

APPENDIX -II

With reference to observations of Statutory Auditors in para 5 (d)(i), 5(d)(ii), 5(d)(iii) and 5(e) of the Auditor's Report, Management comments are as given below:-

Auditor's Observations	Management Replies
<p>5 (d) (i) Non - Compliance of disclosure requirements of Accounting Standard -7- Construction Contracts.</p>	<p>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 Part II of Schedule VI of the Companies Act 1956(as amended)</p>
<p>5 (d) (ii) Non-Compliance of Accounting Standard -16- Borrowing Costs towards assets acquired / under acquisition. This has no material impact on profit of the Company for the year and</p>	<p>Based on suspended period of operation vide AS 16 Para No. 17, a definite view will be taken in 2012-13 accounts suitably by which time the 6000 t press will be commissioned and capitalization will be done.</p>
<p>5 (d) (iii) Non-Compliance of Accounting Standard -17 - segment reporting as referred in Note on basis for preparation of accounts forming part of financial statements</p>	<p>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 Section211(3A)of the Companies Act, 1956, is not made. There is no effect on the Accounts, due to such deviation.</p>
<p>5(e)Cash flow statement dealt with by this report has not been modified consequent to revision of certified accounts.</p>	<p>As per the arrangement made with the respective banks for availing short term overdraft against fixed deposits the original FD receipts are duly discharged by putting signature of authorized signatories and handed over to the banks for their physical possession. Therefore in practical sense the cash/bank balances held by the Company are only the net amount which reflects true picture of the state of the affairs. Hence bank deposits are netted off to the extent of overdraft taken for the cash flow purpose.</p>

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 of its activities. The good Governance, it's 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 need not 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 ` 56. 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) Dr. D.K. Likhi [From:01.09.2011]
Director (Prodn. & Mktg.)
- (iv) Shri. V.S. Verma [Upto 31.08.2011]
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, Govt. of India.
- (ii) Dr. G. Malakondaiah
Distinguished Scientist
Director, DMRL,DRDO
Ministry of Defence, Govt. of India.

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

- (i) Mrs. Indu Liberhan
Ex-Secretary.
Ministry of Defence (Fin.)
Govt. of India.
- (ii) Dr. Dipankar Banerjee
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,
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.)
Govt. of India.
- (ii) Shri P.K. Mishra [Upto : 28.04.2011]
Addl. FA & Jt. Secy.
Ministry of Defence (Fin.)
Govt. of India.

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 Director(s)

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 THERE OF:

- 3.1 The Board met, six (6) 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 and those required to attend at such meetings are given below:

SL. NO.	NAME OF THE MEETING	DATE	BOARD STRENGTH	NO. OF DIRECTORS PRESENT
1	196	24.05.2011	8	7
2	197	22.07.2011	8	8
3	198	21.09.2011	8	8
4	199	19.11.2011	8	7
5	200	08.02.2012	8	7
6	201	17.03.2012	8	7
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: <i>Annx: II</i>				
The special invitee(s) for board meetings has / have attended 9 meetings as against 9 meetings required to be attended				

- 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 in respect of 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. The interested Directors did not participate in proceedings of Board when such items are taken up.
- 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 2011-'12 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.	Part-time Official Director, w.e.f 31-12-2007 - do- - do- w.e.f 22-02-2010

SL. NO.	NAME OF THE DIRECTOR	BODIES CORPORATE IN WHICH THE DIRECTOR IS INTERESTED.	NATURE OF INTEREST AND THE DATE FROM WHICH INTERESTED
		4) M/s Goa Ship Yard Limited, Goa.	Permanent Special Invitee on Board of Directors, w.e.f 31-12-2007
2	Shri. M. Narayana Rao	1) Andhra Pradesh Gas Power Corporation Limited, Hyderabad. 2) International Advanced Research Centre for Powder Metallurgy & New Materials (ARCI), Hyderabad. 3) Nuclear Fuel Complex, Hyderabad.	Part-time Director, w.e.f. 30.09.2010 Member on the Governing Council As Member on Board of Management
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 One (1) 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
35	2008-'09	25.09.'09	1000 Hours	M/s. Mishra Dhatu Nigam Ltd. Regd. Office, P.O. Kanchan Bagh, Hyderabad -500 058.
36	2009-'10	25.08.'10	1000 Hours	
37	2010-'11	20.09.'11	1100 Hours	

- b) During the year under report and previous two (2) financial years, 1 (one) Special Resolution was passed in the EGM held on 28.10.2009 amending the provisions of Articles of Association of the company enabling the Board of Directors of the Company to exercise the enhanced powers conferred on Mini-Ratna Category-I PSUs.

- 4.1 The Company has not passed any Resolution through "Postal Ballot" during the year under report.

5.0 BOARD'S COMMITTEES THEIR SCOPE & MEETINGS THEREOF

5.1. MIDHANI has the following **Eight (8)** Committees of the Board functioning as on date of the report:

5.2 **Audit Committee (AC)**

5.2.1 The AC was originally constituted by Board of Directors of the Company in the year 2001 in accordance with the instructions issued by Administrative Ministry. Later it was functioning by virtue of guidelines issued by Department of Public Enterprises (DPE), Ministry of Heavy Industries & Public Enterprises, Govt. of India.

5.2.2 The terms of reference to AC was broadly on the guidelines suggested by DPE applicable to Central Public Sector Undertakings (CPSUs). Such Terms of reference are being upgraded, professionalized and adopted by the Board of Directors of the Company from time to time. A copy of such terms of reference was placed at **Annx: III (i)**

5.2.3 The AC has been functioning with three (3) Members who are independent directors on the Board. All the members of AC and in particular, the Chairperson AC have good knowledge of accounting and related financial Management expertise. It regularly interacts with the representatives of external audit firms carrying out Internal Audit work of the Company to ensure that there were no system lapses exists in the working of the Company. The details of constitution of Audit Committee as on the date of the report is as under:

5.2.4 **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 Director	Member	from 24.01.2011 To: 22.07.2011
4	Dr. K. Bhanu Sankara Rao Part-time-Non-Official Director	Member	22.07.2011
5	Director (Prod. & Mktg.)	Permanent Invitee	01.09.2011
6	Shri. V.S. Verma, Director (Prod. & Mktg.)	Member	Up to 23.01.2011
		Permanent Invitee	wef. 24.01.2011 31.08.2011
7	Rep. of Statutory Audit Firm	-do-	Since formation of the Committee
8	Director (Finance)	-do-	-do-
9	Rep. of External Chartered Accountant firms doing Internal Audit work	On Invitation	-do-
The Company Secretary acts as Secretary of the Committee.			

- 5.2.5 The AC shall meet at least four (4) times in a year and not more than four (4) months shall elapse between two meetings.
- 5.2.6 The quorum for AC meetings is two (2) members personally present. The Statutory Auditors, Director (Fin.) / Head of Finance, Director (Prod. & Mktg.) were made Permanent Invitees to the Meetings.
- 5.2.7 Five (5) meetings of the Audit Committee were held during the year 2011-12. 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	32	13.07.2011	3	3
2	33	31.08.2011	3	3
3	34	14.12.2011	3	1
4	34(Adj.)	08.02.2012	3	3
5	35	28.03.2012	3	3
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				

5.3 PROCUREMENT COMMITTEE (PC)

- 5.3.1 The PC has been constituted by Board of Directors of the Company on 22.01.2008 for the purpose of authorizing procurement of materials beyond the individual delegated powers of Chairman & Managing Director.
- 5.3.2 The terms of reference to PC as on date is placed at **Annx: III (ii)**.

5.3.3 The constitution of PC as on date of the report is as follows:

Sl. No.	Name of the Director	Status	Date of Appointment or change in the Committee
1	Chairman & Managing Director	Chairman	22.01.2008
2	Part-time-Non-Official Director (Dr. K. Bhanusankara Rao)	Member	22.07.2011
3	Director (Finance)	Member	22.01.2008
4	Director (Prod. & Mktg.)	Member	-do-

The nomination of Functional Directors on PC was on ex-officio basis.

The Company Secretary acts as Secretary of the Committee.

5.3.4 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.

5.3.5 There were six (6) meetings of PC during the financial year 2011-12. 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	30.08.2011	4	4
2	29.09.2011	4	3
3	31.10.2011	4	3
4	19.11.2011	4	3
5	14.12.2011	4	4
6	16.03.2012	4	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**

5.4 REMUNERATION COMMITTEE (RC)

5.4.1 The RC was originally constituted by Board of Directors on 28.04.2009 to lay down norms for determining and disbursing the quantum of Performance Related Pay (PRP) as envisaged in the guidelines issued by DPE in OM dt. 26.11.2008. It has been reconstituted on 24.01.2011 and Chaired by an Independent Director on the Board, who also happens to be Chairperson of the Audit Committee. The main purpose of RC is to consider all relevant issues contained in the above DPE OM relating to Variable Pay or Performance Related Pay applicable to all Executives (including those at Board level) and Non - Unionized Supervisors in the Company.

5.4.2 The terms of reference to RC is enclosed **[Annex-III (iii)]**

5.4.3 **The Composition of RC 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		

5.4.4 The Committee can frame its own guidelines for conducting its meetings.

5.4.5 Six (6) meetings of the RC were held during the financial year 2011-12. The dates on which such Meetings were held and the attendance of Directors / Members thereof is furnished hereunder:

Attendance of Directors in Remuneration Committee Meetings

SL. NO.	DATE	COMMITTEE STRENGTH	NO. OF DIRECTORS PRESENT
1	24.05.2011	3	3
2	30.06.2011	3	3
3	22.07.2011	3	3
4	30.08.2011	3	3
5	31.08.2011	3	3
6	09.11.2011	3	3
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			

5.4.6 The Chairperson of the Audit Committee and / or another Independent Part-time Non-Official Director who is also a member of the Audit Committee, has / have been designated as person(s) responsible for according prior approval for related party transactions as contemplated under DPE guidelines and under Accounting Standard - 18.

5.5 HUMAN RESOURCES COMMITTEE (HRC)

5.5.1 The HRC was constituted by Board of Directors on 22.07.2011, headed by an Independent Director. The objective of the HRC is to scrutinize various proposals coming to Board involving HR issues, Personnel policies to be pursued by the Company and such other issues as may be entrusted to it by Board from time to time.

5.5.2 The terms of reference to HRC is placed at **[Annex -III (iv)]**

5.5.3 The Composition of the HRC on the date of the report is as follows:

Sl. No.	Name & Designation	Status
i)	Dr. Dipankar Banerjee Part-time Non-official Director	Chairman

ii)	Dr. K. Bhanu Sankara Rao, Part-time Non Official Director	Member
iii)	Director (Finance)	Member (on Ex-officio basis)
iv)	Director (Prod. & Mktg.)	Member (on Ex-officio basis)
v)	Mrs. Indu Liberhan Part-time Non-official Director	on invitation
The Head HR Dept. shall be Secretary of the Committee.		
The quorum of the Committee shall be presence of at least 3 members one of whom shall be a non-official director. The Committee shall lay down its rules of functioning.		

5.5.4 The quorum of the HRC shall be at least Three (3) members personally present, one of whom, shall be a Non-official Director. The Committee was allowed to frame its own rules of functioning.

5.5.5 There were two (2) meetings of the Human Resources Committee during the Financial Year 2011-'12. The dates on which such Meetings were held and the attendance of Directors / Members thereof is furnished hereunder:

Attendance of Directors in Human Resources Committee Meetings

SL. NO.	DATE	COMMITTEE STRENGTH	NO. OF DIRECTORS PRESENT
1	08.02.2012	4	4
2	28.03.2012	4	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			

5.6 TECHNICAL COMMITTEE (TC)

5.6.1 The TC started functioning w.e.f. 24.01.2011. It was constituted by Board of Directors with a primary objective of studying technological aspects that need attention of the Company and to carry out technical study and find out whether any technology gaps likely to exist in the context of MIDHANI operations, more particularly in the Modernisation, Up-gradation and Expansion programs under implementation or proposed to be undertaken in near future.

- 5.6.2 The Terms of reference to TC is enclosed as **Annx: III (v)**.
- 5.6.3 The composition of TC consists of members of the Board having technical expertise in metallurgy. The constitution of TC is as follows:

Sl. No.	Name & Designation	Status
i)	Shri M. Narayana Rao Chairman & Managing Director	Chairman
ii)	Dr. Dipankar Benerjee Part-time Non Official Director	Member
iii)	Dr. G. Malakondaiah Part-time Official Director	Member
iv)	Dr. K. Bhanu Sankara Rao, Part-time Non Official Director	Member
v)	Dr. D. K. Likhi Director (Prodn. & Mktg.)	Member
The deliberations of the Committee shall be placed before the Board periodically.		

- 5.6.4 The Committee can frame its own guidelines for conducting its meetings.
- 5.6.5 During the financial year 2011-12, two (2) Meetings of the Technical Committee were held. The details are as under.

Attendance of Directors in Technical Committee Meetings

SL. NO.	DATE	COMMITTEE STRENGTH	NO. OF DIRECTORS PRESENT
1	27.07.2011	5	5
2	16.03.2012	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			

5.7 CORPORATE SOCIAL RESPONSIBILITY (CSR)

- 5.7.1 Pursuant to the Guidelines issued by Dept. of Public Enterprises, during April, 2010, the Company has constituted a Committee known as "Corporate Social Responsibility Committee" with an independent Director as its Chairman. A policy to be pursued by the Company in this regard has been recommended by the Committee and the same has been approved by Board of Directors.
- 5.7.2 The scope / terms of reference of the Committee has been given at **Annx: III (vi)**
- 5.7.3 The Constitution of the CSR Committee is as under.

