

37<sup>वां</sup>  
*th* **Annual Report**  
2012 - 2013



के आई ओ सी एल लिमिटेड  
**KIOCL LIMITED**

A Mini Ratna Schedule 'A' PSE



## OUR VISION

Be a leader in the Pelletisation industry in India and establish a global credence.

## OUR MISSION

- Lasting relations with Customers and Vendors to ensure smooth supply chain based on trust and mutual benefits.
- Business with Ethics & Integrity.
- Be a contributory enterprise to societal building and environment sustenance.
- Continuous learning.
- Adaptability to Technology and changing Global Scenario.

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### **Registered Office**

KIOCL Limited, IInd Block, Koramangala,  
Bangalore - 560 034.

### **Statutory Auditors**

M/s Sundaram & Srinivasan

### **Cost Auditors**

M/s Giridhar Ramakrishnan & Co.

### **Main Bankers**

State Bank of India,  
Bangalore Commercial Branch,  
Hudson Circle,  
Bangalore 560 001.

### **Register & Share Transfer Agent**

Integrated Enterprises (India) Ltd.  
Register office 30, Ramana Residency  
4th Cross, Sampaigne Road,  
Malleshwaram, Bangalore 560 003.

### **Depositories**

National Security Depositories Ltd.  
Central Depositories Services India Ltd.

### **Listed at**

Bangalore Stock Exchange Limited  
Madras Stock Exchange Limited



# BOARD OF DIRECTORS



**Shri Malay Chatterjee**  
Chairman-cum-Managing Director



**Shri Vinod Kumar Thakral**



**Shri Lokesh Chandra**



**Shri K Subba Rao**  
Director  
(Production & Projects)



**Shri Laxminarayana**  
Director (Finance)



**Shri MV Subba Rao**  
Director (Commercial)



**Shri VK Agarwal**



**Shri S Manoharan**



**Shri PK Bajaj**



**Dr. S Raghunath**



**Shri SK Padhi**  
Company Secretary

# 10 YEARS AT A GLANCE

Quantity in '000 Dry Metric Tonnes/ ₹ in lakhs

| Particulars   | 2012-13 | 2011-12 | 2010-11 | 2009-10 | 2008-09 | 2007-08 | 2006-07 | 2005-06 | 2004-05 | 2003-04 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Production (quantity)</b>                              |         |         |         |         |         |         |         |         |         |         |
| a) Concentrate  | -       | -       | -       | -       | -       | -       | -       | 2922    | 4350    | 5090    |
| b) Pellets  | 1265    | 1710    | 2124    | 1273    | 1316    | 1927    | 630     | 2834    | 3795    | 3671    |
| c) Pig Iron   | -       | -       | -       | 62      | 118     | 157     | -       | -       | -       | -       |
| <b>Capacity Utilisation (%)</b>                           |         |         |         |         |         |         |         |         |         |         |
| a) Concentrate  | -       | -       | -       | -       | -       | -       | -       | 58      | 65      | 76      |
| b) Pellets  | 36      | 49      | 61      | 36      | 38      | 55      | 18      | 81      | 95      | 92      |
| c) Pig Iron   | -       | -       | -       | 29      | 55      | 73      | -       | -       | -       | -       |
| <b>Sales (quantity)</b>                                   |         |         |         |         |         |         |         |         |         |         |
| a) Concentrate  | -       | -       | -       | -       | -       | -       | -       | 482     | 707     | 1522    |
| b) Pellets  | 1236    | 1716    | 2090    | 1456    | 1131    | 1907    | 629     | 2859    | 3799    | 3628    |
| c) Pig Iron   | 4       | 10      | 20      | 95      | 74      | 170     | -       | -       | -       | -       |
| Total Sales (US \$ Million) *                             | -       | 315.592 | 385.032 | 170.197 | 229.766 | 294.680 | 60.274  | 278.341 | 415.133 | 226.461 |
| Export Sales (US \$ Million) *                            | -       | 93.162  | 164.725 | 51.690  | 166.143 | 197.825 | 10.340  | 194.244 | 321.993 | 188.924 |
| DTA Sales (US \$ Million) *                               | -       | 222.430 | 220.307 | 118.507 | 63.623  | 96.855  | 49.934  | 84.097  | 93.140  | 37.537  |
| Total Sales (in ₹ Lakhs) **                               | 115912  | 152108  | 180346  | 99272   | 122898  | 153011  | 26744   | 123228  | 185377  | 102938  |
| Export Sales (in ₹ Lakhs)                                 | -       | 41818   | 74727   | 23938   | 71961   | 78732   | 4459    | 86876   | 143929  | 85787   |
| DTA & Indigenous Sales (in ₹ Lakhs)**                     | 115912  | 110290  | 105619  | 75334   | 50937   | 74279   | 22285   | 37352   | 41448   | 17151   |
| Gross Margin from operation                               | (6847)  | 3252    | 7026    | (20783) | (5692)  | 10375   | (6839)  | 59468   | 115667  | 43802   |
| Income earned from Deposits etc.                          | 14439   | 13511   | 9230    | 7312    | 11910   | 11145   | 10065   | 10905   | 5436    | 2269    |
| Profit on sale of assets                                  | 7       | 4       | 5       | 7       | 7       | 26      | -       | 8       | 30      | 8       |
| Interest paid   | -       | -       | -       | -       | 2       | 611     | 15      | 9       | 15      | 9       |
| Cash Profit   | 7599    | 16767   | 16261   | (13464) | 6223    | 20935   | 3211    | 70372   | 121118  | 46070   |
| Depreciation & DRE  | 4322    | 4090    | 3707    | 4949    | 4347    | 4912    | 3172    | 16083   | 9657    | 5296    |
| Profit before Prior period adjustment/extraordinary items | 3277    | 12677   | 12554   | (18413) | 1876    | 16023   | 39      | 54289   | 111461  | 40774   |
| Prior period adjustment/extraordinary items               | (43)    | (1138)  | (2559)  | (1082)  | 542     | (372)   | 1955    | 522     | (270)   | (134)   |
| Profit before Tax (PBT)                                   | 3234    | 11539   | 9995    | (19495) | 2418    | 15651   | 1994    | 54811   | 111191  | 40640   |
| Profit after Tax (PAT)                                    | 3105    | 9430    | 7627    | (17727) | 2201    | 10816   | 1377    | 35630   | 64984   | 30070   |
| Dividend -to Government                                   | 628     | 1884    | 1570    | -       | 629     | 2142    | -       | 12563   | 12877   | 4396    |
| - to others   | 6       | 19      | 16      | -       | 6       | 21      | -       | 127     | 130     | 44      |
| - Dividend Tax  | 108     | 316     | 263     | -       | 108     | 368     | -       | 1780    | 1794    | 569     |
| - % of Share Capital                                      | 1.00%   | 3.00%   | 2.50%   | -       | 1.00%   | 3.409%  | -       | 20.00%  | 20.50%  | 7.00%   |
| Transfer to General Reserve                               | 2362    | 7210    | 5778    | (17727) | 1459    | 8285    | 1377    | 21160   | 50183   | 25059   |
| Paid-up Capital   | 63451   | 63451   | 63451   | 63451   | 63451   | 63451   | 63451   | 63451   | 63451   | 63451   |
| No of shipments   | 24      | 38      | 44      | 32      | 25      | 43      | 17      | 71      | 96      | 106     |
| Value added   | 23530   | 33171   | 43848   | 5670    | 29368   | 43567   | 8591    | 83726   | 141951  | 63164   |
| No. of employees  | 1251    | 1319    | 1347    | 1362    | 1617    | 1642    | 1582    | 1889    | 1942    | 2152    |
| Value added per employee                                  | 18.81   | 25.15   | 32.55   | 4.16    | 18.16   | 26.53   | 5.43    | 44.32   | 73.10   | 29.35   |
| Value added per Rupee payment to employee                 | 1.52    | 2.33    | 3.43    | 0.46    | 2.27    | 4.28    | 1.62    | 11.19   | 16.07   | 8.85    |

Pellets includes Pellet Fines Pig Iron includes Auxiliary material

\* Value in Foreign Exchange relates to Pellet plant (Export Oriented Unit) \*\* Value in ₹ lakhs include sale of Pig Iron in Indigenous market.

The erstwhile KISCO has merged with the Company and became Blast Furnace Unit with effect from 01.04.2007. The information of Blast Furnace unit was given from 2007-08 onwards.





### Dear Shareholders,

It gives me immense pleasure in extending a very hearty and warm welcome to all of you to the 37th Annual General Meeting of your Company. On behalf of the Board of Directors, as well as my colleagues at KIOCL, it is my privilege to thank each one of you for making it convenient to attend this meeting. The notice convening Annual General Meeting, the Directors' Report and the Annual Audited Accounts are with you and with your permission, I take them as read.

The year 2012-13 has been a rather challenging year for the Steel industry and for the Indian economy as a whole. The year started with concerns about the global economic slowdown on account of fiscal imbalances and reduced trade & investments in advanced economies. These concerns sustained throughout the financial year (FY) 2012-13 and prevented the world from achieving any sort of meaningful recovery. The domestic economy too suffered a decade-low GDP growth of 5% not only on account of global headwinds but also due to RBI's liquidity tightening measures, persistent domestic inflation, constrained investment pipeline as well as widening current account deficit. While government has recently announced certain reforms, but eventually, the answer would be in making our economy more competitive.

To achieve this, however, renewed focus on the infrastructure development with emphasis on timely implementation would be necessary as inadequate progress in this sector has a strong bearing on our competitiveness for growth.

The global Steel industry is also going through a challenging phase, which has been aggravated by excess capacity and weak demand growth. Globally, there is an installed crude Steel capacity of about 2 billion tons per annum with China accounting for around 50% share. In contrast, 2012 global finished Steel consumption stood at 1.4 billion tons with China accounting for about 46% share. The global industry is under pressure on account of widening gap between demand and supply in China and in the absence of consolidation.

The domestic Steel industry faced significant impediments in the form of weak demand growth of 3.3%, the lowest since 2009. The elasticity of Steel demand to GDP growth in FY 2012-13 stood at 0.65%, compared to a 10-year average of 1.16%, indicating a less Steel intensive phase of growth.

Moreover, there was pressure of rising imports, especially from countries like Japan and South Korea with which India has signed Free Trade Agreements (FTA).

## Harnessing our resilience

In difficult times, your Company taps its inherent strengths to adopt to changing circumstances and devise new ways to deal with adversities. I am happy to inform you that this is precisely what we achieved. As you are aware, the ban on Iron Ore mining in Karnataka, imposed by Hon'ble Supreme Court in July 2011, impacted us adversely. As a result, your Company was forced to migrate the source of Iron Ore from Kirandul and Bachel mines of NMDC located in Chhattisgarh state via rail-sea route at a higher logistic cost. Besides, your Company was encountering problems with converging the raw materials from Vizag Port due to heavy congestion and low priority. To address the same, we have identified an alternate Port for movement of Iron Ore. Because of above efforts, availability of Iron Ore fines has eased out to a great extent. With the gradual resumption of Iron Ore mining in Karnataka, we are hopeful of getting Iron Ore locally in the coming months. Simultaneously, we are also working in the direction of securing long-term Iron Ore supply arrangement from third parties. Once Iron Ore source is tied up, performance will shoot up.

In order to remain competitive in today's market we are now giving more thrust on R&D to improve the productivity, optimize the cost and to safeguard the environment and ecology. Towards this, we have successfully concluded a study for switching over from oil based burner system to gas based burner system in Indurating machine at our Pellet Plant which will help us to arrest cost increase meaningfully and also help to have cleaner emission in the exhaust stack and less maintenance of refractory lining in Indurating machine. A Gas Transmission Agreement (GTA) with M/s GAIL was signed during the year 2012-13 and gas supply to our plant is expected to be commissioned in the beginning of next calendar year. We are in the process of plant modification aligning to the above requirements.

