- | 7.45 | 7.13 | -- | - | 7.13 | 0.32 |
| (c) School Furniture | 7.66 | -- | -- | 7.66 | 7.63 | -- | - | 7.63 | 0.03 |
| Township Roads | 8.24 | -- | -- | 8.24 | 3.14 | - | 0.14 | 3.28 | 5.1 |
| TOTAL | 203.57 | -- | -- | 203.57 | 76.03 | -- | 2.58 | 78.61 | 127.54 |
| Previous Year | 203.57 | -- | -- | 203.57 | 73.45 | -- | 2.58 | 76.03 | 130.12 |

B. EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR 2010-11 - REVENUE

(Rs. in Lakhs)

| Description | Town-ship | School | Medical facilities Over & above those which are statutorily required | Subsidised transport | Other subsidies | Other items of welfare expenditure | Total |
|--|---------------|--------------|--|----------------------|-----------------|------------------------------------|---------------|
| Salaries & Wages (including P.F. Contribution) | 22.11 | -- | -- | -- | -- | -- | 22.11 |
| Electricity | 12.50 | -- | -- | -- | -- | -- | 12.50 |
| Repair & Maintenance | 67.67 | -- | -- | -- | -- | -- | 67.67 |
| Payment to Transport Co. | -- | -- | -- | 160.18 | -- | -- | 160.18 |
| Subsidies (Net) | -- | 19.00 | -- | -- | -- | -- | 19.00 |
| Reimbursement of Tuition Fee | -- | -- | -- | -- | 0.42 | -- | 0.42 |
| Interest Subsidy on H.B.Loans | -- | -- | -- | -- | 0.58 | -- | 0.58 |
| Misc. expenses | -- | -- | -- | -- | -- | 6.13 | 6.13 |
| Township Dispensary | -- | -- | 1.73 | -- | -- | -- | 1.73 |
| Depreciation | 2.58 | -- | -- | -- | -- | -- | 2.58 |
| Total Expenditure | 104.86 | 19.00 | 1.73 | 160.18 | 1.00 | 6.13 | 292.90 |
| Previous year | 54.52 | 73.52 | 2.14 | 160.77 | 2.97 | 5.55 | 299.47 |
| Income for Current Year | 4.97 | - | - | 20.21 | - | - | 25.18 |
| Income for Previous Year | 4.23 | -- | -- | 12.41 | -- | -- | 16.64 |



MISHRA DHATU NIGAM LIMITED

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

REGISTERED OFFICE & WORKS :
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COMMERCIAL OFFICES

| | |
|--|---|
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| <p>NEW DELHI Flat No.26, Sector "A"Pocket "C", Vasant Kunj, NEW DELHI -110 070 Tele-fax: +91-011-26890253 e-mail: dro..midhani@nic.in</p> | <p>CHENNAI Old 947/New 140, Sorrento House, Poonamalee High Road, CHENNAI - 600 084 Tele-fax: +91-044-26481101 e-mail: cco.midhani@nic.in</p> |
| <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> |