Sl. No.	Name & Designation	Status
i)	Dr. K. Bhanu Sankara Rao, Part-time Non Official Director	Member
ii)	Director (Finance)	Member (on Ex-officio basis)
iii)	Director (Prod. & Mktg.)	Member (on Ex-officio basis)
The Head HR Dept. shall be Secretary of the Committee.		

- 5.7.4 During the year 2011-12, one (1) Meeting of the Corporate Social Responsibility was held wherein all the Members were present and adopted CSR Policy to be pursued by the Company was approved. The Attendance of individual Directors is placed at: **Annx: II (B)**

5.8 SUSTAINABLE DEVELOPMENT COMMITTEE. (SDC)

The Committee has been constituted w.e.f 17.03.2012. The committee aims at the Development that meets the need of the present without compromising the ability of future generations to meet their own needs with an objective of having an enduring and balanced approach to economic activity, social progress and

environmental responsibility. The committee will be instrumental for the conception of the SD policies of the company namely planning of the projects, implementation, monitoring, reporting, training, documentation, and evaluation of the projects. MIDHANI has currently taken up projects in the area of Waste Management, Energy Management and SD training. An internal Committee of senior officers has been constituted to carry out the functions of SD Committee.

- 5.8.1 The terms of reference to the committee is placed at **Annx: III (vii).**

6.0 CORPORATE MANAGEMENT COMMITTEE (CMC)

- 6.1 In order to have effective planning, organizing, coordinating and controlling the day to day operations of Management, a Committee known as Management Committee (MC) was functioning since the year 1980. During the year 2003 the same was re-constituted under the name "Corporate Management Committee" (CMC). 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
- 6.2 The terms of reference to the Committee is given in **Annx: III (viii),**
- 6.3 The meetings of CMC are being held under the Chairmanship of C&MD of the Company. 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.
- 6.4 The Committee normally meets twice a month. During the year under report, the Committee met 12 (Twelve) times.

7.0 CODE OF BUSINESS 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:IV***
- 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:V***

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 and PRP 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 no. 27 of the notes forming part of Annual Accounts for 2011-'12. 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 2.90% as compared to 2.05 % in the previous year and such percentage in respect of financial expenses was 2.24% when compared to 1.62% 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 will be made part of this Report. ***Annex:VI***

10.0 MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

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

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 various grades, types, sizes of steels, titanium and superalloys in particular and other special metals and their alloys in the form of ingots, billets, forgings, rolled plates, sheets and strips, wires, tubes, and other 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 possess wide range of facilities recognised in metallurgical industry and produces wide variety of products applying varied state-of-art technologies and processes under one roof. It is unique of its kind in the whole of Asia. The mission of the Company is to achieve self-reliance in the research, development, production and supply of strategic materials and products for critical and hi-tech engineering applications.
- 1.3 The Company mainly caters to the needs of critical materials and alloys required by strategic sectors of our country like Defence, Space, Atomic Energy, Aeronautics etc. The products produced by MIDHANI are basically import substitutes which were denied to India by western world and their non-availability would have effected various prestigious National programs of the country. The Company had fully absorbed the technologies offered by collaborators during its initial stages and fully reaped the benefits

associated with such technologies. With the constant developments made over the years in various operational areas, by utilising in-house R&D capabilities; the company indigenised various critical technologies, alloys and products which reduced dependence on imports of these critical materials.

2.0 ORGANISATION

2.1 The main Divisions/Departments of the company consisted of Production Planning & Control, Production Divisions, Technology, Methods & R&D Depts, Projects, Quality Control, Commercial, Marketing, Finance, Personnel and Administration etc. 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:VII*

4.0 SECTOR WISE PERFORMANCE

4.1. Presently about 90 % 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 2011-'12 the percentage of MIDHANI's supplies accounted for 79 % to Defence, 10 % to Space, 1 % to Nuclear and the balance to other commercial sectors.

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

	2011-2012		2010-2011	
	Qty.	Value (Rs. Lakhs)	Qty.	Value (Rs. Lakhs)
Super alloys, Titanium Alloys and Special Stainless Steels, etc.	3,482	509.01	3,014	417.87

The Sector-wise performance was as shown below :

SL. NO.	SECTOR	OPENING BALANCE 1-4-'11	ORDERS BOOKED	SUPPLIES DURING THE YEAR	BALANCE AS ON 1-4-'12
1	Defence	272.12	667.00	177	762.12
2	Nuclear	77.28	87.00	68	96.28
3	Space	286.10	7.00	185	108.10
4	Comml / others	89.37	81.00	79	91.37
	TOTAL	724.87	842.00	509	1057.87

- 4.3 The order book position stood at Rs. 1,057.87 Cr. at the beginning of the year 2012-'13. Efforts are on hand to substantially improve this level during the year 2013-'14 when new equipment is expected to be commissioned to meet the enhanced supply level.

5.0 MODERNISATION & UP-GRADATION PROGRAM

- 5.1. In an ambitious plan to becoming a global player in the field of Superalloys, Special Steels, Titanium and Titanium alloys and in an effort to supply finish components as against semis and mill forms, MIDHANI has embarked into an expansion phase augmenting, expanding and revamping its age old in-house production facilities with contemporary technologies available elsewhere in the world and also developing new applications for the existing products.

MIDHANI, being not designed, initially, to cater to large scale operations, the ploughing back of profits for further investment were meager. Hence phase - wise development strategy was adopted and the same has been yielding results.

Under Phase-I an investment of around Rs.151Cr. was envisaged for revamping /upgrading /enhancing production capacities. Under Phase-II the main focus was to enhance Production capacities of equipment with additions at a cost of Rs. 205 Cr. Prominent among them were; New 6000 MT Forge Press with 20 T Manipulator with an estimated investment of Rs.110.39 Cr.; Radial Axial Ring Rolling Mill an estimated cost of Rs.31.87 Cr.; Establishment of a New Fastener Plant, R&D Building, Corporate Building & Administrative Building with an expected capital outlay of Rs. 32 Cr.; Instillation of 20 Ton Electric Arc Furnace with Vacuum Degassing (VD) /Vacuum Oxygen Decarbursing (VOD) and Ladle Refining Furnace (LRF) at a cost of Rs. 30 Cr. under funding from OFB. Under Phase-III a major expansion program at an estimated investment of Rs. 507Cr. for setting up of balancing facilities funding coming from ASL, DRDO to the extent of Rs. 200 Cr.

and Rs. 307 Cr. from OFB was envisaged and the work in respect of the same is at an advanced stage.

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 centers 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 Cr.)

Sl. No.	Particulars	2011-'12	2010-'11	2009-'10
I	LIABILITIES			
a)	(i) Paid Up Capital	183.34	183.34	146.34
	(ii) Share application money	4.00	-	37.00
	(iii) Reserves and Surplus	180.45	154.62	127.59
b)	Loan Funds	-	-	44.37
c)	Deferred Taxes	0.54	0.40	0.47
d)	(i) Current Liabilities & Provisions	512.88	368.62	475.95
	(ii) Non-Current Liabilities & Provisions	118.51	183.19	-
	(iii) Gratuity Provision	0.28	0.20	0.17
	TOTAL	1,000.00	890.36	831.89
II	ASSETS			
e)	Net Block	60.67	55.27	36.77
f)	Capital Work-in-Progress	10.22	9.38	15.50
g)	Investments	2.10	2.10	2.10
h)	(i) Current Assets, Loans & Adv	906.90	818.78	777.52
	(ii) Non Current Assets	20.11	4.83	-
i)	Misc. Expenses not written off	-	-	-
	TOTAL	1,000.00	890.36	831.89

Sl. No.	Particulars	2011-'12	2010-'11	2009-'10
j)	Working Capital	181.18	224.94	227.57
k)	Capital Employed	241.85	280.21	264.34
l)	Net Worth	331.68	298.87	273.93
m)	Net worth per rupee of paid up capital (Rupees)	1.81	1.63	1.87

8.2 WORKING RESULTS

8.2.1 The company for the ninth (9) time in succession achieved **"EXCELLENT"** MoU rating for all round growth and overall financial and operational performance in the year 2011-'12. The significant highlights of the performance for the year 2011-'12 and a comparison with the previous two years are as under:

(Rs in Cr.)

Sl. No	Particulars	2011-'12	2010-'11	2009-'10
1	Sales -To Customers	392.98	330.62	314.60
	Sales -Export	-	-	0.23
	Sales-Dispatches to Sub-Contractors	116.04	87.25	56.38
2	Value of Production (Incl.ED)	496.00	485.46	373.24
3	Cash Profit (Excl. prior period items)	102.74	79.55	70.85
4	Profit Before Tax	98.50	75.18	67.66



Sl. No	Particulars	2011-'12	2010-'11	2009-'10
5	Net Profit (PAT)	68.45	50.42	44.62
6	Value Added	351.38	288.78	237.57
7	Value added per employee	0.3340	0.2576	0.1995
8	Value Added per Direct Worker	0.817	0.672	0.615
9	Productivity per employee	0.472	0.433	0.313
10	Paid up Capital	183.34	183.34	146.34
11	Share Application Money	4.00	-	37.00
12	Capital Employed	241.85	280.21	246.34
13	Net Worth	331.68	298.87	273.93
14	Working Capital	180.90	224.94	227.57
15	Contribution to Exchequer	103.47	79.56	62.95
16	No of Employees	1,052	1,121	1,191

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	2011-'12	2010-'11	2009-'10
A	Liquidity Ratio in Percentages) Current Ratio (Current Assets to Current Liabilities & Provisions, Interest accrued due but excluding provision for Gratuity)	150.52	143.62	144.03
B	Profitability Ratios			
a)	Profit Before Tax to			
i)	Capital Employed (%)	40.73	26.83	27.47
ii)	Net worth (%)	29.70	25.15	24.70
iii)	Sales (%)	19.35	17.99	18.23
b)	Profit After Tax to Equity (%)	37.34	27.50	30.49
c)	Earnings Per Share (in Rupees)	373.38	275.02	304.88

8.2.4 Amount available for Appropriation:

The amount available for appropriation is Rs.68.45Cr.as against Rs. 50.42 Cr. in the previous year.

9.0 HUMAN RESOURCE DEVELOPMENT

9.1 The total manpower strength of MIDHANI as on 31.3.2012 is 1121 as under:

	Non-Executives	Non-Unionised Supervisors	Executives	Total
Male	608	166	225	999
Female	22	7	24	53
Total	630	173	249	1052
Previous Year	685	178	258	1121
* Including functional Directors and deputationist (s)				

9.2 Employee related costs have gone up 12% by around Rs. 12.03Cr. as compared to 8% by around rupees 7.63 Cr. in the previous year in view of pension provision for Executives and Non-Unionised Supervisors for whom liability has been worked out based on revised wage structure w.e.f 01.01.'07, for which, effect in the current year is to the extent of Rs. 11.46 Cr.

9.3 The concept of Performance Related Pay (PRP) has been newly introduced to give employee participation in the performance of the Company a new zeal and thrust. Robust PMS Scheme was approved and made effective from 01.04.2012.

9.4 The rational distribution of man power between Administration and Production Depts., between executives and non-executives; and 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 & 19 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	2011-'12	2010-'11
1	Salaries and Wages	6,523.14	6,475.19
2	Cont. to Provident Fund & EPS	592.23	565.69
3	Gratuity	524.80	1,211.85
4	Leave Encashment	431.93	465.91
5	Staff Welfare Expenditure (Net)	1,989.06	1,284.45
6	Leave Salary & Pension Contribution	1,159.80	6.24
7	TOTAL	11,211.96	10,009.33

9.6.2 Remuneration to Members of Board

- i) The Official Directors on the Board of the Company are not entitled to any salary, perquisites allowances, bonuses, stock options, pensions, Performance Related Pay (PRP) etc. at the expense of the company.
- ii) The Part-time Non-official Directors on the Board of the Company are not entitled to any remuneration except sitting fees for attending meetings of the Board or its committees thereof at Rs.10,000/- (Rupees Ten Thousand only) per day (including its adjournment for next day) They were also reimbursed TA/DA expenses for attending the Meetings of the Board or its Committees thereof at the rates applicable for functional directors (other than CMD) of the Company.
- iii) The Remuneration of Functional Directors of the Company are approved by President of India with detailed terms and conditions of appointment, under the provisions of Articles of Association of the Company. They were paid remuneration during the year 2011-'12 as shown below:

Sl. No.	Particulars	Remuneration paid/due to functional directors. Amount (Rs. Lakhs)	
		2011-'12	2010-'11
1	Salaries and Wages	104.21	54.03
2	Cont. to Provident Fund & EPS	4.98	4.36
3	Gratuity	10.00	--
4	Leave Encashment	1.38	--
5	TOTAL	120.57	59.39

- iv) No Member of the Board of the Company is entitled for any severance fees, stock option entitlements from the Company.

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 ear-marking 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. D.K. Likhi, Director (Production & Marketing)

Dr. Dinesh Kumar Likhi, has taken charge of Director (Production & Marketing) on 01-09-2011. He is about 52 years of age.

He is a goldmedalist in Metallurgical Engineering from IIT Roorkee and obtained his ME in Industrial Metallurgy from NIT Rourkela, PG Diploma in Management from AIMA, MBA in corporate Strategy and Economic Policy from the Maastricht School of Management - the Netherlands and Ph.D in Strategic Alliance from IIT Delhi.

He started his career in Steel Authority of India Limited (SAIL) at Rourkela Steel Plant, in Production/Operation/Process control, and shifted to the corporate office of SAIL, Delhi. He has more than 31 years of wide experience in automobile, Steel and special metal alloys Industry.