## Performance of our Company

Due to sluggish demand and decline in price of Pellets with continuous increase in Pellet production capacity in the Country and constraints in the availability of raw material, your Company's volume has significantly declined during the year. The pellet production and sales were 1.265 million tons and 1.236 million tons in 2012-13 compared to 1.710 million tons and 1.716 million tons in the previous year i.e. drop by 26% and 28% respectively on Y-o-Y basis. Added to this, we are completely out from the overseas market since September 2011, after the imposition of distance based charge on Iron Ore moved through railway meant for manufacture of Pellets and its subsequent export. We are persistently approaching

our local customers who are also encountering with similar challenges due to slow down still we could achieve an all time recorded high despatch in the domestic market. During the year market share in the domestic market stood at 2.44% against 2.86% in the previous year.

## Business Plan

I am happy to report that a tripartite agreement between your Company, APMDC an arm of Govt. of Andhra Pradesh and RINL was signed on 22nd June 2013 at Hyderabad to explore and exploit Iron Ore deposit located over an extent of 1513 hectares in Minchery RF, Rayadurgam of Andhra Pradesh state. This will open up new vistas to our Company. As per the understanding, our Company along with APMDC will jointly undertake exploration activities to ascertain the reserves. Simultaneously, both the Companies will form a special purpose vehicle to undertake mining activities in the deposit. The Iron Ore extracted will be supplied to our Company for beneficiation and pelletisation, 50% of output from the plant will be sold to RINL at cost plus basis and balance will be sold either to RINL at agreed price or in the open market.

This is to mention that low grade Iron Ore is abundantly available in the Country. Govt. of India is giving more thrust on preserving the high grade Iron Ore and emphasizing the use of low grade Iron Ore through beneficiation and pelletisation. KIOCL being a pioneer in beneficiation of low grade magnetite Iron Ore & pelletisation, has developed technical expertise in this field. To gainfully utilise the same, KIOCL is exploring market opportunities which are in tune with its competencies. In order to facilitate the GOI endeavour, we are approaching all sister concern PSU's under Steel Ministry to join hands for setting up of beneficiation and pelletisation plant at their mine head. This will enhance the productivity of the respective Steel making units. It will also utilise the low grade Iron Ore fines thus conserving high grade Iron Ore lumps in the Country.

Your Company is also in dialogue with NMDC to secure the Operation & Maintenance contract (O & M) of Iron Ore Beneficiation & Pellet Plant which is under commissioning at Donimalai mines in Karnataka. The award of O&M contract by NMDC to our Company will help to improve the profitability of the Company and also helps in utilization of our expertise in the field through our current surplus expert manpower.

Blast Furnace Unit is another segment which is not in operation since August 2009 as it was generating negative contribution. The Board of Directors had approved to set up Coke Oven Battery of 0.3 MTPA capacity and 25 MW Captive Power Plant as a backward integration. The Ministry of Environment and

Forest granted environmental clearance for the project and Karnataka State Pollution Control Board has given Consent for Establishment of the project. As per the direction of KIOCL Board, we are pursuing with M/s SAIL not only for possible joint venture for setting up of the project but also for buying of our product for which response from SAIL is awaited. We are also in the process of appointing a Consultant, to study the operation of BFU and suggest us various available option to operate the plant efficiently.

### **Diversification Plan**

The Company has conducted the postal ballot on 07.01.2013 seeking shareholders approval to amend the main object clause of existing Memorandum of Association under Section 17 of the Companies Act, 1956, to commence new business in the field of E-Commerce under Section 149(2A) of the Companies Act, 1956 and to alter the existing Articles of Association in pursuance to Section 31 of the Companies Act, 1956. The Company has received the approval of shareholders and the resolution was passed with requisite majority. This will open a new frontier for diversification of business.

### **Corporate Social Responsibility**

Corporate Social Responsibility has been integral part of our business philosophy much before it became a norm for the Corporate Sector in India. Your Company has an avowed policy for setting aside upto 3% of its retained profits of the previous year towards CSR activities. Your Company's CSR activities are focused in the areas such as community development, health care, education, promotion of sports etc.

We are deeply touched and moved by the unfortunate calamity at Uttarakhand. Although the damage is huge and irreparable, we in our humble way have extended possible helping hand to the Uttarakhand victims by providing financial assistance under CSR initiatives. The employees of our Company also contributed one day's salary for the cause.

### **Governance & Sustainability**

Your Company takes pride in constantly adopting and maintaining the highest standards of ethics in all its business activities. The tenets of Corporate Governance are implemented in letter and spirit. A detailed report on compliance with Corporate Governance guidelines/norms as per Clause 49 of the Listing Agreement with Stock Exchanges and DPE guidelines on Corporate Governance for CPSEs forms part of the Directors' Report.

The major principles for fulfilling its social, environmental and economic responsibilities have been integrated and embedded in its core business processes of KIOCL, and these principles have been incorporated into its strategy for responsible business, sustainability in KIOCL is the outcome achieved by balancing the social, environmental and economic impacts of business. This process ensured that the business goals are pursued without compromising any of the three elements.

### **Acknowledgement**

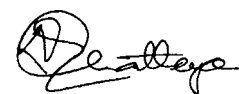
I am grateful to various officials of the Government, especially from the Ministry of Steel, Ministry of Environment & Forests, Port and Railways for their co-operation and contribution to the growth of the Company. I also take this opportunity to thank the untiring efforts put in by all the employees and the unions at various levels, and their support over the years which has enabled your Company to achieve the present position. With such continued support, I am sure, your Company will grow from strength to strength and would be able to expand its areas of activities, scale greater heights of success and contribute positively for better stakeholders' delight.

I am confident that the Management team will continue to strive hard to meet the corporate objectives and growth of the Company and wealth creation for the shareholders. I also convey my deep gratitude to our customers, suppliers, regulatory authorities and all others associated with the Company.

Last but not the least, I would like to thank my colleagues on the Board who have given their valuable time and assistance in charting Company's progressive move.

My speech would not be complete without thanking you – our shareholders – for the immense confidence you have reposed in the Company. I look forward to your continued support in the years to come.

Thank You,



**(Malay Chatterjee)**

Bangalore

Date: 30-08-2013

(Chairman-cum-Managing Director)

# NOTICE

Notice is hereby given that the **37th Annual General Meeting** of the members of **KIOCL LIMITED** will be held on Friday, 30th August 2013 at 12.00 Noon, at the Company's Community Hall (an Annexe to the Registered Office of the Company) at II Block, Koramangala, Bangalore – 560 034, to transact the following businesses: -

## Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon and Comments of the Comptroller and Auditor General of India in terms of Section 619 of the Companies Act, 1956.
2. To declare the dividend.
3. To appoint a Director in place of Shri Vinai Kumar Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To pass the following resolution for fixing the remuneration of Statutory Auditors:-

**“RESOLVED THAT** pursuant to the provisions of Section 224(8)(aa) and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors, be and are hereby authorized for fixation of annual statutory audit fee payable to the Statutory Auditors for the financial year 2013-14.”

## Special Business

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  
**“RESOLVED THAT** Shri Malay Chatterjee, who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 01.07.2012 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.”
6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** Shri MV Subba Rao who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 01.02.2013 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** Shri Lokesh Chandra, who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 13.03.2013 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.”

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** Shri Vinod Kumar Thakral, who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 31.05.2013 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, not liable to retire by rotation.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** Shri S. Manoharan, who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the

- Company read with Section 260 of the Companies Act, 1956 w.e.f. 05.07.2013 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
10. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
- “RESOLVED THAT** Shri P. K. Bajaj, who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 05.07.2013 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
11. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
- “RESOLVED THAT** Dr. S. Raghunath, who was appointed as an Additional Director pursuant to Article 114(xxxii) of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 w.e.f. 05.07.2013 to hold office upto this Annual General Meeting and in respect of whom, the Company has received a notice in writing from a Member, pursuant to Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”
12. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
- “RESOLVED THAT** pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and permissions as may be required, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (“the Board” which expression shall also include a Committee of Directors constituted for this purpose) to carry on the business of “project management consultancy services”, (PMC) as covered under sub-clause (lviii) of clause (xlix) under Clause IIIC - Other Objects of the memorandum of association of the Company at such a time as may be deemed fit.
- RESOLVED FURTHER THAT** the Board of Directors or authorized representative be and are hereby severally authorized to take such steps and do all such acts, deeds and things as is considered necessary, expedient, usual, proper or incidental in relation to the said matter to give effect to the above Resolutions”.

**By Order of the Board of Directors  
KIOCL Limited,**



**S. K. Padhi)  
Company Secretary**

Place: Bangalore  
Dated: 07-08-2013

## NOTE:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY IN ORDER TO BE VALID MUST BE DULY FILLED IN ALL RESPECTS AND SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS (48 HOURS) BEFORE THE COMMENCEMENT OF THE MEETING. BLANK PROXY FORM IS ENCLOSED.**
2. Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Businesses, set out above is annexed hereto.
3. Shri Vinai Kumar Agarwal retires by rotation and being eligible, offers himself for re-appointment. However, as per the terms of appointment, the tenure of Shri Vinai Kumar Agarwal as Director of the Company will expire on 01.08.2014.
4. In pursuance to Section 260 of the Companies Act, 1956 S/Shri S. Manoharan, P.K. Bajaj and Dr. S. Raghunath were appointed as Additional Directors on the Board of KIOCL Limited who shall hold office only upto the date of the next AGM. The Board has recommended their appointment. However, as per the appointment order No.5(8)/2011-KDH-(i),(ii) & (iii) dated 5th July 2013 the aforesaid Directors are appointed for a period of three years with effect from the date of notification of the appointment or until further orders, whichever is earlier.
5. Brief resume of the Directors proposed for appointment and re-appointment as mandated under clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto and form part of the Notice.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 27th August 2013 to 30th August 2013 (both days inclusive) for determining the names of members eligible for dividend of Equity Shares, if declared at the Meeting.
7. The Board had recommended a dividend of 1% of the Paid up Equity Share Capital (Re.0.10 per share) at its meeting held on 15.05.2013. The dividend, if approved, by the Members at the said Annual General Meeting, will be payable within 30 days from the date of declaration of dividend i.e. on or before 28th September 2013 to those shareholders whose name appear on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 27th August 2013 and the respective Beneficial Owners as at the close of business hours on 27th August 2013 as per details thereof to be furnished by the depositories.
8. Share Transfer documents and all correspondence relating thereto, should be addressed to the Registrar and Transfer Agent of the Company – M/s Integrated Enterprise (India) Limited, 30, Ramana Residency, 4th cross, Sampige Road, Malleswaram, Bangalore – 560003, Phone No. 080-23460815-818, or by email: [alfint@vsnl.com](mailto:alfint@vsnl.com). Integrated is also the depository interface of the Company with both NSDL and CDSL. However, keeping in view the convenience of the shareholders, documents relating to shares will also be accepted at the Registered Office of the Company at II Block, Koramangala, Bangalore - 560034, Ph No.080-25531525; E-mail:[bsecretary@kudreore.com](mailto:bsecretary@kudreore.com).
9. The Company has designated an exclusive e-mail ID i.e. [bsecretary@kudreore.com](mailto:bsecretary@kudreore.com) for redressal of shareholders/investors complaints/grievances. In case you have any queries/complaints or grievances, then please write to us at the above mentioned e-mail address.
10. Members holding shares in electronic form may please note that the bank account details and 9-digit MICR Code of their Bankers, as noted in the records of their depository, shall be used for the purpose of remittance of dividend through Electronic Clearing Services (ECS) or for printing on dividend warrants wherever applicable. Members are therefore requested to update their bank account particulars, change of address and other details with their respective Depository

Participants for shares held in demat mode and to the Registrar and Share Transfer Agent for shares held in physical form.

11. Reserve Bank of India is providing ECS facility for payment of dividend in selected cities. Members holding shares in physical form are advised to submit particulars of their bank account, viz., name and address of the branch of the bank, 9 digit MICR Code of the branch, type of account and account number latest by 2nd September 2013, to M/s Integrated Enterprise (India) Limited.
12. Pursuant to the provisions of Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid or unclaimed dividends for the financial year 2005-06 (2nd Interim Dividend), to the Investor Education & Protection Fund (the IEPF) established by the Central Government.
13. The Securities & Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company/ Registrar and Transfer Agents.
14. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share

certificate to M/s Integrated Enterprise (India) Limited for consolidation into a single folio.

15. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares in individual name are advised to avail of the nomination facility by filing Form No.2B in their own interest. Blank form can be obtained from M/s Integrated Enterprise (India) Limited on request. Members holding shares in dematerialized form may contact their respective DP's for registration or nomination.
16. Pursuant to Section 619(2) read with Section 224(8) (aa) of the Companies Act, 1956, the Auditors of a Government Company are appointed or re-appointed by the Comptroller & Auditor General of India (C&AG) and their remuneration is fixed by the Company in the Annual General Meeting. The General Meeting may authorize the Board to fix up an appropriate remuneration of Auditors for the year 2013-14 as may be deemed fit by the Board.
17. Company's shares are available in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The ISIN number allotted to the Company's share is - ISIN-INE880L01014. Members are advised to get in touch with the Depository participant (DP)/ Registrar and Transfer Agent for further details.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

The following explanatory statement sets out the material facts relating to the business mentioned at Item No.5 to 12 of the accompanying notice dated 07-08-2013.

### Item No. 5

**Shri Malay Chatterjee**, aged 49 years holds Bachelor of Engineering (Civil), Master Degree of Science in Disaster Management and a Law Graduate. As per the Direction of Govt. of India, Shri Malay Chatterjee was appointed as an Additional Director as Chairman-cum-Managing Director of the Company w.e.f. 01.7.2012 to hold office for a period of five years or till the date of his superannuation or until further orders, which ever is earlier. Having been so appointed, Shri Malay Chatterjee holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri Malay Chatterjee for the office of Director of the Company. A brief profile of Shri Malay Chatterjee is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Shri Malay Chatterjee in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 6

**Shri MV Subba Rao**, aged 52 years holds B.Tech (Metallurgy), PGD in marketing & MBA (Marketing). As per the Direction of Govt. of India, Shri M V Subba Rao was appointed as an Additional Director as Director (Commercial) of the Company w.e.f. 01.02.2013 to hold office for a period of five years or till the date of his superannuation or until further orders, which ever is earlier. Having been so appointed, Shri M V Subba Rao holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri M V Subba Rao for the office of Director of the Company. A brief profile of Shri M V Subba Rao is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Shri M V Subba Rao in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 7

**Shri Lokesh Chandra**, aged 42 years, is Joint Secretary, Ministry of Steel. As per the Direction of Govt. of India, Shri Lokesh Chandra was appointed as an Additional Director of the Company w.e.f. 13.03.2013. Having been so appointed, Shri Lokesh Chandra holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri Lokesh Chandra for the office of Director of the Company. A brief profile of Shri Lokesh Chandra is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Shri Lokesh Chandra in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 8

**Shri Vinod Kumar Thakral**, aged 56 years, is Additional Secretary & Financial Advisor (AS&FA), Ministry of Steel. As per the Direction of Govt. of India, Shri Vinod Kumar Thakral was appointed as an Additional Director of the Company w.e.f. 31.05.2013. Having been so appointed, Shri Vinod Kumar



Thakral holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri Vinod Kumar Thakral for the office of Director of the Company. A brief profile of Shri Vinod Kumar Thakral is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Shri Vinod Kumar Thakral in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 9

**Shri S. Manoharan**, aged 63 years, IAS-75(Retd.), Assam-Meghalaya cadre and had served for about 35 years as Civil Servant. As per the Direction of Govt. of India, Shri S. Manoharan was appointed as an Additional Director of the Company w.e.f. 05.07.2013. Having been so appointed, Shri S. Manoharan holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri S. Manoharan for the office of Director of the Company. A brief profile of Shri S. Manoharan is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Shri S. Manoharan in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 10

**Shri PK Bajaj**, aged 61 years, is Ex-Managing Director & CEO, SAIL Durgapur Steel Plant, SAIL. As per the Direction of Govt. of India, Shri PK Bajaj was appointed as an Additional Director of the Company w.e.f. 05.07.2013. Having been so appointed,

Shri PK Bajaj holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri PK Bajaj for the office of Director of the Company. A brief profile of Shri PK Bajaj is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Shri PK Bajaj in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 11

**Dr. S. Raghunath**, aged 56 years, is Dean (Admin) and Professor of Corporate Strategy and Policy at IIM Bangalore. As per the Direction of Govt. of India, Dr. S. Raghunath was appointed as an Additional Director of the Company w.e.f. 05.07.2013. Having been so appointed, Shri S. Raghunath holds office till the date of ensuing Annual General Meeting by virtue of section 260 of the Companies Act, 1956 read with Article 114(xxxii) of the Articles of Association of the Company and is eligible for re-appointment.

In terms of Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member along with a deposit of ₹ 500/-, proposing candidature of Shri S. Raghunath for the office of Director of the Company. A brief profile of Dr. S. Raghunath is annexed hereto in accordance to clause 49 of the Listing Agreement of the Stock Exchanges.

None of the Directors of the Company, except Dr. S. Raghunath in any way, concerned or interested in the resolution.

The Board of Directors commends the resolution for approval of the shareholders.

### Item No. 12

Your Company has been proactively examining the possibilities of diversifying into new business areas having good potential by utilizing the strengths which it has gained over a period of time. Project Management Consultancy (PMC) is one such activity which has rich prospects. Considering the above and in order to gainfully utilize the existing manpower, it is proposed to diversify activities of the Company in the field of "Project

Management Consultancy Services” (PMC). The proposed diversification will generate revenues to the Company as well as bottom line growth. The proposed projects envisage minuscule investment in human capital.

Considering the above, the Board of Directors in its 223rd meeting held on 25.07.2013 agreed in-principle to explore the possibility of entering into the business of “Project Management Consultancy Services” (PMC).

**Clause C - Other objects** at sub-clause (xlix) & (lviii) permits the Company to promote, organize or carry on the business of Consultancy Services in any field of activity in which engaged in and to undertake projects for providing turn key projects including supply of technical, civil, financial, administrative and commercial services etc. Pursuant to Section 149(2A) of the Companies Act, 1956 prescribed that any Company which has formed after Companies (Amendment) Act, 1965, in relation to any of the objects stated in its memorandum in pursuance of Section 13(1)(d)(ii) shall not commence any business unless the same has approved of the commencement of any such business by a special resolution and filed with Registrar that it has complied with Section 149(2B) of the Companies Act, 1956.

The Board of Directors commends the above special resolution for approval of the shareholders.

By order of the Board of Directors,  
**KIOCL Limited,**



**(S. K. Padhi)**  
**Company Secretary**

Place: Bangalore  
Dated: 07-08-2013

Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by Companies and issued a Circular stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiatives of the Government in full measure, members who have not registered their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register their e-mail ID with the Company or Registrar and Transfer Agents M/s Integrated Enterprise (India) Limited.

## BRIEF RESUME AND OTHER INFORMATION IN RESPECT OF DIRECTORS SEEKING ELECTION/RE-ELECTION AT THE 37TH AGM

| Name   | Shri Malay Chatterjee   | Shri MV Subba Rao                                      | Shri Lokesh Chandra  | Shri Vinod Kumar Thakral  | Shri Vinai Kumar Agarwal   |
|--|---|--|--|---|--|
| Date of Birth  | 23.08.1963  | 06.06.1961   | 30.11.1970   | 02.07.1956  | 30.10.1950   |
| Date of appointment  | 01.07.2012  | 01.02.2013   | 13.03.2013   | 31.05.2013  | 02.08.2011   |
| Qualifications   | BE (Civil), LL.B, Master of science in disaster mitigation  | B.Tech (Metallurgy) PGD in marketing & MBA (Marketing) | BE (Civil Engineering) M.Tech (Structures)   | PG in Political Science PG in Dev Adm Social Sciences (University of Birmingham)                            | B.Sc. BE (Civil), IIT Roorkee  |
| Nature of expertise  | More than 28 years of illustrious career in different capacities with State Governments and Public Sector Undertakings (PSUs) across India. | Commercial Activities                                  | Administrative Service   | Administrative Service  | Consultancy and Project Management in all sectors of Infrastructure, constructing and maintenance of rail network, Building and Bridges in India & African Countries. Retired as Managing Director, RITES Limited, |
| Directorships held in other Companies                              | NIL   | NIL  | 1. RINL Limited,<br>2. MOIL Limited,<br>3. HSCL Limited,<br>4. Bird Group of Companies | 1. SAIL Limited,<br>2. NMDC Limited,<br>3. RINL Limited,<br>4. MECON Limited,<br>5. Bird Group of Companies | 1. NMDC Limited,<br>2. Dredging Corporation of India Ltd.  |
| Memberships / Chairmanships of Committee of other Public Companies | NIL   | NIL  | NIL  | NIL   | 1. NMDC Limited – Mineral Assets abroad Committee<br>2. Dredging Corporation India Ltd. – Audit Committee, Project Review Committee  |

| Name   | Shri S. Manoharan  | Shri PK Bajaj   | Dr. S. Raghunath   |
|--|--|---|--|
| Date of Birth  | 29.05.1950   | 05.04.1952  | 24.05.1957   |
| Date of appointment  | 05.07.2013   | 05.07.2013  | 05.07.2013   |
| Qualifications   | M.Sc (Zoology), M.Sc (Defence Studies), MA (International Development Studies)   | BE (Hons) Metallurgy  | Post Doctoral Fellow, Graduate of Business, Stanford University, Doctor of Philosophy, |
| Nature of expertise  | Administrative Service   | Ex-MD & CEO, Durgapur Steel Plant, SAIL. He is having more than 38 years of work experience in the area of production, projects, logistics, marketing & strategic planning. | Dean (Admin) and Professor of Corporate Strategy and Policy at IIM Bangalore           |
| Directorships held in other Companies                              | Ennore Port Limited  | NIL   | MECL Limited,<br>WEIR India  |
| Memberships / Chairmanships of Committee of other Public Companies | Ennore Port Limited –<br>1. CSR Committee (Chairman),<br>2. Sustainable Development & Research & Development Committee (Chairman)<br>3. Audit Committee (Member) | NIL   | MECL Limited –<br>1. Audit Committee (Member),<br>2. CSR Committee (Member)            |



## Dear Members,

On behalf of the Directors of your Company, I have great pleasure in presenting the 37th Annual Report of your Company together with the audited accounts for the year ended on 31.03.2013. The Auditors' Report and the Comments on the accounts of the Company by the Comptroller and Auditor General of India thereon are annexed to this report.

## 2.0 PHYSICAL AND FINANCIAL HIGHLIGHTS

During the year 2012-13, the important physical and financial highlights are as under:

### 2.1 Physical Highlights

(Qty. in million tonnes)

| Particulars                      | 2012-13           |                    | 2011-12           |                    | Percentage (%) Change (Actual) |
|----------------------------------|-------------------|--------------------|-------------------|--------------------|--------------------------------|
|                                  | MOU Target (Good) | Actual Achievement | MOU Target (Good) | Actual Achievement |                                |
| <b>Production</b>                |                   |                    |                   |                    |                                |
| Pellets including Pellet Fines   | 2.500             | 1.265              | 3.000             | 1.710              | (26)                           |
| <b>Sales</b>                     |                   |                    |                   |                    |                                |
| Pellets including Pellet Fines   | 2.500             | 1.236              | 3.000             | 1.716              | (28)                           |
| Pig Iron and Auxiliary Materials | -                 | 0.004              | -                 | 0.010              | (60)                           |

### 2.2 Financial Highlights

(₹ in Crores)

| Particulars              | 2012-13 | 2011-12 |
|--------------------------|---------|---------|
| Turnover                 | 1159.12 | 1521.08 |
| Profit/(Loss) Before Tax | 32.34   | 115.39  |
| Profit/(Loss) After Tax  | 31.05   | 94.30   |

### 3.0 SEGMENT-WISE PERFORMANCE

#### 3.1 Pellets

During the year under review, your Company has set an annual target of 2.500 million tons of SPellet production in the MOU under “Good” category. As against the same, the actual production was 1.265 million tons, which is 51% achievement of the target. The shortfall is on account of unprecedented decline in demand and price for Pellets coupled with non availability of adequate quantity of Iron Ore fines after blanket ban on mining in the State of Karnataka imposed by Hon’ble Supreme Court. During the year the Pellet Plant was operated only for 144 days.