Dr. DK Likhi is a life member of Indian Institute of Metals, National Institute of Personnel Management, Indian Institute of Materials Management and Global Institute of Flexible System Management.

His areas of interest are formulating and implementing strategy, organization of strategic interventions in the company using operations /project management concepts. He has published more than 25 articles in areas of technology and management.

He has been awarded the Jawahar Award for Outstanding PSU Executive in 1995, group awards for his contribution in turnaround of SAIL in 2000 and preparing growth plan for SAIL in 2005 and new business development project of Wagon Building in 2011. In addition, he has been recipient of the Netherlands Fellowship in 1999.

ANNEX -II(A)									
DETAILS OF THE MEETINGS HELD DURING THE YEAR AND THE ATTENDANCE THEREOF									
Sl. No.	NAME OF DIRECTOR S/SHRI	BOARD		AUDIT COMMITTEE		GENERAL MEETINGS			
		NO. OF MEETINGS TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED	NO OF MEETINGS TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED	NO. OF MEETINGS TO HAVE BEEN ATTENDED	NO OF MEETINGS ATTENDED		
1.	M. NARAYANA RAO	6	6	NA	NA	1	1	1	1
2.	GYANESH KUMAR	6	3	NA	NA	1	1	A	A
3.	DR.G. MALAKONDAIAH	6	6	1	1	1	1	A	A
4.	MRS. INDU LIBERHAN	6	6	5	4	1	1	1	1
5.	DR.DIPANKAR BANERJEE	6	5	5	4	1	1	A	A
6.	DR.KOTABHANUSANKARARAO	6	6	4	4	1	1	1	1
7.	V.S. KRISHNA MURTHY	6	6	5	5	1	1	1	1
8.	V.S. VERMA	2	2	2	2	NA	NA	NA	NA
9.	DR.D.K. LIKHI	4	4	3	3	1	1	1	1
	PERMANENT/SPECIAL INVITEE:								
	10. P. K. KATARIA								
	11. STATUTORY AUDITORS	NA	NA						

* Annual General Meeting held on 20.09.2011 where in representative of President of India was present

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

ANNEX -II(B)												
DETAILS OF THE MEETINGS OF COMMITTEES OF BOARD HELD DURING THE YEAR AND THE ATTENDANCE OF THE DIRECTORS THEREOF												
Sl. No.	NAME & DESCRIPTION OF DIRECTOR	PROCUREMENT COMMITTEE		REMUNERATION COMMITTEE		HUMAN RESOURCES COMMITTEE		TECHNICAL COMMITTEE		CORPORATE SOCIAL RESPONSIBILITY 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	NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS OUGHT TO HAVE BEEN ATTENDED	NO. OF MEETINGS ATTENDED	
	S/SHRI											
1.	MRS. INDU LIBERHAN	NA	NA	6	6	2	2	1	1	NA	NA	NA
2.	DR. DIPANKAR BANERJEE	NA	NA	6	6	2	2	2	2	NA	NA	NA
3.	DR. KOTA BHANU SANKARARAO	6	6	6	6	2	2	2	2	1	1	1
4.	V. S. KRISHNA MURTHY	6	6	NA	NA	2	2	2	2	1	1	1
5.	DR. D. K. LIKHI	5	4	NA	NA	2	2	1	1	1	1	1
6.	M. NARAYANARAO	6	5	NA	NA	NA	NA	2	2	NA	NA	NA
7.	DR. G. MALAKONDAIAH	NA	NA	NA	NA	NA	NA	2	2	1	1	NA
8.	V. S. VERMA	1	1	NA	NA	NA	NA	1	1	NA	NA	NA
Leave of absences were recorded at every Meeting in case of inability expressed by any Director / Member due to unavoidable reasons												

Annex: III (i)**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 and / or another independent Part-time Non-Official Director who is / are member(s) of the Audit Committee, is / are designated as person(s) responsible for according prior approval for related party transactions (AS-18) as contemplated under DPE guidelines.]

*Annex: III (ii)***TERMS OF REFERENCE TO PROCUREMENT COMMITTEE**

The Committee shall have power of the Board to deal with all cases of Procurement of Raw Materials, Consumables and other revenue items beyond the delegated powers of Chairman & Managing Director. In respect of Capital items, the Committee shall have full powers of the Board, provided AoN (i.e. Acceptance of Necessity) was approved by the Board. Any deviation from the original approvals shall require fresh approval of the Board.

- To consider and clear the Procurement Proposals beyond the delegated powers to Chairman & Managing Director approved by board, subject to adhering to the due process laid down in the Purchase Policy & Procedures in vogue in the Company.
- To consider and approve such other Procurement proposals as may be entrusted by the Board from time to time.
- To study and recommend to Board the Policies & Procedures to be followed by the Company in the matter of Procurement of materials and equipment including the recommendation to Board for approval of Purchase manual.
- To consider and advise Board on matters relating to e-procurement.
- To consider and advise Board on the matters relating to CVC Guidelines/ MoD instructions.

The C&MD of the Company shall act as Chairman of the Committee and in the absence of the Chairman, the members present may elect the Chairman and conduct the proceedings. The proposals approved by the Committee shall be put up to Board at its next meeting for information.

*Annex: III (iii)***TERMS OF REFERENCE TO REMUNERATION COMMITTEE**

The purpose and the terms of reference to the Committee are 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 scheme for the years beginning from 2007-'08 to 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 including any modifications thereof.
- 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.

*Annex: III (iv)***TERMS OF REFERENCE TO HUMAN RESOURCES COMMITTEE**

1. To review and make suggestions to Board of Directors in respect of Policy matters relating to both Executives (including Non-Unionised Supervisory Cadre) and Non-Executives in respect of the following matters:
 - Creation / abolition of Posts - fixing optimum man power strength,
 - Changes in the Organisation Structure , Designations , allocation of functions,
 - Recruitment Rules and Procedures,
 - Service conditions like Leaves, TA & DA, Medical, LTC etc.,
 - Salary / Wage structure - Scales of Pay- Increments and other related matters,
 - Perquisites and Allowances, Bonus, Performance and Productivity Related Incentive Schemes,
 - Retirement benefits and plans,
 - Creation and Maintenance of Provident Fund, Gratuity Fund, Pension Fund etc.,
 - All Welfare Schemes including Canteen, School, Transport, Awards/ Rewards, Ex-gratia, Gifts and other benefits including facilities to be extended after retirement,
 - Maintenance of Town Ship and Estate Matters,
2. To review and make suggestions to Board of Directors in respect of Policy matters relating to both Executives including (Non-Unionised Supervisory Cadre) and Non- Executives such as,
 - Career Development Plans including Training & Development Programs - Engagement of GETs / MTs and the Schemes relating to them.

- Framing up of Conduct, Discipline and Appeal (CDA) Rules and Standing Order as applicable,
 - Review and make suitable recommendations to Board in respect of Disciplinary proceedings / reports / actions taken and/or to be taken,
 - Introduction of Voluntary Retirement , Compulsory Retirement and other Separation Schemes,
 - Vigilance and Security related issues,
 - Matters relating to Trade Unions, Officers / Supervisors Associations.
3. Recommending to Board of Directors regarding grant of donations to charitable and other funds on account of natural calamities,
 4. The Committee can frame its own guidelines for conducting its meetings,

Annex: III (v)**TERMS OF REFERENCE TO TECHNICAL COMMITTEE**

- Overseeing of the company's technological competitiveness (current and future) in line with the business strategy.
- Guiding Research & technological plan of the company
- Guiding operational strategy of the company with particular reference to:
 - (a) New product development,
 - (b) New market development,
 - (c) New diversification projects,
 - (d) Technologic alliances.
- To advise the Board in relation to framing of risk management policy in the Company.
- Guiding and reviewing the academic industry interface for leveraging basic knowledge in the area of technology.
- Guiding the Company for development of new technologies in the area of product and process including, Intellectual Property Rights Management (IPRM).
- Guiding the company to create the Centre of Excellence in R&D for special steels, superalloys and titanium alloys.

*Annex: III (vi)***TERMS OF REFERENCE TO CORPORATE SOCIAL RESPONSIBILITY**

- i. To frame the CSR Policy in tune with MIDHANI's Mission and prepare a long term CSR Plan matching the company's long term business plan.
- ii. To prepare medium and short term CSR plans in tune with the above clearly specifying the following:
 - a) Requirements relating to baseline survey,
 - b) Activities to be undertaken,
 - c) Budget allocations,
 - d) Time-lines prescribed,
 - e) Defined Responsibilities and Authorities,
 - f) Major measurable and perceivable results expected.
- iii. To identify, approve and monitor various projects under CSR activities
- iv. To identify, approve and recommend agencies for carrying out the CSR projects
- v. To identify external agency(ies) for evaluation and audit the CSR project (Concurrent & Final)
- vi. Resolving any grievances that may arise out of CSR activities
- vii. To interpret and ensure implementation of all the provisions as mentioned in DPE Guidelines as modified from time to time
- viii. To constitute multidisciplinary taskforce teams with required responsibility and authority to monitor all the functions of CSR activities/project and liaise with different agencies involved and obtain necessary registrations and approvals.

*Annex: III (vii)***TERMS OF REFERENCE ON SUSTAINABLE DEVELOPMENT
(SD) COMMITTEE**

The Committee has been functioning since March, 2012 with an object of development without compromising the ability of future generations to meet their own needs. Sustainable Development involves an enduring and balanced approach to economic activity, social progress and environmental responsibility in compliance with the National Environment Policy (NEP) issued by the Ministry of Environment & Forests in 2006 as a "response to our national commitment to a clean environment as mandated in the Constitution in Articles 48A and 51 A (g) and strengthened by judicial interpretation of Article 21.

The DPE has also attached weightage (5 marks) for these activities in the MoU. In fulfillment of the responsibility of MIDHANI the following activities were planned to be undertaken during the year 2012-'13.

(i) Waste Management**(ii) Revamping of Pickling shop Effluent Treatment System (M)****(iii) Energy Management**

- Ceramic fiber lining of reheating furnace (s) - to reduce fuel consumption.
- Training for one person in the area of safety on long term basis

Internal Officers at the level of Addl. Genl. Mgr were made Members of the Committee to become instrumental for the conception of SD policy for the company, Planning of the Projects, implementation, monitoring, reporting, training, documentation, and evaluation of all the projects. The project evaluation will be done based on the objectives, scope, deliverables and benefits by independent agency/ consultants, specialist.

Annex: III (viii)

TERMS OF REFERENCE TO CORPORATE MANAGEMENT COMMITTEE

The subjects for deliberation / discussions at the meeting, inter-alia include:

- a) Review of Production/major Projects and Financial Performance and Marketing Operations;
- b) Ways and means of cash flows in the organisation;
- c) Employee relations, Resolving personnel grievances;
- d) Systems improvements;
- e) Improving inter-departmental; inter- functional co- ordination and resolving inter-departmental and intra- departmental bottlenecks, if any.

*Annex: IV***CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS AND SENIOR MANAGEMENT OF MISHRA DHATU NIGAM LIMITED.****1.0 INTRODUCTION**

- 1.1 This code shall be called as "The Code of Business Conduct & Ethics (hereinafter referred to as "code") and applicable for Board Members and Senior Management" of **MISHRA DHATU NIGAM LIMITED** (hereinafter referred to as "the Company")
- 1.2 The purpose of this Code is to enhance ethical and transparent process in managing the affairs of the Company.
- 1.3 This Code for Board Members and Senior Management has been framed specially in compliance of the provisions of the Guidelines of DPE.
- 1.4 It shall come into force with effect from 24th January,2011

2.0 DEFINITIONS AND INTERPRETATIONS:

- 2.1 The term " Board Members" shall mean Directors on the Board of Directors of the Company.
- 2.2 The term "Whole-time Directors" or "Functional Directors" shall be the Directors on the Board of Directors of the Company who are in whole-time employment of the Company.
- 2.3 The term "Part-time Directors" shall mean Directors on the Board of Directors of the Company who are not in whole time employment of the Company.
- 2.4 The term " Relative" shall have the same meaning as defined in Section 6 of the Companies Act,1956.

- 2.5 The term "Senior Management" shall mean personnel of the Company who are members of its core management team excluding Board of Directors and would comprise all members of management one level below the Whole time Directors, including all functional heads (i.e. Managerial Personnel in the rank of General Manager in Grade - VIII and above)

Note: In this code words importing the masculine gender shall include feminine gender and words importing singular shall include the plural or vice-versa

3.0 APPLICABILITY

- 3.1 This code shall be applicable to the following personnel:
- a) All Whole-time Directors including the Chairman & Managing Director of the Company.
 - b) All Part-time Directors including Independent Directors under the provisions of law.
 - c) Senior Management.
- 3.2 The Whole-time Directors and Senior Management should continue to comply with other applicable / to be applicable policies, rules and procedures of the Company.

4.0 CONTENTS OF CODE

- Part I General Moral Imperatives
 - Part II Specific Professional Responsibilities
 - Part III Specific Additional Provisions for Board Members and Senior Management
- 4.1 This code is intended to serve as a basis for ethical decision making in the conduct of professional work. It may also serve as a basis

for judging the merit of a formal complaint pertaining to violation of professional ethical standards.

- 4.2 It is understood that some words and phrases in the code of ethics and conduct document are subject to varying interpretations. In case of any conflict, the decision of the Board shall be final.