Union Steel Minister Shri Beni Prasad Verma inaugurating the KIOCL Pavilion at the India International Trade Fair, Pragati Maidan, New Delhi on 14.11.2012.

#### 3.2 Pig Iron and Auxiliary

The operation of Blast Furnace Unit continued to remain suspended since 05.08.2009 owing to generation of negative contribution. In an effort to revive the operation at BFU, your Company made an internal assessment taking into consideration the input cost vis-a-vis selling price of the finished products. Since the economics are unfavourable it was decided to keep the operation suspended.

3.3 The production target vis-a-vis actual achievement during the last three years is given below:-

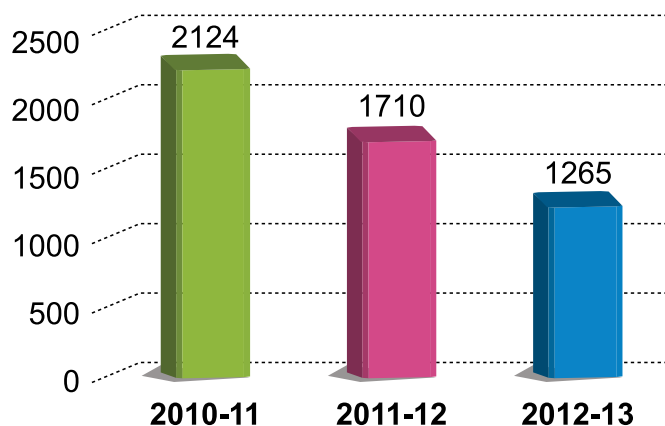
PP: Pellet plant, PI: Pig Iron

(Qty. In million tons)

| Year    | MOU target |       | Actual Production |    | Capacity utilisation of installed capacity in % |    |
|---------|------------|-------|-------------------|----|---|----|
|         | PP         | PI    | PP                | PI | PP  | PI |
| 2012-13 | 2.500      | -     | 1.265             | -  | 36  | -  |
| 2011-12 | 3.000      | -     | 1.710             | -  | 49  | -  |
| 2010-11 | 2.780      | 0.100 | 2.124             | -  | 61  | -  |

(Installed capacity of Pellet Plant is 3.500 million tons and Pig Iron is 0.216 million tonnes).

3.4 The production performance in respect of Pellets (in thousand dry metric tonnes) for the last three years is reproduced below in a graphic form:-



#### 4.0 MARKETING AND EXPORTS:

4.1 Non availability of captive mines and banning of mining operations in Karnataka forced your Company to source Iron Ore from NMDC Bailadila resulting in very high logistics cost. Further levy of distance based charge by Railway has deprived your Company on its export market and confined to domestic market.

In the absence of export market, made efforts to expand its market base by serving the needs of SAIL, a Co-PSU and also by catering to the needs of mini steel plants and sponge iron units by starting despatches through road which has hitherto nonexistent, achieving highest domestic sale till date. Your Company is continuing with its efforts to regain its lost ground and further expand its market base. Your Company also started moving Pellets by small vessels with a capacity of around 6,000 tons to serve to small coastal customers.

4.2 Sales performance during the past three years is summarised below:-

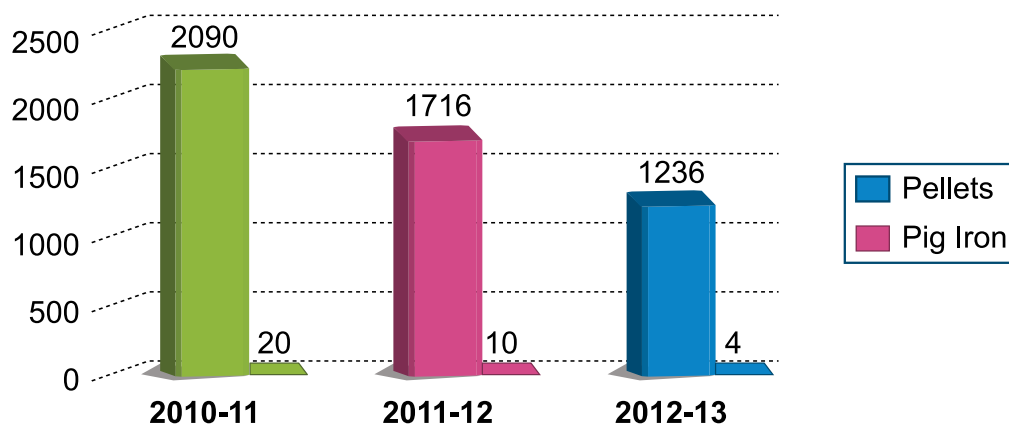
Qty: in Million Tonnes, Value: ₹ In Lakhs

| Year    | Pellets |        | Pig Iron |       | Total |        |
|---------|---------|--------|----------|-------|-------|--------|
|         | Qty     | Value  | Qty      | Value | Qty   | Value  |
| 2012-13 | 1.236   | 115252 | 0.004    | 660   | 1.240 | 115912 |
| 2011-12 | 1.716   | 150364 | 0.010    | 1744  | 1.726 | 152108 |
| 2010-11 | 2.090   | 174931 | 0.020    | 5415  | 2.110 | 180346 |

(Note: Pellets includes Pellet Fines, Pig Iron includes Auxiliary.)



4.3 Despatches in terms of quantity (in thousand dry metric tonnes) during the last three years are represented in graphic form below:-



4.4 During the year, 24 shipments of Pellets with around 1.058 Million tons were sold through New Mangalore Port as compared to 38 during 2011-12. The balance 0.178 million tons of Pellets were sold through Road.

#### 4.5 Market Scenario:

4.5.1 Global Steel production which has been on an upward trend from 2009, continued with an annual increase of 4% to 1548 million tons in 2012. However global steel consumption growth was lower at 1.2% to 1436 million tons and is expected to grow only by 2.9% to 1454 million tons in 2013. Year 2012 was a challenging period for the Steel industry when demand declined, mainly due to the Euro zone crisis which persisted throughout 2012. On top of this, corrective economic measures in major emerging economies also contributed to a slowdown globally.

4.5.2 China's Steel production touched 716 million tons in 2012, an increase of 3% over last year. However the Steel consumption increased only by 1.9% to 645 million tons, as the Chinese government controlled investments in an effort to rebalance the economy.

4.5.3 Indian Steel production showed an increase of 4.5% to 76.7 million tons in 2012 but with a slower demand growth of 3.3% to 71.6 million tons. The demand is expected to pick up and grow by 5.9% to 75.8 million tons in 2013, as monetary easing is expected to support investment activities. In 2014, growth in Steel demand is expected to further accelerate to 7.0% due to the reform measures taken by Government for narrowing the fiscal deficit and improve foreign direct investment.

4.5.4 For global Steel industry, year 2013 has started on a tough note. Supply continues to outpace demand, leading to low capacity utilization rates, poor pricing power and continued weak margins. Despite increased demand for Steel and the removal of some of the outdated Steelmaking capacity in 2012, the level of excess capacity has increased, due to the continued growth in new Steelmaking facilities. However the Indian Steel market is expected to show increase in demand due to the impact of the reforms and investments being carried out by Government of India during the year 2013.

4.5.5 The global production of Iron Ore is estimated to show an increase of 2.5% to 3000 million tons during 2012. Iron Ore prices which declined during 2012 are expected to continue the decline over the next year also, with slowing Chinese demand, and additional global supply of around 200 million tons during next two years. With Pellet market moving in tandem with Iron Ore market, lower international prices are predicted during the coming year.

4.5.6 In Indian market, the Supreme Court's order banning the mining in Karnataka, Goa & Odisha due to violation of environmental norms, led to scarcity of Iron Ore. This led to a firm demand for Pellets having higher quality during the year. However, the oversupply of Pellets in the market caused prices to slide by around 1000/Mt during 2012. With the recent decision of Supreme Court, permitting 'B' category mines to start mining, the availability of Ore is expected to improve

during 2013. Continuous import of high grade Pellets as well as Iron Ore Lumps, commissioning of new Pellet plants in eastern sector and the improving availability of Iron Ore Lumps may affect the demand and margins for Pellets in 2013.

**4.6 Distance based charges:** The Company is a Port based manufacturing unit having its Pelletisation Complex at Mangalore. It enjoys 100% Export Oriented Unit status thereby clearly indicating that the Company's operations are export oriented for its product-Pellets. With the suspension of mining operations at Kudremukh mine site, the Company is procuring Iron Ore fines from NMDC Mines & transporting the same to its plants at Mangalore by Rail or Rail cum Sea route. Railways have raised an issue regarding applicability of Distance based charge over and above normal freight on Iron Ore transported through Railway network for manufacture of Pellets meant for export.

This has turned Pellets uneconomical for sourcing by overseas market. However, the Iron Ore so moved and utilised in the Steel plants for manufacture of Steel and subsequent export does not attract Distance based charges. This benefit is not available for Pellets though it is a manufactured and a value added product, technically & commercially, like Steel but distinct from Iron Ore fines and Lumps. It is a clear violation of Article XIV of Constitution of India.

Accordingly, the issue of Distance Based Charge raised by Railways is challenged before the Hon'ble High Court of Karnataka through a writ petition. The Writ Petition was dismissed. Your Company is contemplating to appeal the aforesaid decision before the divisional bench of High Court of Karnataka as soon as the Company receives the copy of judgement order.

## 5.0 PROFIT AND DIVIDEND

During the year under review, your Company has earned profit before tax of ₹ 32.34 crores on a turnover of ₹ 1159.12 crores in comparison to previous year's achievement of ₹ 115.39 crores and ₹ 1521.08 crores respectively. The Board of Directors has recommended payment of dividend @ 20.4% of Profit after Tax (Re 0.10 per share), subject to approval by the shareholders at the Annual General Meeting. The total financial implication will be ₹ 6.35 crores excluding Dividend Distribution Tax.



Secretary, Ministry of Steel Shri DRS Chaudhary inaugurating the Horizontal Pressure Filters at the Pellet Plant Complex, Mangalore on 18.08.2012.



## 6.0 RATING OF KIOCL VIS-A-VIS MOU TARGETS



**Exchanging of Memorandum of Understanding for the year 2013-14 between Secretary, Ministry of Steel Shri DRS Chaudhary and Chairman-cum-Managing Director Shri Malay Chatterjee on 21.03.2013.**

Your Company has been signing the Memorandum of Understanding every year with its Administrative Ministry i.e., Ministry of Steel. MOU for the year 2013-14 was signed on 21.03.2013, with a production target of 1.70 million tons of Pellets for achieving the “Good” rating along with thrust on holistic growth encompassing customer satisfaction, HRD, R&D, Corporate Social Responsibility and Sustainability.

Performance of KIOCL for the year 2011-12 has been rated as ‘Very Good’ in terms of MoU signed with the Government of India. KIOCL has been awarded the MoU Composite score of ‘2.22’.

The MoU evaluation for 2012-13 is under finalisation.

## 7.0 MODERNISATION & EXPANSION PROGRAMME

Technological up-gradation and addition/modification/replacement of its capital assets are essential to maintain market competitiveness and meet the challenging need of customers. The market is becoming increasingly competitive, making it imperative for the Company to make determined efforts to bring about substantial improvement in production, techno-economic parameter and profitability.

In these directions, the following initiatives have been taken:

### 7.1 Construction of Storage Silos with handling facilities

To augment the Iron Ore handling system for uninterrupted supply of Iron Ore for the existing ball mills, 8000 Ton capacity RCC Silo and its associated material handling system along with screens in the grinding circuit at Pellet Plant, Mangalore was commissioned and is under operation.

### 7.2 Switch over to low Sulphur Furnace Oil at Captive Power Plant.

7.2.1 The Captive Power Plant (CPP) of your Company uses furnace oil (FO) having Sulphur content 3.2% (Maximum) for power generation. KSPCB norms specify the Flue gas discharged from DGs using FO should not have the sulphur content more than 2%. Hence the flue gas of CPP is treated in the FGD Plant (Flue Gas Desulphurisation Plant) to reduce the gaseous emissions below the permissible limits by the KSPCB. This FGD Plant generates Sulphate solution as effluent.

7.2.2 According to KSPCB Norms, if the FO used is having Sulphur less than 2% then the flue gas generated from such plants need not go through FGD Plant. Considering the associated advantages like

- a) Generation of flue gas with reduced SO<sub>x</sub>, NO<sub>x</sub>, SPM, conforming to KSPCB norms.

- b) No requirement of Alkali, Water for Wet scrubbing and
- c) Low Sulphur FO has higher Calorific value due to low impurities, the SFC (Specific Fuel Consumption) per KWH gets reduced.

7.2.3 Keeping in view of the above, it was decided to go in for the low Sulphur furnace oil as the fuel for the CPP DG sets with < 2.0% Sulphur content.

7.2.4 It is observed subsequent to transformation to low Sulphur furnace oil, the parameters are well within the specified norms.

### 7.3 Study on Migration from oil based system to Gas based system in Indurating Machine at Pellet plant

A study has been conducted for migration from fuel oil to natural gas for the Indurating furnace as it is-

- (i) financially advantageous in terms of savings in fuel cost.
- (ii) quality of emission in the Pellet plant will improve to a great extent and the process will be environment friendly.
- (iii) Pellet indurating process also will improve in terms of physical quality of Pellets due to better heat distribution inside the furnace.
- (iv) life of refractory lining inside the furnace hood will also improve.

Based on the study results, the project would be taken up for implementation depending upon the availability/receipt of gas at Mangalore appropriately as per the gas supply agreement entered with M/s. GAIL.

### 7.4 Bulk Material Handling and Railway Siding Facilities:

For receipt & mechanized handling of Iron Ore and other raw materials received through Railway wagons and their storage and conveying it to Pellet Plant Unit and Blast Furnace Unit, it is proposed to construct a permanent railway siding and bulk material handling system at about 3 kms from its Pellet plant at Baikampady industrial area, Mangalore. Detailed Project Report has been prepared through reputed

Consultant. The estimated project cost would be ₹ 303 crores. Based on the project report, land required for the project has been acquired. In the original DPR there was a Diamond crossing. Railway Authorities are not permitting diamond crossing from safety point of view. Accordingly, the Consultants re-surveyed the area available and has furnished the revised layout plan. Based on the revised track alignment, your Company has initiated necessary action for procurement of additional stretch of land from KIADB. KIADB has been requested to facilitate the land transfer to your Company from another private firm.

### 7.5 Non-Recovery Coke Oven Plant with 25 MW CPP at Mangalore:

7.5.1 To make the Blast Furnace Unit economically viable on standalone basis, Coke Oven Battery of 3.0 lakh tons per annum capacity along with a 25 MW Captive Power plant has been identified as backward integration project. The project cost as per the Detailed Project Report is estimated at ₹ 452.22 crores. The project is intended mainly for supply of low ash metallurgical Coke for the existing Blast Furnace and the surplus Coke would be sold in the market. As decided in the Board, M/s SAIL were approached for a possible tie up to take the above project forward on Joint Venture basis in the best interest of both your Company and VISL unit of SAIL at Bhadravati, as both the plants require Coke for their furnaces.

7.5.2 Your Company has been regularly pursuing with SAIL and a draft MOU to be entered into between the two organizations has also been forwarded to them for their approval and for further course of action.

7.5.3 All the statutory approvals/clearances for the projects are in place.

## 8. STRATEGIC ALLIANCE

During the year 2012-13, your Company continued to give impetus towards taking new business initiatives by entering into Memorandum of Understandings (MOUs) with various CPSEs & State PSEs for its long term strategic objectives. Some of the initiatives taken are:

## 8.1 MOU with M/s Andhra Pradesh Mineral Development Corporation Limited (APMDC) and Rashtriya Ispat Nigam Limited (RINL)



**KIOCL signs Tripartite MoU with RINL and APMDC for joint exploration and exploitation of Nemkal iron ore deposit in Ananthapur Dist., of AP on 22.06.2013 in the presence of Hon'ble Chief Minister Shri Kiran Kumar Reddy and his cabinet colleague.**

8.1.1 KIOCL submitted PL/ML application for Iron Ore in Ananthapur District for a prospecting area of 1200 hectares in the Nemkal & Hiradahalu villages of D. Hirehal Mandal. Government of Andhra Pradesh invited for meeting on 01-10-2012 for discussion. After several rounds of discussion with Government of Andhra Pradesh and Andhra Pradesh Mineral Development Corporation Limited (APMDC), a draft MOU was concluded. KIOCL Board at its 218th meeting held on 06-12-2012 agreed to enter into MOU with M/s APMDC, Hyderabad for development and mining of Iron Ore in Nemkal, Ananthapur District. Further, M/s APMDC Board and Government of Andhra Pradesh approved the MOU. File is sent for approval of Government of Andhra Pradesh.

8.1.2 Memorandum of Understanding between the parties will be signed shortly.

### 8.2 MOU with SAIL, NMDC, OMDC Establishment of 2 mtpa Pellet plants and matching capacity Beneficiation plants under Joint Venture

8.2.1 Iron Oxide Pellet is going to play major role in Indian Iron & Steel industry in the coming days. As the use of Pellets increases productivity, currently most of the Sponge Iron manufacturers have replaced lump ore with Pellets.

Similarly, Blast Furnace Units are also increasing Pellet consumption in place of lump ore and sinter.

8.2.2 Your Company is planning to extend its expertise in Pellet manufacturing by setting up the Pellet plants in Iron Ore belt by utilizing the low grade Iron Ore fines available with PSUs like SAIL, NMDC, OMDC etc. The Company is holding discussions with SAIL, NMDC and OMDC for entering into suitable arrangements to take the proposals forward.

### 8.3 Memorandum of Understanding with M/s Curve Capital Ventures Limited for acquisition of mineral assets abroad

With a focus to enlarge ore supply basket around the world for augmenting raw material source through a process of acquiring mineral assets abroad, a Memorandum of Understanding was entered into with M/s Curve Capital Ventures, a London based Proprietary Investment Company and Prospecting License holder in Islamic Republic of Mauritania, Africa for exploration, development and mining in Akjoujt Iron Ore Project. The due diligence of the projects and the parties was carried out through consultants. During the pendency of due diligence process, the Board of Directors considered the present political conditions of that country which would put investment of your Company a high degree of risk, decided to terminate the MOU.

## 9. BUSINESS DIVERSIFICATION

### 9.1 Data Centre and E-Commerce

Your Company is in the process of entering into business of E-Commerce as one of the diversification activity by transferring its present transaction completely on the e-platform and to provide facility for e-tender, e-procurement, e-auction etc and also to provide services to other PSUs, State and Central Govt. Sectors. Board of Directors of your Company accorded in-principle approval for the project. DPR for the project has been prepared and the same is under consideration.

### 9.2 Solar Power Generation

9.2.1 Solar power is emerging as key renewable source of power in India as the Government is pushing through policies to support its development, given its focus on preventing climate change by encouraging green power, and at the same time diversifying its energy mix.

9.2.2 Considering the above, your Company is exploring the possibility of entering into the business of setting up of Solar Power Plants by utilizing its existing resources. During the year, the main object clause of Memorandum of Association has been amended to enable the Company to venture into new business.

Your Company issued open tender for selection of a Consultant for preparation of DPR and RFP for setting up of 25 MW PV solar power plant in Anantapur District, Andhra Pradesh.

### 9.3 Eco-Tourism at Kudremukh

While exploring alternate measures to utilize its assets and infrastructural facilities available at Kudremukh, your Company approached Govt. of Karnataka with a plan of developing eco-tourism and sought for renewal of revenue land lease (1220 ha). Govt. of Karnataka agreed in principle to accord permission for change of purpose from mining to eco tourism and advised Company to prepare Detailed Project Report (DPR). DPR for the project has already been prepared. Matter is being pursued with the department for early clearance.

## 10. MINING LEASES FOR IRON ORE DEPOSIT

To secure Iron ore for its Pellet Plant, your Company has submitted various mining lease applications to Govt of Karnataka (GoK). Chikkanayakanahalli Iron Ore mining lease is already recommended by the GoK and your Company is in the process of obtaining various statutory clearances to commence the mining operation. Other mining lease applications are under different stages of processing by GoK.



**Senior Officials of KIOCL is explaining about the iron ore formation hill at Nemakal Village to Shri Raghuvveera Reddy, Hon'ble Minister of Revenue, GoAP during his visit to KIOCL office on 06.06.2013.**

Your Company has also submitted mining lease applications for Iron Ore in the States of Odisha, Jharkhand and Andhra Pradesh. The same is being pursued with highest authorities for early clearance.

## 11. ENVIRONMENTAL MANAGEMENT

- 11.1 Your Company has been accredited with ISO 14001-2004 Environment Management System.
- 11.2 Your Company is committed to preserve the Ecology and prevention of pollution in its mining/manufacturing activities. In this direction, a number of environmental initiatives have been taken during the year yielding positive results. The highlights of this area are as under : -
- (a) Constructed Shed No.4 for additional storage of 1000 tons of Coke and Shed No. 5 for storing of Bentonite to prevent fugitive emissions during handling of Coke and control air pollution.
  - (b) Asphaltting of 450 meters internal road has been completed to prevent dust generation during movement of heavy vehicles.
  - (c) Additional water sprinklers have been installed and continuously operated for suppression of dust in the plant premises in addition to mobile water sprinklers.
  - (d) Several wet scrubbers, bag filters and multi-clones have been installed and maintained to control the dust emission effectively in the plant.
  - (e) Constructed 4 Nos. settling pits along with storm drain facilities. This would facilitate settling of suspended solids carried away by the storm water. The settled solids will be de-silted during dry season or pumped back in to the process stream by submersible pumps. The Iron Ore fines carried by the storm water are trapped in the settling pits and recovered further for processing.
  - (f) A pit with pumping arrangement has been provided in the Cooling Pond area for recirculation of the spillages from Shed-1 and Shed-2 area and to conserve water.
  - (g) Extensive de-silting operation has been taken up during 2012-13 and about 39,833 MT of material has been reclaimed from cooling pond and used in production of Pellets. De-silting operation has facilitated to hold more water in cooling pond. This would reduce ultra fines reporting in the cooling pond overflow.

## 12. SAFETY

- 12.1 Although the mining activities at Kudremukh have been stopped with effect from 01-01-2006 as per the Hon'ble Supreme Court's verdict, regular safety inspections are being carried out to ensure safety and occupational health of employees engaged in upkeep and maintenance of Mining Equipments, essential services like water pumping, watch and ward etc. Safety awareness training is being imparted to the new contract labourers who are coming for dismantling the structures and other related works at Kudremukh.
- 12.2 Workers participation in Safety Management System is one of the important criteria adopted by the Company. Area wise Safety Committees are formed. Workers participation in these Safety Committees is ensured. The Committee meetings are conducted at regular intervals.
- 12.3 Safety inspections are carried out regularly by the safety Officer along with Safety Committee members. Safety points are discussed in the Safety meetings held once in three months. Suitable action is taken for implementation of the shortfalls if any for improvement.
- 12.4 Various training programmes are being conducted to inculcate safety consciousness and to develop human resources. Refresher training covering their area of working, First Aid Training, Fire Fighting, Awareness programme on Quality, Environmental, Occupational, Health & Hazards, Vigilance Awareness, Sustainable Development, Lecture on Productivity week and covered 2758 mandays of training for workmen, 1091 mandays for Executives and 510 mandays trained for contract workers. This excludes employees nominated to various external Seminars, Workshops/Training.
- 12.5 As the Mangalore unit is under the aegis of the Factories Act from January 2006, the National Safety Day & Safety week is celebrated from 4th to 10th March every year. National Safety Flag hoisting, competition on Safety poem, Safety slogan & Drawing competition in Hindi, English & Kannada languages are conducted.