PART-I

5.0 GENERAL MORAL IMPERATIVES

5.1 Contribute to society and human well being

- 5.1.1 This principle concerning the quality of life of all people, affirms an obligation to protect fundamental human rights and to respect the diversity of all cultures. We must attempt to ensure that the products of our efforts will be used in socially responsible ways, will meet social needs and will avoid harmful effects to health and welfare of others. In addition to a safe social environment, human well being includes a safe natural environment.
- 5.1.2 Therefore, all Board members and Senior Management who are accountable for the design, development, manufacture and promotions of company's products, must be alert to, and make others aware of, both a legal and a moral responsibility for the safety and the protection of human life and environment.

5.2 Be honest and trustworthy & practice integrity

- 5.2.1 Integrity and honesty are essential components of trust. Without trust an organization cannot function effectively.
- 5.2.2 All Board Members and Senior Management are expected to act in accordance with highest standards of personal and professional integrity, honesty and ethical conduct, while conducting business of the Company.

5.3 Be fair and take action not to discriminate

- 5.3.1 The values of equality, tolerance, respect for others, and the principles of equity, justice govern this imperative. Discrimination, on the basis of race, sex, religion, caste, age, disability, national origins or other such factors, is an explicit violation of this Code.

5.4 Honour confidentiality

- 5.4.1 The principle of honesty extends to issues of confidentiality of information. The ethical concern is to respect all obligations of confidentiality to all stakeholders unless discharged from such obligations by requirements of the law or other principles of this Code.
- 5.4.2 All Board Members and Senior Management, therefore, shall maintain the confidentiality of all confidential unpublished information about business and affairs of the Company.

5.5 Pledge & Practice

- 5.5.1 To strive continuously to bring about integrity and transparency in all spheres of the activities.
- 5.5.2 Work unstintingly for eradication of corruption in all spheres of life.
- 5.5.3 Remain vigilant and work towards growth and reputation of the Company.
- 5.5.4 Bring pride to the organisation and provide value-based services to Company's stakeholders.
- 5.5.5 Do duty conscientiously and without fear or favour

PART - II**6.0 Specific Professional Responsibilities****6.1 Live the Vision, Mission and Values of the Company each day**

Live the Mission and Values of the Company each day. For quick reference MISSION is under:

A. MISSION OF THE COMPANY

To achieve self-reliance in the Research, Development, Manufacture and Supply of Critical Alloys and products of National Security and Strategic importance.

B. VALUES

- a) Zeal to excel and zest for change
- b) Integrity and fairness in all matters
- c) Respect for dignity and potential of individuals
- d) Strict adherence to commitments
- e) Ensure speed of response
- f) Foster learning, creativity and team-work
- g) Loyalty and pride in the Company.

6.2 Strive to achieve the highest quality, effectiveness and dignity in both the processes and products of professional work.

Excellence is perhaps the most important obligation of a professional. Everyone, therefore, should strive to achieve the highest quality, effectiveness and dignity in their professional work.

6.3 Acquire and maintain professional competence.

Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. All are, therefore, expected to participate in setting standards for appropriate levels of competence, and strive to achieve those standards.

6.4 Compliance with Laws

The Board Members and Senior Management of the Company shall comply with all the applicable provisions of existing Local, State, National and International laws. They should also follow and obey the policies, procedures, rules and regulations relating to the business of the Company.

6.5 Accept and provide appropriate professional review

Quality professional work depends on professional review and comments. Whenever appropriate, individual members should seek and utilize peer review as well as provide critical review of their work.

6.6 Manage personnel and resources to enhance the quality of working life

Organizational leaders are responsible for ensuring that a conducive working and business environment is created for fellow employees to enable them delivering their best. The Board Members and Senior Management would be responsible for ensuring human dignity of all employees, would encourage and support the professional development of the employees of the Company by providing them all necessary assistance and cooperation, thus enhancing the quality of working.

6.7 Be upright and avoid any inducements

The Board Members and Senior Management shall not, directly or indirectly through their family and other connections, solicit any personal fee, commission or other form of remuneration arising out of transactions involving Company. This includes gifts or other benefits of significant values, which might be extended at times, to influence business for the organization or awarding a contract to an agency etc.

6.8 Observe Corporate Discipline

The flow of communication within the Company, is not rigid and people are free to express themselves at all levels. Though there is a free exchange of opinions in the process of arriving at a decision, but after the debate is over and a policy consensus has been established, all are expected to adhere and abide by it, even when in certain instances where one may not agree with it individually. In some cases policies act as a guide to action, in others they are designed to put a constraint on action. All must learn to recognize the difference and appreciate why they need to observe them.

6.9 Conduct in a manner that reflects credit to the Company

All are expected to conduct themselves, both on and off duty, in a manner that reflects credit to the Company. The sum total of their personal attitude and behaviour has a bearing on the standing of Company and the way in which it is perceived within the organization and by the public at large.

6.10 Be accountable to Company's stakeholders

All of those whom we serve, be it our Customers, without whom the Company will not be in business, the Shareholders, who have an important stake in its business, the Employees, who have a vested interest in making it all happen, the Vendors, who support the Company to deliver in time and Society to which the Company

is responsible for its actions - are stakeholders of the Company. All, therefore, must keep in mind at all times that they are accountable to Company's stakeholders.

6.11 Prevention of Insider Trading

The Board Members and Senior Management shall comply with the code of Internal Procedures and conduct for prevention of Insider Trading in dealing with Securities of the Company.

6.12 Identify, mitigate and manage business risks

It is everybody's responsibility to follow the Risk Management Framework of the Company to identify the business risks that surround function or area of operation of the Company and to assist, in the company-wide process of managing such risks, so that Company may achieve its wider business objectives.

6.13 Protect properties of the Company

The Board Members and Senior Management shall protect the assets including physical assets, information and intellectual rights of the Company and shall not use the same for personal gains.

PART-III

7.0 SPECIFIC ADDITIONAL PROVISIONS FOR BOARD MEMBERS AND SENIOR MANAGEMENT

7.1 As Board Members and Senior Management

They shall undertake to actively participate in the meetings of the Board and Committees on which they serve.

7.2 As Board Members

- 7.2.1 Undertake to inform the Chairman and Managing Director / Company Secretary of the Company, of any changes in their other Board positions, relationship with other business and other events/

circumstances/ conditions that may interfere with their ability to perform Board / Board Committee duties or may impact the judgment of the Board as to whether they meet the independence requirements as per Guidelines of DPE.

- 7.2.2 Undertake that without prior approval of the disinterested members of the Board, they will avoid apparent conflict of interest. Conflict of interest may exist when they have personal interest that may have a potential conflict with the interest of the Company.

Illustrative cases can be:

i) Related Party Transactions

Entering into any transactions or relationship with Company or its subsidiaries in which they have a financial or other personal interest (either directly or indirectly such as through a family member or relation or other person or other organisation with which they are associated).

ii) Outside Directorship

Accepting Directorship on the Board of any other Company that competes with the business of the Company.

iii) Consultancy/ Business/ Employment

Engaging in any activity (be it in the nature of providing consultancy service, carrying on business, accepting employment) which is likely to interfere or conflict with their duties / responsibilities towards Company. They should not invest or associate themselves in any other manner with any supplier, service provider or customer of the Company.

iv) Use of Official position for personal gains

Should not use their official position for personal gains.

7.3 Compliance with the Code of Business Conduct and Ethics

7.3.1 All Members of the Board and Senior Management of Company shall uphold and promote the principles of this code.

The future of the organisation depends on both technical and ethical excellence. Not only it is important for Board members and Senior Management to adhere to the principles expressed in this Code, each of them should also encourage and support adherence by others.

7.3.2 Treat violations of this code as inconsistent association with the organisation

Adherence of professionals to a code of ethics is largely and generally a voluntary matter. However, if any of Board Members and Senior Management does not follow this Code, the matter would be reviewed by the Board and its decision shall be final. The Company reserves the right to take appropriate action against the defaulter.

7.4 Miscellaneous Points

7.4.1 Continual updation of Code

This Code is subject to continuous review and updation in line with any changes in law, changes in Company's philosophy, Mission, business plans or otherwise as may be deemed necessary by the Board and all such amendments/ modifications shall take effect prospectively from the date stated herein.

7.4.2 Where to seek clarifications

Any member of Board or Senior Management requiring any clarification regarding this code of conduct may contact Director / Company Secretary / any officer specifically designated by the Board of Directors.

This has the approval of the Board of Directors of the Company at its 193rd Meeting held on 24th January, 2011.



**ACKNOWLEDGEMENT OF RECEIPT
OF
CODE OF BUSINESS CONDUCT AND ETHICS
FOR
BOARD MEMBERS AND SENIOR MANAGEMENT
OF MISHRA DHATU NIGAM LIMITED**

IWhole-time / Part-time Director / Senior Executive of the Company have received and read the code of Business Conduct and Ethics for Board Members and Senior Management of Mishra Dhatu Nigam Limited. I understand the standards and policies contained in the said Code of Business Conduct and Ethics and understand that there may be additional policies or laws specific to my job. I further agree to comply with the said Code of Business Conduct and Ethics.

2. If I have questions concerning the meaning or application of the said Code of Business Conduct and Ethics, any policies of the Company or the legal and regulatory requirements applicable to my job; I know I can consult Director or Company Secretary of the Company knowing that my questions or reports will be maintained in confidence.
3. Further, I undertake to provide following affirmation on an Annual basis to the Company within 30 days from the end of 31st March every year.

Signature

Name :

Designation :

Employment No.

Telephone No.

Place :

Date :

AFFIRMATION

(By Board Members /Senior Management of the Company on Annual basis by 30th April of every year)

I ----- (name)
----- (designation) having read and understood the Code of Business Conduct and Ethics for Board Members and Senior management, hereby solemnly affirm that I have complied with and has not violated any of the provisions of the Code during the year ended 31st March.....

Signature

Name

Designation

Employment No.

Telephone No.

Place:

Date:



PUTTAPARTHI JAGANNATHAM & CO.
COMPANY SECRETARIES

(O) : 315, Bhanu Enclave, Adj. ESI Hospital, Erragadda Hyderabad - 38.
(R) : F-1, Pavani Aparts., 40, Rajeev Nagar, Hyderabad - 500 045
Tel (O) :23701964, Fax : 23701374 (R) 23833265
E-mail:jagannatham123@rediffmail.com

Annex: 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 the compliance of the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 for the financial year ended 31st March 2012. 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, formal statement of Board Charter and Risk Management System have been put in place.

Place : Hyderabad
Date : 1st August, 2012

For PUTTAPARTHI JAGANNATHAM & CO.,
Company Secretaries




B Rama
Partner
CP No. 7739

मिश्र धातु निगम लिमिटेड

(भारत सरकार का उपक्रम)

(एक मिनी रत्ना कम्पनी)

सूपर आलायस 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 & 2010" 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 2012

for MISHRA DHATU NIGAM LIMITED
(M. NARAYANA RAO)**CHAIRMAN & MANAGING DIRECTOR**

Place : Hyderabad

Date : 30th June, 2012

S W O T ANALYSIS*Annex: VII***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, 2012 the Statement of Profit and Loss 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. Pursuant to Comptroller and Auditor General of India's observation under Section 619(4) of the Companies Act, 1956, the accounts adopted by the Board of Directors on 4th July 2012 have been revised. The impact of the revision is as stated in note no. 30 of the accounts. This report supercedes our earlier reports dated 5th July, 2012 and 11th August, 2012 which has been suitably modified to make further disclosures as indicated in Para 5 (d) and Para 5(e) of the Auditors' Report.
3. 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.

4. 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.
5. Further to our comments in the Annexure referred to in paragraph 4 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the attached Balance Sheet, Statement of Profit and Loss 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
 - (i) **Compliance of disclosure requirements of Accounting Standard – 7 – Construction Contracts.**
 - (ii) **Compliance of Accounting Standard – 16 – Borrowing Costs towards assets acquired / under acquisition. This has**

no material impact on profit of the Company for the year and

(iii) Compliance of Accounting Standard - 17 – segment reporting as referred in Note on basis for preparation of accounts forming part of financial statements

- e) Cash flow statement dealt with by this report has not been modified consequent to revision of certified accounts.**
- f) 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.
- g) In our Opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Para-5(d) and Para-5(e) 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.
 - Deposits with various Banks for Fixed Deposits are verified and confirmations obtained. Deposits with other Government / Semi Government Agencies such as excise, customs etc., need confirmation / reconciliation.
 - Confirmation letters were sent to all Trade Receivables by the Company. Thus balances in Trade Receivables need confirmation and / or reconciliation as per Note No 19.

- Balances in Loans & Advances (Note No 16, 21), Claims Receivable (Note No 21), Trade Payables (Note No 9,10), Materials with contractors/sub-contractors(Note No 22) and others are subject to confirmation and/or reconciliation.

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, 2012.
- (ii) In the case of Statement of Profit and Loss, 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**

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

**Place : Hyderabad,
Dated: 14.08.2012**



Annexure to the Auditors' Report**(Referred to in Paragraph 4 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.301.42 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 systems 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 31.3.2012 for a period of more than six months from the date they became payable.

- c. The disputed statutory dues aggregating to Rs.1878.50 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. 2006-07, 08,-09 and 09-10	Commissioner of Income Tax (Appeals)-V, Hyderabad	18,78,49,843/-

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

- (xiv) The Company does not deal or trade in shares, securities, debentures and other investments. Therefore, Paragraph-4(xiv) is not applicable.
- (xv) The Company has given guarantees for loans taken by others from banks or financial institutions. According to the information and explanations given to us, we are of the opinion that the terms and conditions thereof are not prima-facie prejudicial to the interests of the Company.
- (xvi) The Company has raised Rs.4 crore as term loan from Govt. of India during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilized any funds raised on short term basis for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not raised any money by way of issue of debentures.
- (xx) The Company has not raised any money by way of public issue. Therefore, Paragraph-4(xx) is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

**For Satyam and Veerabhadra
Chartered Accountants
Reg. No.003666S
(K.V.Chalamaiah)
Partner
Membership No.205574**

**Place : Hyderabad,
Dated: 14.08.2012**



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF M/S MISHRA DHATU NIGAM LIMITED FOR THE YEAR ENDED 31ST MARCH, 2012.

The preparation of financial statements of **M/s Mishra Dhatu Nigam Limited** for the year ended 31st March, 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on 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 5.7.2012 and their revised reports dated 11.8.2012 and 14.8.2012.**

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 **M/s Mishra Dhatu Nigam Limited** for the year ended 31st March, 2012. 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 Auditors and Company Personnel and a selective examination of some of the accounting records. **In view of the revision made in the financial statements by the management, as a result of my audit observations highlighted during supplementary audit as indicated in the Notes forming part of Accounts vide Note No.30.** I have no further comments to offer upon or supplement to the 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**

(C.H. Kharshiing, I.A.A.S)

**Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Bangalore**

**Bangalore,
Dated:16 August, 2012**

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.
- 2.4.1 Initial pack of spares procured along with the plant, machinery and equipment are capitalized and depreciated in the same manner as plant and machinery.
- 2.4.2 When a major overhaul/revamping of the asset is carried out resulting in increase in future benefits from the existing beyond its previously assessed standard of performance, additional expenditure incurred for such overhauling/revamping will be capitalized in the year in which the overhauling/revamping of the asset is completed.
- 2.4.3 Any purchase of spares subsequent to purchase of machinery and fitted into the equipment only results in maintaining the previously estimated standard of performance and does not improve the

previously estimated standard of performance, the same will be charged off to revenue in the year of purchase.

- 2.4.4 Worn out spares on replacement which were integral part of the existing asset will be transferred to scrap at NIL value.
- 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.
- 2.8.1 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.
- 2.8.2 When major revamping/overhauling of a fixed asset is carried out, the extended life of the asset will be technically evaluated for arriving at the estimated revised life of the asset and depreciation will be charged systematically over the balance useful life of the asset.
- 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 Guages

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 Statement of Profit and Loss.
- 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 separation(except on resignation and termination) for their settlement.

7.0 Sales

- 7.1 Sales include excise duty
- 7.2.1 In the case of Ex-Works 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 by customer's inspector.
- 7.2.2 In the case of sales on FOR/FOB destination contracts, sale is set up considering the expected time as defined in transport contract

in respect of despatches after 20th March to reach the destination within the accounting period.

- 7.3 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.
- 7.4 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

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 Extra - Ordinary and exceptional items

Extra-ordinary and exceptional items are separately disclosed in the Statement of Profit & Loss.

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 to the financial statements.

**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 : 11-08-2012**

**Place : Hyderabad
Date : 11-08-2012**

BALANCE SHEET AS AT 31st MARCH, 2012

	Note	31 st March, 2012 (Rs. in Lakhs)	31 st March, 2011 (Rs. in Lakhs)
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Funds			
Share Capital	1	18,334.00	18,334.00
Reserves and Surplus	2	18,045.30	15,461.46
Share application money pending allotment	3	400.00	-
Non-Current Liabilities			
Long-term borrowings	4	1,980.00	2,581.52
Deferred tax liabilities (net)	5	53.80	40.04
Other long term liabilities	6	8,508.30	14,497.17
Long term provisions	7	1,362.51	1,240.09
Current liabilities			
Short-term borrowings	8	9,864.46	1,025.40
Trade payables	9	4,315.72	4,389.86
Other current liabilities	10	18,110.53	18,291.09
Short term provisions	11	19,025.46	13,175.07
		100,000.08	89,035.70

c/f

BALANCE SHEET AS AT 31st MARCH, 2012 (Contd.)

b/f	31 st March, 2012 (Rs. in Lakhs)	31 st March, 2011 (Rs. in Lakhs)
ASSETS		
Non current assets		
Fixed assets		
- Tangible assets	12	6,064.45
- Intangible assets	13	2.95
- Capital work in progress	14	1,021.70
- Intangible assets under development		-
Non Current investments	15	210.11
Long term loans & advances	16	1,903.76
Other non current assets	17	107.43
Current assets		
Current investments		-
Inventories	18	44,336.24
Trade receivables	19	13,522.98
Cash and cash equivalents	20	15,036.06
Short term loan & advances	21	15,785.75
Other current assets	22	2,008.65
	100,000.08	89,035.70

Note nos.1 to 30 and accounting policies annexed herewith forms part of this financial statements.

As per our Report attached For Mishra Dhatu Nigam Limited
For Satyam & Veerabhadra, M. Narayana Rao, Chairman & Managing
Chartered Accountants Director
 Firm's registration no. 003666S **V.S. Krishna Murthy, Director (Finance)**
(K.V. Chalamaiah) P.V. Subba Rao, Company Secretary
Partner
Membership No. 205574

Place : Hyderabad,
Date : 11-08-2012

Place : Hyderabad,
Date : 11-08-2012



STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2012

	Note	31 st March, 2012 (Rs. in Lakhs)	31 st March, 2011 (Rs. in Lakhs)
REVENUE			
Revenue from operations	23	49630.51	40788.43
Other income	24	2223.91	1908.53
Total Revenue		51854.42	42696.96
EXPENSES			
Cost of materials consumed	25	14461.93	19667.84
Change in inventory of finished goods, work-in-progress and stock-in trade	26	1301.68	(-)6758.81
Employee benefits & expenses	27	11211.96	10009.33
Finance costs	28	914.84	679.41
Depreciation & amortisation expense	12	478.76	389.21
Other expenses	29	13634.97	11191.84
Total expenses		42004.14	35178.82
Profit / (Loss) before exceptional and extraordinary items and tax		9850.28	7518.14
Exceptional items		--	--
Profit / (Loss) before extraordinary items and tax		9850.28	7518.14
Extraordinary items		--	--

c/f

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2012

(Contd.)

b/f	Note	31 st March, 2012 (Rs. in Lakhs)	31 st March, 2011 (Rs. in Lakhs)
Profit / (Loss) before tax		9850.28	7518.14
Tax expense			
1. current tax		2991.03	2483.10
2. deferred tax		13.76	(-)7.14
Profit / (Loss) for the period from continuing operations		6845.49	5042.18
Profit / (Loss) from discontinuing operations		-	-
Tax expense of discontinuing operations		-	-
Profit / (Loss) from discontinuing operations after tax		-	-
Profit / (Loss) for the period		6845.49	5042.18
Earning per equity share			
Basic		373.38	275.02
Diluted		-	-

Note nos. 1 to 30 and accounting policies annexed herewith forms part of this financial statements.

As per our Report attached For Mishra Dhatu Nigam Limited
For Satyam & Veerabhadra, M. Narayana Rao, Chairman & Managing
Chartered Accountants, Director
Firm's registration no. 003666S V.S. Krishna Murthy, Director (Finance)
(K.V. Chalamaiah) P.V. Subba Rao, Company Secretary
Partner
Membership No. 205574

Place : Hyderabad,
Date : 11-08-2012

Place : Hyderabad,
Date : 11-08-2012

NOTES FORMING PART OF FINANCIAL STATEMENT**Basis of Preparation of Accounts**

Assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in and cash equivalents, the Company's operating cycle as twelve months for the purpose of current, non - current classification of assets and liabilities.

In accordance with section 211(3B) of 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 ICAI) 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.

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 Part II of Schedule VI of the Companies Act 1956 (as amended).

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.

Notes to accounts

The previous periods figures have been regrouped / reclassified, wherever necessary to confirm to the current presentation.

1. SHARE CAPITAL

PARTICULARS	31st March, 2012 (Rs. in Lakhs)	31st March, 2011 (Rs. in Lakhs)
Authorised Equity shares 20,00,000 (previous year 20,00,000), Rs. 1,000/- per share	20000.00	20000.00
	<u>20000.00</u>	<u>20000.00</u>
Issued Equity shares 18,33,400 shares @ Rs. 1,000/- per share	18334.00	18334.00
	<u>18334.00</u>	<u>18334.00</u>
Subscribed and fully Paid up Equity shares 18,33,400 shares @ Rs. 1,000/- per share	18334.00	18334.00
	<u>18334.00</u>	<u>18334.00</u>
Grand Total	<u>18334.00</u>	<u>18334.00</u>

The company has only one class of share, i.e., equity shares having the face value of Rs.1000/- per share. Hundred percent shares is held by President of India.

Reconciliation of Shares outstanding at the beginning and at the end of the period

PARTICULARS	31 st March, 2012 (Rs. in Lakhs)		31 st March, 2011 (Rs. in Lakhs)	
	Number of Shares	Amount (Rs. In Lakhs)	Number of Shares	Amount (Rs. In Lakhs)
Outstanding as at Opening Date	18,33,400	18,334.00	14,63,400	14,634.00
Add: Issued during the period				
- To President of India	-	-	370,000	3,700.00
- To Employees	-	-	-	-
Less: Buy-back during the period (if any)	-	-	-	-
Outstanding as at Closing Date	18,33,400	18,334.00	18,33,400	18,334.00

2. RESERVES AND SURPLUS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Surplus		
Opening Balance	15,461.46	12,759.18
Add: Amount transferred from statement of profit and loss	6,845.49	5,042.18
Less: Amount utilized (dividend plus dividend tax)	<u>4,261.65</u>	<u>2,339.90</u>
	2,583.84	2,702.28
Closing Balance	<u>18,045.30</u>	<u>15,461.46</u>

Details of Dividend and Dividend tax

Interim Dividend	400.00	200.00
Proposed Dividend	3266.80	1800.00
Dividend tax	594.85	339.90
Total Amount	<u>4,261.65</u>	<u>2,339.90</u>

3. SHARE APPLICATION MONEY PENDING ALLOTMENT

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Share Application money received from MOD, for 40,000 Equity shares of Rs.1,000/- each fully paid.	400.00	-
	<u>400.00</u>	<u>-</u>

Shares proposed to be issued to President of India. Shares will be allotted in the month of July, 2012.

4. LONG TERM BORROWINGS**Secured****Term Loans**

From Banks (Secured by way of Hypothecation of Vehicle)	-	1.52
	<u>-</u>	<u>1.52</u>

Unsecured**Term Loans**

Loan from Govt of India (Excluding Rs.10 crore which is due for payment within 12 months treated as short term borrowings) Terms of Repayment (every year 1/5 of the principal amount)	1980.00	2580.00
	<u>1980.00</u>	<u>2580.00</u>
	<u>1980.00</u>	<u>2581.52</u>

5. DEFERRED TAX LIABILITY (NET)

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Deferred Tax liabilities		
On Depreciation	748.61	686.01
Sub Total	<u>748.61</u>	<u>686.01</u>
Deferred Tax Assets		
On Provision	191.34	187.18
On Disallowance as per IT Act	503.47	458.79
Sub Total	<u>694.81</u>	<u>645.97</u>
Net	<u>53.80</u>	<u>40.04</u>

6. OTHER LONG TERM LIABILITIES

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Trade Payables		
EMD - Contractor for Works (Capital)	24.81	17.01
SD - Contractors for Works (Capital)	16.87	23.56
Material Received on Loan - Kaveri Project	23.58	30.88
Other Liabilities - VSSC	54.72	54.72
Expenditure CFP - TIFAC - TDAA	0.33	-
Advances - Customer Financed Development	100.00	100.00
Advances - Customer Financed Development (DRDL)	20.00	20.00
Advances Others	64.57	64.57
Advances - Augmentation Facilities - VSSC *	428.38	478.38
Expenditure - Customer Financed Development	(100.00)	(100.00)
Expenditure - Customer Financed Development (DRDL)	(20.00)	(20.00)

c/f

6. OTHER LONG TERM LIABILITIES

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
b/f		
Suspense A/C - Security Deposit Realised from M/S HBE PRESS, KOREA	732.69	732.69
Advances from Customers #	7,162.35	13,095.35
	<u>8,508.30</u>	<u>14,497.17</u>

* This represents amounts received from VSSC for upgradation of forge press as refundable loan of Rs.478.38 lakhs). Out of this Rs.50 Lakhs is repayable within 12 months is included in note no 10.

Note: Advance from customer represents advances received for supply of goods and are adjustable against delivery on pro rata basis. The major customers are from Space, Defence, Nuclear, Navy, etc like VSSC, OFB, DAE, ATPV

7. LONG TERM PROVISIONS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Provision for employee benefits		
Gratuity	27.98	19.65
Leave encashment * *	1,334.53	1,220.44
Others (Specify nature)	<u>1,362.51</u>	<u>1,240.09</u>

** Leave encashment for employees except due to be superannuated in 2012-13 has been considered as long term provision.

8. SHORT TERM BORROWINGS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Secured		
Others		
From State Bank of India		
- Cash Credit (By hypothecation of Raw materials, stock in process, finished good and book debts.)	2492.99	97.25
From various banks		
- Short term overdraft secured by charge to fixed deposits	6369.95	-
From HDFC		
Bank-Car Loan (Secured against hypothecation of vehicle.)	1.52	8.15
Sub Total (a)	<u>8864.46</u>	<u>105.40</u>

c/f

8. SHORT TERM BORROWINGS

PARTICULARS	As at 31 st March, 2012 (Rs. in Lakhs)	As at 31 st March, 2011 (Rs. in Lakhs)
Unsecured		
b/f		
Others		
From Govt of India		
Ministry of Defence **	1000.00	920.00
(Equal five annual instalment from the first anniversary after the date of drawal of loan)		
Sub Total (b)	<u>1000.00</u>	<u>920.00</u>
TOTAL (a+b)	<u>9864.46</u>	<u>1025.40</u>

** This is earmarked for procurement of Forge Press exclusively which is kept in fixed deposit, the procurement activity is in process.