## 13. QUALITY CONTROL - ISO 9001: 2008

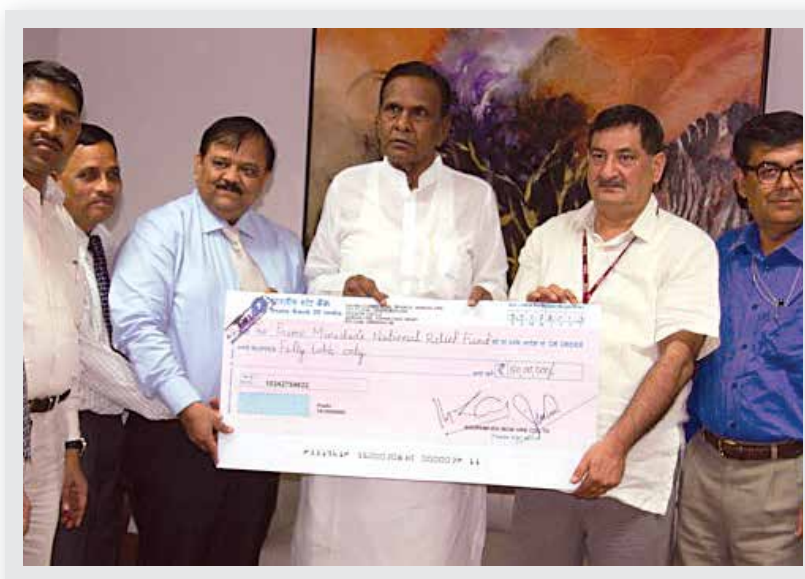
The Company's Quality Management System is certified under ISO 9001:2008 International Standard. This Certificate is valid upto 08-11-2015.

## 14. PUBLIC/STAFF GRIEVANCE REDRESSAL

- 14.1 Your Company has framed a well defined grievance procedure evolved under the Code of Discipline from the very inception. Since its introduction, the Scheme has been working satisfactorily without any complaint from any corner, either from the recognised Union or Officers Association of your Company. Grievances received have been redressed to the satisfaction of the aggrieved employees. As regards public grievance, as and when any complaints are received from the public, necessary remedial action, if any, is taken by the Company immediately.
- 14.2 Complaints/grievances other than the staff grievance are categorised into customer/consumer complaints/grievances from the Contractors, NGOs/ General Public etc. The respective project heads are empowered to dispose off the grievances concerning their areas and the general public. Linkage has been provided to Centralized Public Grievances Redressal & Monitoring System (CPGRAMS) with effect from 01.05.2011.
- 14.3 As regards women employees, the guidelines laid down by the Hon'ble Supreme Court in the matter relating to sexual harassment of women in work place are strictly followed.

- 14.4 The grievances received and disposed off by the Company are reported to the Administrative Ministry on a monthly basis. The guidelines laid down by the Government of India in this regard are being followed. The Government also reviews the subject matter periodically.
- 14.5 The Second Administration Reforms Commission in its 12th report "Citizens Centric Administration" – the Heart of Governance recommended for making organisation transparent, accountable and citizens friendly through making citizen charter more effective and mandatory. It also makes all Responsibility Centre to have Citizen Charter. Based on above recommendation, a Public Service Delivery (Sevottam) created for assessing and improving the quality of services delivery for the citizens. The system also involves the identification of the services delivered to the citizens, quality service, its objective, improvement of quality, by using innovative methods for developing business process and more informative with the help of information technology. The same is also available in Company's website.

## 15. CORPORATE SOCIAL RESPONSIBILITY (CSR)



**Union Steel Minister Shri Beni Prasad Verma handling over a cheque for relief of Uttarakhand cloud burst and flood victims contributed by KIOCL. Also seen in the picture are CMD Shri Malay Chatterjee and Secretary, Ministry of Steel Shri DRS Chaudhary.**

The scheme of Corporate Social Responsibility (CSR) has evolved right since inception and has been endorsed by the top management. The Company is committed to operate in an economically, socially and environmentally sustainable manner,

while recognizing the interest of its stakeholders. The aim of CSR policy of the Company is to identify and to lend a helping hand to the SC/ST/underprivileged and economically weaker sections of the society and to contribute for their growth and development.

As an integral part of the society, KIOCL is moving forward by achieving the objectives of its social responsibility. The Company has supported innumerable social initiatives primarily focused on villages within the radius of its project areas in areas like Education, Community Development, Promotion of Art, Culture & Sports, Health Care and Spreading of environmental awareness (by plantation etc) among school children. For the year 2012-13, an amount of ₹ 283 lakhs (3% of PAT of 2011-12) is earmarked for

CSR projects. Out of which, a sum of ₹ 78.66 lakhs has been spent during the year and the balance will be utilised in the coming years.

### Community Development:

- (i) The Company has constructed community hall at Jamble.
- (ii) Laid the roads, culverts, Electricity, Bus Shelter & other facilities at Kunyal

### Health:

- (i) The Company provided one Ambulance and Oxygen Concentrators to Chikkanayakanahalli Govt. Hospital.
- (ii) Provided financial assistance to Shankar Eye Hospital for setting up of Ocularistry Clinic.



**KIOCL donated two class rooms to Brahmashree Narayan Guru Educational Trust, Katipalla, Mangalore under CSR initiatives.**

### Education:

- (i) The Company is providing infrastructural facilities to various Anganawadis & Schools and paid school fees to poor students.
- (ii) Bus facilities are provided to the students of Kudremukh and surrounding villages to pursue their studies at nearby town Kalasa.
- (iii) The Company provided saplings to school children to spread the awareness regarding environment and ecology.
- (iv) Wrist watches were provided to poor students.

### Sports:

- (i) The Company is promoting sports at village level and for physically challenged people. Under this programme T 20 World Cup for Blind was sponsored by the Company.
- (ii) The Company contributed in honour given to Olympic medal winners.

## 16. PARLIAMENTARY COMMITTEE



**CMD Shri Malay Chatterjee responding to the query during the Parliamentary Standing Committee on Industry on 31.10.2012 at Mangalore.**

The following Parliamentary Committees held discussions with the senior officials of your Company during their visit to various places during the year under review:-

- Department Related Parliamentary Standing Committee on Industry visited Mangalore on 31-10-2012 to review the MOU Performance of the Company.
- Drafting & Evidence Sub-Committee of Parliament on Official Language visited Bangalore on 29-12-2012.
- Parliamentary Standing Committee on Coal & Steel visited Munnar on 01-02-2013 to review the performance of the Company.

## 17. IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY



**His Excellency Dr. Hans Raj Bharadwaj, Hon'ble Governor of Karnataka lighting the lamp on the occasion of Half Yearly Meeting of TOLIC and Award Distribution function on 29.07.2013 at Bangalore.**



- 17.1 Your Company is committed to uphold Official Language Policy of the Govt. During the year 2012-13, your company consistently strived to adhere and implement the Official Language Policy to meet the targets given in the Annual Programme issued by Department of Official Language, Ministry of Home Affairs, Govt. of India. During the year, meetings of the Official Language Implementation Committee and Hindi Workshops were held in the Corporate Office and other locations. In order to promote use of Hindi, Rajbhasha Month was also celebrated in September 2012 and various competitions were organized during Rajbhasha Month in Corporate Office and other locations. Hindi Software is provided in computers of all departments. Action is in progress for Unicode activation in all the Computers and training of Unicode covers all Executives and employees.
- 17.2 Your Company is convenor of Town Official Language Implementation Committee (undertakings) and conducts regular meetings and Joint Hindi Fortnight programmes for all Central PSUs at Bangalore. Your Company was conferred with Rajbhasha Shield and Certificate for the year 2011-12 for outstanding performance in implementation of Official Language by the Regional Implementation Office, Department of Official Language, Ministry of Home Affairs.
- 17.3 Drafting & Evidence Sub Committee of Parliament on Official Language visited Bangalore and held discussion with the Chairman of the TOLIC (Undertaking), Bangalore along with 9 other members. Committee commended the TOLIC activities and suggested to improve further. During this meeting, Chairperson of the Committee released the “8th Issue of Deepika” which was brought under TOLIC banner in which it covers Official Language Implementation activities of Bangalore PSUs and articles on various subjects along with important information in connection with Hindi promotion.

## 18. MANPOWER

- 18.1 Total number of employees on the rolls of the Company as on 31.03.2013 was 1251 consisting of 820 Workmen, 386 Executives and 45 Supervisors as against 1319 on 31.03.2012.



**KIOCL employees were awarded with 5th CIDC Viswakarma Award on 07.03.2013 at New Delhi.**

- 18.2 Recruitment: During the financial year 2012-13 (April to March) in Group `A` (Executives) there was no recruitment except 1 Presidential appointment (General category). In Group `C` (Non Executive) 1 general candidate was appointed. There was no recruitment in Group `B`, `D` & `D(S)`.

### 18.3 SCs/STs and women employees

The following table shows the number of SCs, STs, women employees, Ex-servicemen and Persons with Disabilities as against the total number of employees in different Groups on rolls of the Company as on 31.03.2013:

| Group        | Total No. of employees on rolls | SC         | ST        | No. of Women employees | Ex-servicemen | Persons with Disabilities |
|--------------|---------------------------------|------------|-----------|------------------------|---------------|---------------------------|
| A            | 386                             | 52         | 13        | 19                     | 01            | 07                        |
| B            | 45                              | 05         | 01        | 07                     | -             | -                         |
| C            | 755                             | 110        | 35        | 14                     | 07            | 08                        |
| D            | 59                              | 14         | 07        | 03                     | -             | 03                        |
| D (Sweepers) | 06                              | 05         | -         | 01                     | -             | -                         |
| <b>Total</b> | <b>1251</b>                     | <b>186</b> | <b>56</b> | <b>44</b>              | <b>08</b>     | <b>18</b>                 |

### 18.4 Voluntary Retirement Scheme:

Against the VR Scheme of 2011-12, 30 employees were released during the year 2012-13. However, no VR Scheme was introduced during the year 2012-13.

### 18.5 Compliance under Persons with Disabilities Act, 1995

Your Company ensures compliance under the Persons with Disabilities Act, 1995. Suitable provision/modification is made in the working place to meet the requirements of such persons with disability.

## 19. INDUSTRIAL RELATIONS:

19.1 The Industrial Relations situation remained peaceful and cordial during the year. There was no strike/lockout against Company's policies affecting production and productivity. Issues relating to productivity, safety, welfare, etc., are mutually discussed with employees representatives.



**CMD Shri Malay Chatterjee addressing on the Company's Foundation Day on 02.04.2013 at Mangalore.**



19.2 Kudremukh Shram Shakthi Sanghatan has been recognized to represent workmen of your Company for a period of two years with effect from 05.10.2012

## 20. HUMAN RESOURCE DEVELOPMENT

Human Resource Development is a continuous process. Training and Development at all levels of employees is given priority by the Company to improve their skills and contribute productively to the Company. During the year, the achievement in the area was 4084 Mandays training for both Executives and Non-executives.

To enhance their skills and Knowledge, employees across the Company were nominated to External and in-house Training Programmes at different locations on various subjects.

## 21. AWARD AND RECOGNITION

Your Company was conferred with Raj Bhasha Shield 1st Prize for the year 2011-12 for the outstanding performance in the implementation of Official Language by Department of Official Language, Ministry of Home Affairs, New Delhi on 22-02-2013.

## 22. VIGILANCE

Vigilance Department is headed by Chief Vigilance Officer. Preventive vigilance has been the thrust area of Vigilance Department all these years and the same has received focused attention during the year. A climate of preventive vigilance was generated to sensitise officials at all levels about the ill effects of corruption and malpractices.

Regular Structured Meeting of Vigilance with the management is being conducted and issues related to e-governance, Leveraging Technology, Integrity Pact, Tender management, Award of works, Recruitment policy have been discussed.

The Vigilance Department is certified for compliance to ISO certification 9001-2008 standards to ensure continuous improvement in Quality Management System.

The Vigilance Department is overseeing the implementation of Integrity Pact in the Company. At present, Two Independent External Monitors (IEM) as approved by CVC has been empanelled for a period of three years. During the last one year, 113 tenders have been issued incorporating IP clause. Till date, no complaints have been received under IP.