9. TRADE PAYABLES

Trade Payables		
- others creditors @ \$	4315.72	4389.86
	<u>4315.72</u>	<u>4389.86</u>

@ Balances in Trade Payables are subject to confirmation and/ or reconciliation.

\$ As on 31st March 2012, dues to SSI units is Rs.194.37 Lakhs (previous year Rs.99.63 Lakhs).

10. OTHER CURRENT LIABILITIES

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Advances from customers	11,787.68	10,212.89
Advance for Customer Financed projects #	968.82	391.02
Earnest money deposit	33.81	0.10
Security Deposit	102.33	18.44
Liabilities to other customers	673.39	673.39
Material Received on Loan - Others	539.97	84.24
Other creditors	474.45	482.66
Salary liability	3,281.39	6,143.17
Taxes and duties payable	248.69	285.18
	<u>18,110.53</u>	<u>18,291.09</u>

Final adjustments have not been made to the balances of Rs.202.04 lakhs receivable from HAL against customer finance projects pending settlement of accounts relating to HAL.

As at the end of the year, Company is holding assets worth Rs.13978.03 Lakh (previous year Rs.13639.03 Lakh) including advances and goods-in transit) procured under customer financed projects.

11. SHORT TERM PROVISIONS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Provision for Employee Benefits		
Leave encashment	217.22	160.72
Superannuation benefits (pension) ^	1146.00	-
Others (Specify nature)		
Provision for taxation	13854.44	10863.41
Proposed dividends	3266.80	1800.00
Corporate dividend tax	529.96	339.90
Provision others	11.04	11.04
	<u>19025.46</u>	<u>13175.07</u>

^ Provision for superannuation includes provision for pension benefits as per DPE guidelines. A separate Trust will be formed and the fund will be transferred to the Trust.

12. FIXED ASSETS

FIXED ASSETS	(Rs. in Lakhs)														
	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK						
	As at 1 April 2011	Additions	Acquired through business combinations	Other adjustments	Sub total	Disposals	As at 31, March, 2012	As at 1 April 2011	Depreciation charge for the year	Adjustments due to revaluations	Disposal through demergers	Adjustment due to impairments/ reversals	Deductions/ Other adjustments	As at 31st March 2012	As at 31st March 2011
Tangible Assets															
Land & Roads & Bridges Owned	199.14				199.14		199.14	32.88	1.15					165.01	166.16
Assets under lease															
Buildings/Drainage /water systems Owned	2161.29	63.26			2224.55		2224.55	1583.89	30.24					610.42	577.40
Assets under lease															
Lease Hold Improvements															
Plant & Equipment Owned	13957.66	778.37			14736.03	0.11	14735.92	9695.60	339.27				0.10	4701.15	4262.06
Assets under lease															

12. FIXED ASSETS (CONTD.)

FIXED ASSETS	GROSS BLOCK							ACCUMULATED DEPRECIATION							NET BLOCK	
	As at 1 April 2011	Additions	Acquired through business combinations	Other adjustments	Sub total	Disposals	As at 31, March, 2012	As at 1 April 2011	Depreciation charge for the year	Adjustments due to revaluations	Disposal through demergers	Adjustment due to impairments/ reversals	Deductions/ Other adjustments	As at 31st March 2012	As at 31st March 2012	As at 31st March 2011
Furniture & Fixtures Owned	145.62	8.60			154.22		154.22	93.02	4.55					97.57	56.65	52.60
Assets under lease								71.69	13.17			9.41		75.45	98.36	88.19
Vehicles Owned	159.88	23.83			183.71	9.90	173.81									
Assets under lease								362.2	81.41					443.61	316.21	330.62
Office Equipment Owned	692.82	67.00			759.82		759.82	277.94	7.91					285.85	116.33	45.03
Assets under lease																
Other (Electrical Installations) Owned	322.97	79.21			402.18		402.18									
Assets under lease																

12. FIXED ASSETS (CONTD.)

	(Rs. in Lakhs)														
	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK						
FIXED ASSETS	As at 1 April 2011	Additions	Acquired through business combinations	Other adjustments	Sub total	Disposals	As at 31, March, 2012	As at 1 April 2011	Depreciation charge for the year	Adjustment due to revaluations	Disposal through demergers	Adjustment due to impairments/ reversals	Deductions/ Other adjustments	As at 31st March 2012	As at 31st March 2011
Others (Unservicable) Owned Assets under lease	47.60				47.60		47.60	47.28						47.28	0.32
Sub Total (a)	17686.98	1020.27	-	-	18707.25	10.01	18697.24	12164.60	477.70	-	-	-	9.51	12632.79	5522.38
13. Intangible Assets															
Computer Software	6.57				6.57		6.57	2.56	1.06					3.62	4.01
Sub Total (b)	6.57	-	-	-	6.57	-	6.57	2.56	1.06	-	-	-	-	3.62	4.01
Grand Total (a+b)	17693.55	1020.27	-	-	18713.82	10.01	18703.81	12167.16	478.76	-	-	-	9.51	12636.41	5526.39

Net effect of depreciation provided on the assets for which higher rate of depreciation than the rates prescribed is enclosed at annexure.

No revaluation has been made of the assets during the period mentioned above.

Conveyance Deeds for 275 Acres and 35 guntas 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 of third party.

Claims for re-imburement 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 reached.

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 comparision of the estimated recoverable amount vis-à-vis carrying cost indicates that there is no potential impairment loss and hence no provision is required. 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)

Plant & Machinery includes Rs. 78.74 lakhs for R&D capital costs.

ADDITIONAL IMPACT FOR CHARGING HIGHER RATE OF DEPRECIATION										2011-2012			
Major Category	Minor Category	Asset Account	Units Assigned	Dis	Rate	Cost	Recoverable Cost INR	ACC DEPRN	YTD DEPRN INR	Acc. depr 31.3.2011	Normal Rate	Normal Depr	Impact
Plant & Machinery	Plant & Machinery	01.20501.04001.999999.999.99	1	39599	25.47	11300000	10755000.00	10755000.00	2100670.08	8634329.92	5.28	596640.00	1504030.08
Plant & Machinery	Plant & Machinery	01.20501.04001.999999.999.99	1	40908	20	6299271	5984307.45	316684.65	316684.65	0	5.28	83604.75	233079.90
Residential Furniture & Eqmt.	Equipment	01.20751.04001.999999.999.99	1	39175	20	59990	56990.50	56990.50	45607.97	11382.53	4.75	2849.53	42758.45
Furniture & Fittings	Audio Visual Aids	01.20703.04001.999999.999.99	2	40136	33.33	52998	50348.10	41765.02	41765.02	0	6.33	3354.77	38410.25
Plant & Machinery	Plant & Machinery	01.20501.04001.999999.999.99	1	39119	19	265172	251913.40	251913.40	35474.92	216438.48	5.28	14001.08	21473.84
Residential Furniture & Eqmt.	Equipment	01.20751.04001.999999.999.99	1	39178	20	26000	24700.00	24700.00	19776.87	4923.13	4.75	1235.00	18541.87

C/O

		ADDITIONAL IMPACT FOR CHARGING HIGHER RATE OF DEPRECIATION										2011-2012		
B/F	Major Category	Minor Category	Asset Account	Units Assigned	Dis	Rate	Cost	Recoverable Cost INR	ACC DEPRN	YTD DEPRN INR	Acc. depr 31.3.2011	Normal Rate	Normal Depr	Impact
	Residential Furniture & Eqmt.	Equipment	01.20751.04001.999999.999.99	1	39564	20	29500	28025.00	23195.95	19088.18	4107.77	4.75	1401.25	17686.93
	Residential Furniture & Eqmt.	Equipment	01.20751.04001.999999.999.99	1	39764	20	29800	28310.00	20166.02	16792.09	3373.93	4.75	1415.50	15376.59
	Residential Furniture & Eqmt.	Equipment	01.20751.04001.999999.999.99	1	39764	20	25300	24035.00	17120.80	14256.35	2864.45	4.75	1201.75	13054.60
	Furniture & Fittings	Office Furniture	01.20704.04001.999999.999.99	1	38980	20	17452.36	16579.74	16579.74	11600.88	4978.86	6.33	1104.73	10496.15
	Residential Furniture & Eqmt.	Equipment	01.20751.04001.999999.999.99	1	39764	20	19500	18525.00	13105.89	10988.12	2207.77	4.75	926.25	10061.87
	Plant & Machinery	Plant & Machinery	01.20501.04001.999999.999.99	1	40967	20	750000	712500.00	15524.59	13524.59	0	5.28	3570.49	9954.10
														C/O

ADDITIONAL IMPACT FOR CHARGING HIGHER RATE OF DEPRECIATION										2011-2012				
B/F	Major Category	Minor Category	Asset Account	Units Assigned	Dis	Rate	Cost	Recoverable Cost INR	ACC DEPRN	YTD DEPRN INR	Acc. depr 31.3.2011	Normal Rate	Normal Depr	Impact
	Plant & Machinery	Plant & Machinery	01.20501.04001.999999.999.99	1	40975	20	825000	783750.00	11270.49	11270.49	0	5.28	2975.41	8295.08
	Furniture & Fittings	Audio Visual Aids	01.20703.04001.999999.999.99	1	40733	33.33	34000	32300.00	8266.93	8266.93	0	6.33	1570.05	6696.88
	Power Supply & Communication Sys	Communication Sys	01.20602.04001.999999.999.99	1	40798	33.33	34000	32300.00	6254.38	6254.38	0	4.75	891.34	5363.04
	Power Supply & Communication Sys	Communication Sys	01.20602.04001.999999.999.99	1	40001	33.33	34000	32300.00	6161.50	6161.5	0	4.75	878.10	5283.40
	Power Supply & Communication Sys	Communication Sys	01.20602.04001.999999.999.99	1	40017	33.33	34000	32300.00	5666.10	5666.1	0	4.75	807.50	4858.60
	Residential Furniture & Eqmnt	Equipment	01.20751.04001.999999.999.99	1	99764	20	6900	6555.00	4669.34	3888.13	781.21	4.75	327.75	3560.38

C/O

ADDITIONAL IMPACT FOR CHARGING HIGHER RATE OF DEPRECIATION													
B/F							2011-2012						
Major Category	Minor Category	Asset Account	Units Assigned	Dis	Rate	Cost	Recoverable Cost INR	ACC DEPRN	YTD DEPRN INR	Acc. depr 31.3.2011	Normal Rate	Normal Depr	Impact
Power Supply & Communication Sys	Communication Sys	01.20602.04001.999999.999.99	1	40858	33.33	29000	27550.00	3750.08	3750.08	0	4.75	534.44	3215.64
Residential Furniture & Eqpmt	Equipment	01.20751.04001.999999.999.99	1	40862	20	28703	27267.85	2164.51	2164.51	0	4.75	514.07	1650.44
Residential Furniture & Eqpmt	Furnitures	01.20752.04001.999999.999.99	1	40060	20	20370	19351.50	1491.58	1491.58	0	6.33	472.08	1019.50
Residential Furniture & Eqpmt	Equipment	01.20751.04001.999999.999.99	1	40847	20	12000	11400.00	1003.28	1003.28	0	4.75	238.28	765.00
Residential Furniture & Eqpmt	Equipment	01.20751.04001.999999.999.99	1	40847	20	11200	10640.00	936.41	936.41	0	4.75	222.39	714.02
Residential Furniture & Eqpmt	Equipment	01.20751.04001.999999.999.99	1	40847	20	8100	7695.00	677.21	677.21	0	4.75	160.84	516.37
									2697760.32			720897.35	1976862.97

14. CAPITAL WORK - IN - PROGRESS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Capital Work-in-Progress		
- Civil	198.37	59.55
Construction materials	0.17	0.17
Capital Work-in-Progress -Electrical	2.94	-
Expenditure pending allocation-(ERP)	254.49	210.87
Capital Work-in-Progress- Plant & Machinery Under Erection	291.34	137.83
Plant, Machinery & Equipment under Inspection & in Transit	274.39	530.39
	<u>1,021.70</u>	<u>938.81</u>

15. NON CURRENT INVESTMENTS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Trade Investments Non-Trade, Unquoted AT COST		
Other Investment		
Investment in Equity instruments	107.20	107.20
AP Gas Power Corporation Limited 18,43,857 fully paid up Equity share of Rs.10/- each including 7,71,847 fully paid up bonus share of face value Rs.10/- each		
4,28,800 fully paid up Equity share of Rs.10/- each subscribed at Rs.24/- each and paid-up Rs.24/- each	102.91	102.91
Total	<u>210.11</u>	<u>210.11</u>

16. LONG TERM LOANS AND ADVANCES

PARTICULARS	As at 31 st March, 2012 (Rs. in Lakhs)	As at 31 st March, 2011 (Rs. in Lakhs)
Capital Advances For purchase of fixed assets		
Secured, considered good [^]	1850.71	456.36
Doubtful - Capital Goods	35.46	35.46
Less:Provision for doubtful advances	<u>35.46</u>	<u>35.46</u>
Unsecured, considered good	48.69	19.98
	<u>1899.40</u>	<u>476.34</u>
Other loans and advances (specify nature)		
Secured considered good (employee advance)	4.36	4.92
	<u>4.36</u>	<u>4.92</u>
	<u>1903.76</u>	<u>481.26</u>

[^] Secured advances considered good includes advance payment made to Stork International for Ring Rolling Mill Rs.459.04 lakhs and Danieli & C.Officine Meccaniche S.P.A. for 6000 ton Forge Press Rs.1391.67 lakhs.(Prev year Nil)

17. OTHER NON - CURRENT ASSETS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Long term trade receivables (including trade receivables on deferred credit terms)		
Others (specify nature)		
Others -Post office savings \$	1.40	1.40
Prepaid expenses	106.03	-
Doubtful Advance to supplier	23.66	23.66
Less: Provision for doubtful advance	<u>23.66</u>	<u>23.66</u>
Obsolete and slow moving -Raw material	28.06	24.16
Less: Provision for obsolete and slow moving -Raw material	<u>28.06</u>	<u>24.16</u>
Obsolete and slow moving -consumables	29.66	21.64
Less: Provision for obsolete and slow moving -consumables	<u>29.66</u>	<u>21.64</u>
Obsolete and slow moving -spares	180.24	155.61
Less: Provision for obsolete and slow moving -spares	<u>180.24</u>	<u>155.61</u>
Other current assets (related parties)	-	-
Total	<u>107.43</u>	<u>1.40</u>

\$ Pledged with Excise Authorities Rs. 1.40 Lakhs (Previous Year Rs.1.40 Lakh).

18. INVENTORIES

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Raw Materials and components (Valued at weighted average cost) @	12674.16	9231.02
Goods-in transit	2341.97	908.35
Total	<u>15016.13</u>	<u>10139.37</u>
Work-in-progress (Valued at cost or estimated realisable value whichever is less) #	24094.46	24740.37
	<u>24094.46</u>	<u>24740.37</u>
Finished goods (Valued at cost or net realisable value whichever is less)	686.71	1342.48
Total	<u>686.71</u>	<u>1342.48</u>
Stores and spares (Valued at weighted average cost)	549.12	513.72
Goods-in transit	0.92	23.32
Total	<u>550.04</u>	<u>537.04</u>
Loose Tools (Valued at weighted average cost)	9.55	-
Total	<u>9.55</u>	<u>-</u>

c/f

18. INVENTORIES

PARTICULARS	As at 31 st March, 2012 (Rs. in Lakhs)	As at 31 st March, 2011 (Rs. in Lakhs)
b/f		
Consumables (Valued at weighted average cost)	1038.88	762.28
Goods-in transit	9.39	40.83
Total	<u>1048.27</u>	<u>803.11</u>
Internally generated Scrap/rejected material (Valued at estimated realisable for scrap)	2931.08	1663.73
Total	<u>2931.08</u>	<u>1663.73</u>
Grand Total	<u>44336.24</u>	<u>39226.10</u>

@ Raw material does not include worth of Rs.1551.02 lakh (Previous year Rs.2075.50 Lakh) & Ingots Rs.1753.75 lakhs held on behalf of Customers (Previous year Nil)

@ Raw material of Rs.15016.13 lakh includes Rs.7797.43 lakhs of raw material procured towards DRDO and BDL AKAASH missile order as an advance action to take care of not only to stock Strategic raw material but also the market volatility against fixed price contract. The same is not considered for the purpose of calculating capital employed.

Work in progress Include materials lying with outsiders Rs.2484.13Lakh (Previous year Rs.2060.76 Lakh)

Work in progress Include items valuing Rs.301.42 Lakh (Previous year Rs.109.93 Lakh) pertaining to earlier years, brought into account, during the year, on reconciliation

Work in Progress has been valued as per Accounting Policy 4.6. However, Work in Process carried over from earlier years is valued at on the basis of value as on 1st April 2011 or realisable market value during 2011-12 whichever is lower.

19. TRADE RECEIVABLES

PARTICULARS	As at 31 st March, 2012 (Rs. in Lakhs)	As at 31 st March, 2011 (Rs. in Lakhs)
Debts Outstanding for period exceeding Six Months		
Secured, considered good	-	-
Unsecured, considered good \$	3220.36	2884.03
Unsecured, considered doubtful-trade receivable	5.92	16.29
Less: Provision for doubtful debts-trade receivable	<u>5.92</u>	<u>16.29</u>
Total	<u>3220.36</u>	<u>2884.03</u>
Other Debts		
Secured, considered good	-	-
Unsecured, considered good \$	10302.62	7522.35
Unsecured, considered doubtful-trade receivable	-	0.12
Less: Provision for doubtful debts-trade receivable	<u>-</u>	<u>0.12</u>
Total	<u>10302.62</u>	<u>7522.35</u>
Grand Total	<u>13522.98</u>	<u>10406.38</u>

For computing the trade receivables normal credit period allowed by the company of thirty days has been taken into consideration for calculating the due date from the date of invoice

\$ Balances in Trade Receivables, is subject to confirmation and/or reconciliation.

20. CASH AND CASH EQUIVALENTS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Cash on hand	1.54	1.15
Balance with banks	644.52	1354.83
Fixed Deposits held with various banks upto 12 months maturity ^	8020.05	17490.00
Other Bank balances :		
Deposit with banks upto 12 months maturity (to the extent held as security against borrowings) ^	6369.95	-
	<u>15036.06</u>	<u>18845.98</u>

^ Bank deposits includes Rs.7222 lakhs (Previous year Rs.7816 lakhs) received from MOD towards financing of Forge Press. And the same is not considered for calculating capital employed

21. SHORT TERM LOAN AND ADVANCES

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Others (specify nature) Secured, considered good		
Advances to employee	1.29	0.21
Unsecured, considered good		
Advance income tax	13808.23	11047.82
Tax deducted at source	29.95	32.16
Prepaid expenses	55.69	48.78
VAT/Modvat/Service Tax/ Customs Duty receivable	573.56	750.19
Claims receivable	128.93	127.45
- Deposit with Customs and Excise	2.17	1.38
- Deposit with others	97.99	80.20
- Advance to employees	77.05	42.79
- Advance to supplier	1010.89	227.58
	<u>15785.75</u>	<u>12358.56</u>

22. OTHER CURRENT ASSETS

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Interest accrued on investments		
- Considered good	311.55	653.37
Interest accrued		
- Doubtful	286.58	286.58
Less: Provision for Interest accrued		
- Doubtful	286.58	-
Interest accrued on loans to employees		
- Considered good	2.72	5.73
Others		
- Despatches with sub contractors \$	1694.38	381.61
	2008.65	1040.71

\$ Other despatches with sub-contractors includes the amount of material sent for job work to sub-contractors valuing Rs.9210.02 lakhs (previous year Rs.6698.80 lakhs) at estimated realizable value and advance of Rs.7515.64 lakhs (previous year Rs.6317.19 lakhs) received from customer is netted out.

23 : REVENUE FROM OPERATIONS

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
(a) Sale of Manufacturing Products	36518.69	29049.48
Income from despatches to subcontractors	11603.67	8724.63
Sub-Total	48122.36	37774.11
(b) Sale of Expert Sourcing Solution	2712.23	3869.88
Sub-Total	2712.23	3869.88
(c) Sale of Services;	66.68	142.78
Sub-Total	66.68	142.78
Revenue including Excise Duty	50901.27	41786.77
Less: Excise Duty	1270.76	998.34
Revenue from Operations	49630.51	40788.43

24. OTHER INCOME

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
Interest Income		
- From Banks	1835.59	1607.44
- From Employees	0.38	8.31
Liquidated Damages	80.62	85.83
Exchange rate variance written back	1.60	2.48
Net gain on sale of Fixed Assets	1.03	-
Income from Sale of Unservicable Scrap	23.64	11.59
Provisions written back -Doubtful debts & Advances	10.49	7.79
Other miscellaneous income	270.56	185.09
Total	<u>2223.91</u>	<u>1908.53</u>

DETAILS OF OTHER MISCELLANEOUS INCOME:

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
Collection of Freight Charges from Customers	-	33.38
Sale of Application Forms (Personnel)	1.38	-
Handling Charges for Procurement of Magnesium Ingots from NFC	83.41	95.01
Bad Debts recoveries from Customers	19.35	14.31
Recovery of LD's deducted earlier by customers	17.36	-
Service Charges received from AMTL /GTRE	21.98	15.00
Write Back of Old Advances received from Customers	15.76	17.16
Unclaimed Liability written back	104.33	-
Bond Charges recovered	-	2.00
Others	6.99	8.23
Total	270.56	185.09

25. COST OF MATERIAL CONSUMED

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
Cost of Material for manufactured products	14461.93	19667.84
Total	14461.93	19667.84

**26. CHANGE IN INVENTORY OF
FINISHED GOODS, WORK-IN-
PROGRESS AND STOCK IN TRADE**

Opening Stock		
Work-in-progress	24,740.37	19,288.14
Finished Stock	1,342.48	35.90
	26,082.85	19,324.04
Closing Stock		
Work-in-progress	24,094.46	24,740.37
Finished Stock	686.71	1,342.48
	24,781.17	26,082.85
(Increase) / Decrease		
Work-in-progress	645.91	(5,452.23)
Finished Stock	655.77	(1,306.58)
Total	1301.68	(6758.81)

27. EMPLOYEE BENEFITS & EXPENSES

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
Salaries, wages	6402.57	6420.16
Contribution to provident fund and other funds-	592.23	561.33
Gratuity	524.80	1211.85
Leave Encashment	431.93	465.91
Workmen and staff welfare expenses	1989.06	1284.45
Leave salary and pension contribution	1150.80	6.24
Directors remuneration	120.57	59.39
	<u>11211.96</u>	<u>10009.33</u>

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 31.03.2012 provided by LICGGF with whom the company has taken the Policy through its Gratuity Trust.

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.) (Upto 31st August 2011)
- (d) Dr.D.K.Likhi
Director (Prodn.&Mktg.) (From 1st September 2011)

ANNUAL REPORT 2011 - 2012

GRATUITY REPORT UNDER AS-15 FOR 31ST MARCH, 2012 (MIDHANI MP 510424)

1 ASSUMPTIONS

31 MAR, 2012

Discount rate (per annum)	8 %
Salary Escalation (per annum)	3 %

2 Table showing the changes in the present value of the Obligation as on 31st March, 2012

Figures in
Rs.Lakhs

a) Present value of obligation at the beginning of the year	4436.64
b) Interest cost	354.93
c) Current service cost	131.95
d) Benefits paid -Actuals	795.84
e) Expected Liability at the year end	4127.67
f) Present value of obligation at the end of the year	4850.77
g) Actuarial gain/loss	(-)723.10

3 Changes in fair value of Assets

a) Fair value of plan assets at the beginning of the year	3938.71
b) Expected return on plan assets	396.37
c) Contributions	1115.46
d) Benefits paid	(-)795.84
e) Actuarial gain/loss on plan assets	NIL
f) Fair value of assets at the end of the year	4654.70

4 Table showing fair value of plan assets

a) Fair value of plan assets at the beginning of the year	3938.71
b) Actual return on plan assets	396.37
c) Contributions	1115.46
d) Benefits paid	795.84
e) Fair value of plan assets at the end of the year	4654.70
f) Funded Status	(-)196.07
g) Excess of Actual over estimated return on plan assets	NIL

5 Actuarial Loss or Gain recognized

a) Actuarial Loss for the year-Obligation	(-)723.10
b) Actuarial Loss for the year -Plan Assets	-
c) Total Loss for the year	(-)723.10
d) Actuarial Loss recognized	(-)723.10

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	4850.77
b) Fair value of plan assets at the end of the year	4654.70
c) Funded Status	(-)196.07
d) Net Liability/Asset recognized in the balance sheet	(-)196.07

ANNUAL REPORT 2011 - 2012

7 Expenses recognized in the statement of P&L

a) Current service cost	131.95
b) Interest cost	354.93
c) Expected return on plan assets	396.37
d) Net Actuarial (gain)/ loss recognized in the year	(-)723.10
e) Expenses recognized in statement of Profit and Loss	813.60

Note : The above report is not certification under AS-15 revised 2005 read with Actuaries Act, 2006. It is simply a report generated to help companies for proper accounting of employees liabilities.