Vigilance Awareness Week was observed from 29th October to 3rd November 2012 in the Company. On this occasion, the importance of observing the Vigilance Awareness Week and steps taken in your Company to strengthen vigilance activities were highlighted. At Mangalore Plant, on this occasion workshops and seminars were conducted. Focus was on "Preventive vigilance", "Works contract/ Procurement contracts & procedures".



**Annual Review Meeting with Transparency International India on implementation of Integrity Pact at Bangalore.**

Disposal of scrap/surplus items is being done by e-auction, since September 2004. Regularly e-auctions are being held at Mangalore and Kudremukh. E-sales are in practice for two years. E-procurement auction by tendering-cum-reverse auction has been commenced from September 2010. The threshold value for e-procurement is fixed at ₹ 5 lakhs and above. During 2012-13, 97.5% of cases by value are covered under this. All payments above the threshold value of ₹ 1 lakh are being made through electronic mode. During 2012-13, 99.5% of the cases by value are covered under this.

As per the guidelines by the Department of Public Enterprise on Corporate Governance, Company adopted Fraud Prevention Policy on 12.08.2011 which provides a system for prevention/ detection/ reporting of any fraud that is detected or suspected and fair dealing of matters on the subject.

## 23. IMPLEMENTATION OF NEW PUBLIC PROCUREMENT POLICY FOR MSEs

**23.1** Government of India has notified a new Public Procurement Policy for Micro & Small Enterprises (MSEs) Order, 2012. Your Company has adopted a policy for MSEs sector, in line with the Government of India guidelines as per MSMED Act 2006.

**23.2** The following benefits are extended for the MSEs as per Govt. Guidelines:

- (i) Your Company has identified 75 items out of 358 items from Micro and small enterprises, which have been reserved for exclusive purchase from them.
- (ii) MSEs are given tender documents free of cost and are exempted from the payment of earnest money deposit (EMD)
- (iii) Exemption from submission of security Deposit.
- (iv) In tender, participating MSEs quoting price within price band of L1 + 15% shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a MSE and such MSE shall be allowed to supply up to 20% of total tendered value, where as 16% on MSE and 4% on MSE (owned by SC/ST). In case of more than one such MSE, the supply shall be shared proportionately.

**23.3** Target set by your Company for implementation of Public Procurement Policy for MSEs:

(₹ in crores)

| Sl. No. | Particulars  | FY 2011-12       | FY 2012-13       | Target for the year 2013-14 |
|---------|--|------------------|------------------|-----------------------------|
| 1       | Total annual procurement ( in value)   | 25.34            | 12.30            | 25.00                       |
| 2       | Total value of goods and services procured from MSEs (Including MSEs owned by SC/ST entrepreneurs)         | 6.06             | 3.19             | 20% ( Min)                  |
| 3       | Percentage of procurement from MSE (Including MSEs owned by SC/ST entrepreneurs) out of total procurement. | 24%              | 26%              |                             |
| 4       | Percentage of procurement from MSEs owned by SC/ST entrepreneurs out of total procurement.                 | -                | -                | 4%                          |
| 5       | Total number of vendor development programmes for MSEs   | Once in 6 months | Once in 6 months | Once in 6 months            |

## 24. SUSTAINABILITY

Sustainability is an integral part of the Company's strategy. KIOCL is committed to be an environmental friendly Company in all its areas of activities, products, providing safe and healthy working environment. In line with the Companies strategy, Environment Projects and Community Development Programmes are given special thrust.

The Department of Public Enterprises (DPE) has issued guidelines on Sustainable Development on 23rd September 2011. In compliance to the guidelines, a Board Level Committee for Sustainable Development has been constituted to oversee the SD performance. KIOCL has defined SD policy keeping in view the scale and nature of activities, products and hoisted in the Company's website. The Board level Committee is meeting at regular intervals to review the progress of SD performance and providing necessary guidance.

In accordance with the guidelines on Sustainable Development for the CPSEs issued by Department of Public Enterprises, KIOCL has signed a Memorandum of Understanding with the Ministry of Steel for the implementation of five sustainable development projects during the financial year 2012-13. The sustainable development projects were selected in the area of improvement of sewage treatment facilities, reduction in air pollution through fuel change, energy audit, establishing vision & objectives for supply chain sustainability and training of employees in line with the DPE guidelines. The Company implemented projects at an investment of ₹1.02 crores which reflects about 1.08% of the Company's Profit after Tax of ₹ 94.30 crores earned during previous financial year. This is in line with the DPE guidelines of minimum expenditure on SD projects based on the profitability of the Company.

### **KIOCL SD Plan has thrust on the projects in the following field:**

- (i) Water management – upgradation of Sewerage Treatment Plant to recycle the output from STP to operations and reduce the stress of natural water resources;
- (ii) Energy Management by conducting energy audits for all locations and establish energy intensity and feasibility for energy mix;

- (iii) Reduction of Air Emission by using Low Sulphur Furnace Oil in place of High Sulphur Furnace Oil to reduce SOx emission;
- (iv) Supply-Chain – it intends to engage suppliers in addressing sustainability issues and achieving a green supply chain and to establish the Vision and Objectives for Supply Chain Sustainability.
- (v) Trainings under sustainable development have focus to increase the competence of the employees and also spread the awareness about sustainable development concepts among them.

KIOCL engaged the services of M/s KPMG for independent assessment of the implementation of the above projects as per the MOU. The assessment was carried out by M/s KPMG team during July 2013 through review and verifications of the documentary evidences in relation to the project implementation, as well as site visits and interactions with the project team and beneficiaries, and senior management of KIOCL.

Implementation of these sustainable development projects have helped the Company to reuse the treated sewage by augmentation of its sewage treatment plant and reduce air pollution due to SOx emission by changeover to low Sulphur fuel oil. Also the Company conducted an energy audit at its Pellet plant at Mangalore during June-August 2012 through involvement of external experts. Based on the audit recommendations, the Company has initiated various energy conservation projects.

In addition to the improvement projects as above, the Company has established vision & objectives for supply chain sustainability and has conducted 4 training programmes on sustainability covering about 122 of its employees on the aspects of SD at training centre at Mangalore which has helped the Company in effective communication and involvement of its employees and vendors & suppliers in its sustainability initiatives.

Based on the assessment conducted by KPMG, it is noted the all the sustainable development projects of KIOCL during 2012-13 have been implemented as planned in its MOU signed with the Ministry of Steel and achieved the desired results.

All the manufacturing units of the Company are accredited to international standards viz. ISO-14001 certification for environment management and OHSAS-18001 certification for occupational health and safety management systems.

## 25. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that :

- i. in the preparation of the Annual Accounts for the financial year 2012-13, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. they have selected such Accounting Policies and applied consistently, that made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31.03.2013 and of the Profit/(Loss) Account of the Company for the said period;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts for the financial year ended 31.03.2013 on a 'going concern' basis.

## 26. BOARD OF DIRECTORS

### Appointment:

- i) Shri Malay Chatterjee has been appointed as an Additional Director w.e.f. 01.07.2012 to take charge as Chairman-cum-Managing Director.
- ii) Shri EK Bharat Bhushan, IAS, Additional Secretary & Financial Adviser (subsequently promoted as Special Secretary & Financial Adviser), Ministry of Steel has been appointed as Part time Official Director w.e.f. 26.07.2012.
- iii) Shri MV Subba Rao has been appointed as an Additional Director w.e.f. 01.02.2013 to take charge as Director (Commercial).
- iv) Shri Lokesh Chandra, IAS, Joint Secretary to Govt. of India, Ministry of Steel was appointed Part time official Director w.e.f. 13.03.2013.

### Cessation:

- i) Shri K Ranganath who was appointed as Chairman-cum-Managing Director w.e.f. 23.05.2008 ceased to be a Director of the Company on attaining the age of superannuation on 30.06.2012.
- ii) Consequent to his appointment as Special Secretary, Ministry of Civil Aviation, Govt. of India, Shri S Machendranathan, IAS, former Additional Secretary & Financial Adviser, Ministry of Steel has resigned from the Directorship of the Company from 16.07.2012.
- iii) Shri NR Mohanty & Prof. VR Sastry, who were appointed as Part time Non Official Directors w.e.f. 05.08.2009 ceased to be Directors of the Company on completion of their tenure on 04.08.2012.
- iv) Shri B Ramesh Kumar & Dr. Chiranjib Sen, who were appointed as Part time Non Official Directors w.e.f. 07.08.2009 ceased to be Directors of the Company on completion of their tenure on 06.08.2012.
- v) Maj. Gen. (Retd.) Dr. OP Soni who was appointed as Director (Commercial), w.e.f. 01.02.2011 ceased to be a Director of the Company on attaining the age of Superannuation on 31.01.2013.
- vi) Shri Upendra Prasad Singh, IAS, Joint Secretary to Govt. of India, Ministry of Steel cease to be a Director of the Company on 13-03-2013 consequent to reallocation of work in Ministry of Steel.

The Board of Directors place on record their deep appreciation of the valuable services rendered as well as advice and guidance by S/Shri K Ranganath, S Machendranathan, NR Mohanty, Ramesh Kumar, Prof. VR Sastry, Dr. Chiranjib Sen, Maj. Gen (Retd) Dr. OP Soni and Shri Upendra Prasad Singh during their tenure.

Further pursuant to Section 255 and 256 of the Companies Act, 1956 and Article 94 of the Articles of Association of the Company, Shri V K Agarwal, Director will retire by rotation, at the Annual General Meeting and being eligible, offer himself for re-appointment.

Pursuant to Section 260 of the Companies Act, 1956 and Article 114 (xxxii), Shri Malay Chatterjee, Shri M V Subba Rao, Shri Lokesh Chandra, Shri Vinod Kumar Thakral, Shri S Manoharan, Dr. S Raghunath and Shri P K Bajaj who were appointed as Additional Directors after the date of last Directors Report, will hold office till the date of the forthcoming Annual General Meeting and notices have been received from a Member proposing their candidatures for being appointed as Directors of the Company. The Board recommends their appointment.

Brief resume of the Directors seeking appointment/reappointment together with the nature of their expertise in specific functional areas, name of Companies in which they hold directorships and the membership of Committees of the Board and shareholding of Non-Executive Directors as stipulated under clause 49 of the Listing Agreement are given in the Corporate Governance Report.

## 27. CORPORATE GOVERNANCE

As per the requirements of Clause 49 of the Listing Agreement a detailed report on Corporate Governance together with the following is given at Annexure –II;

- (i) A declaration by the Chairman-cum-Managing Director regarding the Code of Conduct for the Board Members and the Senior Management of the Company [as per Clause 49(I)(D)] – Appendix –I to Annexure-II.
- (ii) CEO/CFO certificate [(as per clause 49(V) – Appendix –II to Annexure-II.
- (iii) Certificate from a Company Secretary in practice regarding compliance of conditions of Corporate Governance [as per Clause 49(VII)]– Appendix – III to Annexure-II.

## 28. STATUTORY AUDITORS

Pursuant to Section 619(2) of the Companies Act, 1956 the Comptroller and Auditor General of India has appointed M/s Sundaram & Srinivasan, Chartered Accountants as Statutory Auditors of the Company for the year 2012-13.

## 29. STATUTORY AUDITORS REPORT, COMMENTS OF C&AG AND MANAGEMENT REPLY

The Statutory Auditors Report on Accounts of the Company for the financial year ended 31st March 2013 along with Management's replies thereto are annexed. The Comptroller & Auditor General of India (C&AG) vide its letter dated 24.06.2013 has given "NIL" comments on the accounts of the Company for the year ended 31st March 2013 under Section 619(4) of the Companies Act, 1956. Copy of the same is annexed to the report.

## 30. COST AUDITORS

In pursuance to Ministry of Corporate Affairs, Cost Audit Branch, Govt. of India's order dated 30.06.2011 Blast Furnace Unit has come under the purview of Cost Audit from the financial year 2011-12. Subsequently, Ministry of Corporate Affairs extended the list of industries for which the Cost Audit is mandatory. Accordingly, Pellet Plant also falls within the ambit of Cost Audit. The Pellet Plant is 100% Export Oriented Unit and provisions of Cost audit is not applicable to 100% EOU Company. However, in view of subsequent clarifications issued by the Ministry of Corporate Affairs, Pellet Plant of the Company has also come within the purview of Cost Audit.