28: FINANCE COST

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
Interest expense:-		
Cash Credit	21.62	0.35
Short Term Deposit	489.88	146.04
Interest - Others	0.28	23.15
Interest - Govt. Loans	402.50	508.30
Interest - Car Loan	0.56	1.57
Total	914.84	679.41

29. OTHER EXPENSE

Consumption of stores, loose tools and spare parts	1623.89	1450.37
Power and fuel	3465.60	3091.20
Rent	16.87	13.42
Repairs and maintenance:-		
- Buildings	192.03	181.83
- Plant and Machinery	900.15	605.37
- Others	39.42	33.07
Rates and taxes, excluding, taxes on income	20.52	12.20
Water charges	53.99	50.78
Insurance	49.33	48.33
Postage, telephone	62.31	47.31
Travelling and conveyance	245.56	207.04
Directors sitting fees	3.80	2.00
Factory expenses	12.74	15.35
Advertisement	115.67	25.76
Legal and professional fees	0.87	1.96

c/f

PARTICULARS	For the Year Ended 31 st March, 2012 (Rs. in Lakhs)	For the Year Ended 31 st March, 2011 (Rs. in Lakhs)
	b/f	
Auditor's remuneration(As per details below)	6.19	5.39
Hire of cars	15.15	9.31
Library books	31.57	7.51
News paper and journals	2.20	3.71
Lease Rental Car		2.83
Membership fees	6.10	12.78
Training expenses	43.13	19.08
Entertainment/courtesy expenses	2.67	4.01
Hostel/guest house expenses net of income	10.10	12.31
Business promotion expenses	135.63	138.17
Consultancy charges	9.44	10.60
Contract professionals expenses	65.30	50.73
Security guard charges	347.23	289.83
Administration expenses -Others	26.39	28.40
Misc selling expenses	7.18	4.71
Exchange rate variance charged off	-	-
Liquidated damages imposed by customers	406.05	439.40
Sales schemes	449.72	359.66
Prior Period (-) income/ (+) expenses (As per details below)	(54.98)	47.84
Increase/Decrease Excise duty on finished goods	13.18	-
Bank charges	91.11	39.76

c/f

PARTICULARS	For the Year Ended 31st March, 2012 (Rs. in Lakhs)	For the Year Ended 31st March, 2011 (Rs. in Lakhs)
Provision for non moving inventories	36.55	36.99
Provision for stock verification discrepancies	0.20	-
Bad debts written off	45.03	24.98
Printing and stationery	31.44	31.21
Sub-contractor expenses	5105.64	3826.64
Total	<u>13634.97</u>	<u>11191.84</u>

The details of R & D expenditure included in the natural head of accounts are as follows:-

Consumption of materials	192.23	138.99
Offloading costs	22.68	47.15
Conversion costs	176.89	90.78
Other Expenditure	6.51	-
Total	<u>398.31</u>	<u>276.92</u>

PRIOR PERIOD (-) INCOME / (+) EXPENSES

PARTICULARS	For the Year Ended 31 st March, 2012 (Rs. in Lakhs)		For the Year Ended 31 st March, 2011 (Rs. in Lakhs)	
	DEBIT (Rs. in Lakhs)	CREDIT (Rs. in Lakhs)	DEBIT (Rs. in Lakhs)	CREDIT (Rs. in Lakhs)
Consumption of Materials etc.,		44.42	43.47	-
Manufacturing Expenses		10.24	1.77	-
Other Administrative Expenses	4.56	4.88	2.20	-
Depreciation		-	0.40	-
Total	4.56	59.54	47.84	-
Net		54.98		(47.84)

REMUNERATION AND OTHER PAYMENTS TO THE AUDITOR

PARTICULARS	For the Year Ended 31 st March, 2012 (Rs. in Lakhs)	For the Year Ended 31 st March, 2011 (Rs. in Lakhs)
Auditor		
(a) As Statutory Auditor	2.00	1.50
(b) As Internal Auditor	3.36	2.81
(c) For taxation matter	0.75	1.00
(d) PF Audit Fee	0.08	0.08
	6.19	5.39



**CONTINGENT LIABILITIES AND COMMITMENTS
(TO THE EXTENT NOT PROVIDED FOR)**

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)	As at 31st March, 2011 (Rs. in Lakhs)
Contingent Liabilities		
Claims against the company not acknowledged as debt	9606.25	7960.80
Bank Guarantees	5132.05	378.15
Letter of credit outstanding	3626.94	963.77
Others	50.00	50.00
	<u>18415.24</u>	<u>9352.72</u>
Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for (Capital commitments)	16080.74	5304.54
	<u>16080.74</u>	<u>5304.54</u>
	<u>34495.98</u>	<u>14657.26</u>

ANNUAL REPORT 2011 - 2012**DISCLOSURE PURSUANT TO NOTE NO. 6(U) OF PART I OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

PARTICULARS	As at 31st March, 2012 (Rs. in Lakhs)		As at 31st March, 2011 (Rs. in Lakhs)	
	Rs	Per share Rs	Rs	Per share Rs
Dividends proposed to be distributed to equity shareholders	3666.80	200.00	2,000.00	136.67
Dividends proposed to be distributed to preference shareholders	-	-	-	-
Arrears of fixed cumulative dividends on preference shares	-	-	-	-

30. Notes to Accounts

The Accounts for the year approved by the Board of Directors and certified by the Statutory Auditors on 5th July 2012 were revised in the light of the C&AG's observations under section 619(4) of the Companies Act, 1956.

PARTICULARS	31 st March, 2012 (Rs. in Lakhs)	31 st March, 2011 (Rs. in Lakhs)
(a) Sales increase/(decrease) by	Nil	Nil
(b) Total expenditure increase/ (decrease) by	Nil	Nil
(c) Income increase/(decrease) by	Nil	Nil
(d) Profit before tax increase/ (decrease) by	Nil	Nil
(d) Long Term provision increase/ (decrease) by	(589.58)	(563.52)
(e) Short Term borrowing increase/ (decrease) by	6369.95	Nil
(f) Long Term Loans and Advances increase/(decrease) by	(35.46)	(35.46)
(g) Other non current assets increase/ (decrease) by	(292.50)	(302.99)
(h) Inventories increase/(decrease) by	(237.96)	(201.41)
(i) Cash and cash equivalents increase/ (decrease) by	6369.95	Nil
(j) Short term loan and advances increase/ (decrease) by	(23.66)	(23.66)

STATEMENT OF CASH FLOW	Year ended 31 st March, 2012 (Rs. in Lakhs)		Year ended 31 st March, 2011 (Rs. in Lakhs)	
I CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		9,850.28		7,518.14
Adjustment to reconcile net income to net cash providing by operating activities :				
Depreciation	478.76		389.61	
Interest Paid	914.84		679.41	
Interest Received	(1,835.59)		(1,607.44)	
Write back of provisions	(10.49)		(7.79)	
Profit/Loss on Fixed Assets	(1.03)		-	
Write Offs	450.57		464.38	
Exchange Rate Variation	(1.60)		(2.48)	
Provision for Doubtful debts/ Advances/Modvat/ Non-moving stores/ spares	215.67		363.10	
Sub-Total		211.13		278.79
Operating Profit before Working Capital Changes	c/f	10,061.41		7,796.93

Cash Flow**ANNUAL REPORT 2011 - 2012****STATEMENT OF
CASH FLOW (Contd.)**Year ended
31st March, 2012
(Rs. in Lakhs)Year ended
31st March, 2011
(Rs. in Lakhs)

	B/f	10,061.41		7,796.93
Adjustment for Changes in Assets and Liabilities				
(Increase) / Decrease in Sundry Debtors	(3,116.60)		347.33	
(Increase / (Decrease) in Inventories	(5,110.13)		(7,180.07)	
(Increase) / Decrease in Other Current Assets	(2,551.86)		(107.74)	
(Increase) / Decrease in Sundry Creditors	(5,097.56)		(40.47)	
(Increase) / Decrease in Bank Borrowings	1,867.58		(830.53)	
Sub-Total		(14,008.57)		(7,811.48)
Cash Generated from Operations before adjust- ment from Other Assets		(3,947.16)		(14.55)
Adjustment for Other Assets		-		-
Sub-Total				
Cash Generated from Operations		(3,947.16)		(14.55)
Direct Tax Paid	(2,760.00)		(2,500.00)	
Sub-Total		(2,760.00)		(2,500.00)
Net Cash provided by Operating Activities (a)	c/f	(6,707.16)		(2,514.55)

STATEMENT OF CASH FLOW (Contd.)	Year ended 31 st March, 2012 (Rs. in Lakhs)		Year ended 31 st March, 2011 (Rs. in Lakhs)	
	B/f	(6,707.16)		(2,514.55)
II. Cash Flow from Investing Activities				
Purchase of Fixed Assets	(2,525.72)		(2,104.26)	
Proceeds from Sale of Fixed Assets	1.54		-	
Interest Received	2,171.10		1,239.58	
Net Cash provided (used in) by Investing Activities (b)		(353.08)		(864.68)
III. Cash Flow from Financing Activities				
Interest Paid	(914.84)		(679.41)	
Dividend Paid	(2,200.00)		(992.33)	
Tax on Dividend Paid	(404.79)		(134.65)	
Share Capital/Share application money Increase/Decrease	400.00		-	
Net Cash provided by Financing Activities(c)		(3,119.63)		(1,806.39)



**STATEMENT OF
CASH FLOW (Contd.)**

 Year ended
31st March, 2012
(Rs. in Lakhs)

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

Abstract		
Net Cash provided by Operating Activities (a)	(6,707.16)	(2,514.55)
Net Cash provided (used in) by Investing Activities (b)	(353.08)	(864.68)
Net Cash provided by Financing Activities (c)	(3,119.63)	(1,806.39)
Net Increase/(decrease) in cash & cash equivalent during the year	(10,179.87)	(5,185.62)
Cash and Cash equivalent at the beginning of the year	18,847.38	24,033.00
Cash and Cash equivalent at the end of the year	8,667.51	18,847.38
c/f	(10,179.87)	(5,185.62)

STATEMENT OF CASH FLOW (Contd.)

Components of Cash and Cash equivalents as at	31st March, 2012 (Rs. in Lakhs)	31st March, 2011 (Rs. in Lakhs)
Cash on Hand	1.54	1.15
With Post Office Savings Bank Account	1.40	1.40
With Scheduled Banks		
- in Current Account	6,44.52	1,354.83
- in Fixed Deposit	8,020.05	17,490.00
TOTAL	8,667.51	18,847.38

As per our Report attached For Satyam & Veerabhadra, Chartered Accountants
 Firm's registration no. 003666S
(K.V. Chalamaiah)
Partner
Membership No. 205574

Place : Hyderabad,
Date : 11-08-2012

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 : 11-08-2012

ANNUAL REPORT 2011 - 2012

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

Registration Number	1660	State Code	01
Balance Sheet Date	31st March 2012		

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	10,000,008	Total Assets	10,000,008
Sources of Funds			
Paid Up Capital	1,833,400	Reserves and Surplus	1,804,530
Share Application Money	40,000		
Secured Loans	886,446	Unsecured Loans	298,000
Deferred Taxes	5,380	Current Liabilities	4,145,171
		Non Current Liabilities	987,081
Application of Funds			
Net Fixed Assets	708,910	Investments	21,011
Current Assets, Loan & Advan.	9,068,968	Non Current Assets	201,119
Accumulated Losses	-		-

IV PERFORMANCE OF THE COMPANY

(Amounts in Rupees Thousands)

Turnover (Gross earnings)	4,963,051	Total Expenditure	4,200,414
Profit/ (-) Loss Before Tax	985,028	Profit/ (-) Loss after Tax	684,549
Earning Per Share in Rupees	373.38	Dividend Rate %	20%

**V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS /
SERVICE OF COMPANY**

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

For and on behalf of Board of Directors

**M. Narayana Rao, Chairman & Managing
Director**

V.S. Krishna Murthy, Director (Finance)

P.V. Subba Rao, Company Secretary

Place : Hyderabad

Date : 11.08.2012

A. EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR 2011-12 - CAPITAL
(Rs. in Lakhs)

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 1.4.2011	Additions during the year	Adj/Ded during the year	As at 31.3.2012	As at 31.3.2011	Adj/Ded during the year	Depreciation for the year	As at 31.3.2012	As at 31.3.2011
Land	28.66	--	--	28.66	--	--	--	28.66	28.66
Township Buildings:									
- Residential	100.69	2.55	--	103.24	42.69	--	1.69	44.38	58.00
Township Buildings:									
- Non-Residential									
(a) School	44.74	--	--	44.74	13.96	--	0.73	14.69	30.78
(b) Hospital	1.77	--	--	1.77	0.77	--	0.03	0.8	1
(c) Sub-station buildings	1.92	--	--	1.92	0.79	--	0.03	0.82	1.13
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	3.28	-	0.14	3.42	4.96
TOTAL	203.57	2.55	--	206.12	78.61	--	2.62	81.23	124.96
Previous Year	203.57	--	--	203.57	76.03	--	2.58	124.96	127.54

**B. EXPENDITURE ON SOCIAL OVERHEADS
FOR THE YEAR 2011-12 - REVENUE**

(Rs. in Lakhs)

Description	Town-ship	School	Medical facilities Over & above those which are statutorily required	Subsidised transport subsidies	Other subsidies	Other items of welfare expenditure	Total
Salaries & Wages (including P.F. Contribution)	19.16	--	--	--	--	--	19.16
Electricity	16.37	--	--	--	--	--	16.37
Repair & Maintenance	35.20	--	--	--	--	--	35.20
Payment to Transport Co.	--	--	--	79.91	--	--	79.91
Subsidies (Net)	--	13.54	--	--	--	--	13.54
Reimbursement of Tuition Fee	--	--	--	--	--	--	--
Interest Subsidy on H.B. Loans	--	--	--	--	--	--	--
Misc. expenses	--	--	--	--	--	7.13	7.13
Township Dispensary	--	--	2.63	--	--	--	2.63
Depreciation	2.62	--	--	--	--	--	2.62
Total Expenditure	73.35	13.54	2.63	79.91	--	7.13	176.56
Previous year	104.86	19.00	1.73	160.18	1.00	6.13	292.90
Income for Current Year	3.99	--	--	58.36	--	--	62.35
Income for Previous Year	4.97	--	--	20.21	--	--	25.18



MISHRA DHATU NIGAM LIMITED

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

REGISTERED OFFICE & WORKS :
P.O. KANCHANBAGH, HYDERABAD - 500058, INDIA

Phone : +91-40-24340001(10 lines),
24340201, 24340280, 24340044, 24340853(Other lines)
Fax :+91-40-24340214/24340764,
E-mail: spralloy.midhani@nic.in
Website: www.midhani.com

COMMERCIAL OFFICES

<p>MUMBAI PIYADARSHINI RCF New Office Complex, Sion-Chembur Road, Mumbai-400 022 Tele-fax: +91-022-24045439 e-mail: mco.midhani@nic.in</p>	<p>KOLKATA No.1/131, Gariahat Road (South) Jodhpur Park, KOLKATA -700 068 Tele-fax: +91-033-24728414 e-mail: kco.midhani@nic.in</p>
<p>NEW DELHI Flat No.6314, Sector "B"Pocket "9", 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>