In compliance of the aforesaid provision the Company has appointed M/s Giridhar Ramakrishnan & Co., Cost Accountants, Bangalore as Cost Auditor for Pellet Plant and Blast Furnace Unit for the financial year 2012-13. The report of the cost auditors is under finalization and will be submitted to the Ministry of Corporate Affairs within the prescribed period.

## 31. IMPLEMENTATION OF RIGHT TO INFORMATION ACT, 2005

KIOCL is a front-runner in implementing the Right to Information (RTI) Act, 2005 in true letter and spirit. A Central Public Information Officer (CPIO) and a Central Assistant Public Information Officer (CAIPO) at Corporate office and Plant level has been designated and is functioning as part of Right to Information

Group. Proactive disclosures were made in line with Section 4(1)(b) of the RTI Act 2005 has been posted and updated on the website of the Company. Suitable guidelines have been placed on RTI webpage on KIOCL website for convenience of the applicants, seeking information. During the year 2012-13 the company received 26 RTI applications, while 2 appeals were filed before the First Appellate Authority. All these applications and appeals were disposed off as per the provisions of the Act.

### 32. ENERGY CONSERVATION

The electricity consumption per tonne of Pellet production in kwh was lower during the year as compared to the previous year in spite of reduced level of production. Energy conservation day was celebrated on 14-12-2012 at Mangalore by the energy conservation cells of both Pellet plant unit and Blast Furnace unit. Prizes for various competitions like Quiz, Slogan writing in Kannada, Hindi and English languages were distributed during the celebration. Prizes were awarded for 2 best slogans in each language. Consultant from M/s PCRA was invited to conduct a training program for all employees on 14-12-2012. This was well received by all employees. Electricity consumption during 2012-13 as compared to 2011-12 was as under:-

|   | 2012-13 | 2011-12 |
|---|---------|---------|
| Consumption per tonne of Pellets production in kWh (including grinding) | 66.56   | 70.62   |

### 33. ENERGY AUDIT

Energy audit was conducted at Pellet Plant and Port Facility by M/s. PCRA in two stages in July – 2012 and August – 2012. Based on the recommendation, the following EC measures have been implemented.

- i) Motor on conveyor CB-73 has been downsized to 11KW. Other three conveyors CB71, 72 and 74 will be taken up in due course.
- ii) Bypass arrangement for BM feed vibrating screen (Banana Screen) will be commissioned by August – 2013.
- iii) Conventional street lights and other area light are being replaced by LED lights of suitable capacity in a phased manner.

Already 40 street lights, 75 well glass fittings and 8 highbay fittings have been replaced in various locations in PF areas.

- iv) LED lights also replaced in some locations in PP and street lights replacement is under progress.

### 34. R&D, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The information relating to Technology Absorption, Adaptation and Innovation, R&D and foreign exchange earning & outgo to be disclosed in Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given at Annexure-I.

### 35. PARTICULARS OF EMPLOYEE OF SECTION 217 (2A) OF THE COMPANY READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) AMENDMENT RULES, 2011

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2011.



## 36. ACKNOWLEDGEMENT

- 36.1 Your Directors gratefully acknowledge the support, co-operation and guidance received from the Hon'ble Minister for Steel, the Secretary, Ministry of Steel and other officials of the Ministry of Steel as well as other Ministries of the Government of India, Government of Karnataka, Govt. of Andhra Pradesh and all other departments/agencies concerned in all the endeavours of the Company.
- 36.2 Your Directors also acknowledge the timely advice and assistance rendered by the Indian Embassies abroad during the year in the Company's marketing efforts.
- 36.3 Your Directors sincerely thank all the customers and suppliers for their support and co-operation.
- 36.4 The Directors also appreciate the continued and dedicated efforts put in by all the employees to overcome many challenges faced during the year.
- 36.5 Last but not the least, your Directors express their gratitude to the Shareholders' for the confidence reposed by them in the management of the Company.

For and on behalf of the Board of Directors



**(Malay Chatterjee)**

Chairman-cum-Managing Director

Place: New Delhi  
Dated:25-07-2013

## FORM –B

## DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION AND R &amp; D ACTIVITIES

## RESEARCH AND DEVELOPMENT ACTIVITIES

## FORM B

| Sl. No. | Research & Development                                   | Particulars  |
|---------|--|--|
| 1.      | Specific areas in which R & D carried out by the Company | <p>a) Study on Optimization of ball mill grinding media: The main objective of the study is to optimize the grinding ball in terms of size, composition and its wear rate.</p> <p>b) Study on Migration from oil based system to Gas based system in Indurating Machine at Pellet plant</p>  |
| 2.      | Benefit derived as a result of the R & D                 | <p>a) The study conducted on the Optimization of grinding media in ball mill indicated that</p> <ol style="list-style-type: none"> <li>i. A combination of 60mm &amp; 40mm size high chrome balls in the ratio of 70%: 30% were found to be suitable giving lower wear rate and power consumption.</li> <li>ii. A charge volume of 24% to 26% in place of existing 28% to 30% is found to be more economical for getting desired grind and maximum through put.</li> <li>iii. 40 mm dia low chrome steel balls with a chromium content of 14% - 18% are not suitable due to its higher wear rate.</li> </ol> <p>b) Migration from fuel oil to natural gas for the Indurating furnace is</p> <ol style="list-style-type: none"> <li>i. Financially advantageous in terms of savings in fuel cost</li> <li>ii. By using LNG the quality of emission in the Pellet plant will improve to a great extent and the process will be environment friendly.</li> <li>iii. The Pellet Indurating process also will improve in terms of physical quality of Pellets due to better heat distribution inside the furnace</li> <li>iv. The life of refractory lining inside the furnace hood will also improve.</li> </ol> |

|   |   |  |
|---|---|--|
| 3.  | Future plan of action   | <p>a) The action has been initiated for procurement of the particular grinding media for charging the same in the ball mills.</p> <p>b) Based on the study results the project would be taken up for implementation depending upon the availability/ receipt of gas at Mangalore appropriately as per the gas supply agreement entered with M/s. GAIL.</p> |
| 4.  | Expenditure on R & D Feasibility Study and Consultancy (2012-13)  |  |
|   | a) Capital  | NIL  |
|   | b) Revenue  | ₹ 64.88 Lakhs  |
|   | c) Total Expenditure  | ₹ 64.88 Lakhs  |
|   | d) Total R & D expenditure as a percentage of total turnover  | 0.06 %   |
| <b>Technology absorption, adaption &amp; innovation</b> |   |  |
| 1.  | Efforts in brief made towards technology absorption, adaption and innovation  | -  |
| 2.  | Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc | -  |

### C. FOREIGN EXCHANGE EARNINGS & OUT GO

Your Company has not earned any foreign exchange during the year as there was no export of Pellets. Total outgo in Foreign Exchange on account of imports, payment towards technical services, etc., amounted to about US\$ 32.57 million.

## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY:

The Corporate Governance Policy of KIOCL rests upon the four pillars of Transparency, Full disclosures, Independent monitoring and fairness to all.

The Company believes that conducting the business in a manner that complies with the Corporate Governance procedures and code of conduct, exemplifies each of our core values and positions us to deliver long-term returns to our Shareholders, favourable outcomes to our customers, attractive opportunities to our employees and making the suppliers our partners in progress & enriching the society.

The Company has set itself the objectives of expanding its capacities and becoming more competitive in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance across the country. The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interest of all its stakeholders.

The Board considers itself as a trustee of its shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

## Compliance with Corporate Governance Guidelines

### 2. BOARD OF DIRECTORS

#### a. Composition of the Board

KIOCL being a Government Company, appointment/nomination of all Directors is done by the President of India, through the Ministry of Steel. Articles of Association of the Company stipulate that the number of Directors shall not be less than five and not more than thirteen. As on 31.3.2013, there are eight Directors on the Board comprising of four whole time Directors including Chairman-cum-Managing Director, two Non-Official Part Time Directors who are Government Nominees and two Independent Directors. Chairman being Executive Chairman, four more Independent Directors post are vacant pursuant to clause 49 of Listing Agreement of Stock Exchanges and DPE guidelines on Corporate Governance. The members of the Board are from diversified backgrounds and have varied expertise and considerable experience in the respective fields.

As on the date of the Report, the composition of the Board of KIOCL is not in conformity with Clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance.

#### b. Board Meetings and Procedure

The Board of Directors plays the primary role in ensuring good governance and functioning of the Company. The meetings are governed by a structured agenda. All the agenda items are backed by comprehensive agenda notes, containing all the vital information, so as to enable the Directors to have focused discussion at the meeting and to take decision. All the relevant information as enumerated in Annexure IA to clause 49 of the Listing agreement and Annexure – IV of the guidelines on Corporate Governance for CPSE's issued by DPE is placed before the Board. The agenda and agenda notes are circulated to all the Directors in advance of each meeting of the Board of Directors. Where it is not practical to send the relevant information as a part of the agenda papers, the same is tabled in the meeting. The presentation covering the Company's performance, operations and business strategy are also made to the Board.

The Board also reviews periodically the compliance status of all the applicable laws. All the decisions are taken after detailed discussions by the Board Members at the meetings. The members of the Board have complete freedom to express their opinion and have unfettered and complete access to information in the Company.

During the financial year 2012-13, 10 (Ten) meetings of the Board were held on 16.04.2012, 04.05.2012, 26.05.2012, 22.06.2012, 30.07.2012, 27.09.2012, 06.12.2012, 03.01.2013, 11.02.2013 and 26.03.2013. The time gap between two Board Meetings is not more than four months.

The details of Directors with regard to their category, Directorship in other Companies, Membership/Chairmanship in Committee of Board of other Companies and their attendance at the Board Meeting and AGM are listed below:

| Sl. No. | Name of Director (S/Shri)                   | Category              | Meeting held during respective tenure | No. Of Board meeting attended | Attendance at the last AGM held on 21.06.2012 | No. Of Directorships | Number of Committees |          |
|---------|---|-----------------------|---------------------------------------|-------------------------------|---|----------------------|----------------------|----------|
|         |   |                       |                                       |                               |   |                      | Member               | Chairman |
| 1.      | Malay Chatterjee <sup>1</sup>               | CMD                   | 06                                    | 06                            | N   | Nil                  | Nil                  | Nil      |
| 2.      | K Ranganath <sup>1</sup>                    | CMD                   | 04                                    | 04                            | Y   | Nil                  | Nil                  | Nil      |
| 3.      | Maj. Gen. (Retd.) Dr. O P Soni <sup>2</sup> | Director (Commercial) | 08                                    | 07                            | Y   | Nil                  | Nil                  | Nil      |
| 4.      | K. Subba Rao                                | Director (P&P)        | 10                                    | 10                            | Y   | Nil                  | Nil                  | Nil      |
| 5.      | Laxminarayana                               | Director (Finance)    | 10                                    | 10                            | Y   | Nil                  | Nil                  | Nil      |
| 6.      | MV Subba Rao <sup>2</sup>                   | Director (Commercial) | 02                                    | 02                            | N   | Nil                  | Nil                  | Nil      |
| 7.      | S Machendra Nathan <sup>3</sup>             | Govt. Nominee         | 04                                    | 04                            | N   | 8                    | Nil                  | Nil      |
| 8.      | Upendra Prasad Singh <sup>4</sup>           | Govt. Nominee         | 09                                    | 09                            | N   | 1                    | Nil                  | Nil      |
| 9.      | EK Bharat Bhushan <sup>3</sup>              | Govt. Nominee         | 06                                    | 04                            | N   | 5                    | Nil                  | Nil      |
| 10.     | Lokesh Chandra <sup>4</sup>                 | Govt. Nominee         | 01                                    | 01                            | N   | 4                    | Nil                  | Nil      |
| 11.     | N R Mohanty <sup>5</sup>                    | Independent           | 05                                    | 05                            | Y   | 2                    | Nil                  | Nil      |
| 12.     | Dr. Chiranjib Sen <sup>5</sup>              | Independent           | 05                                    | 05                            | N   | Nil                  | Nil                  | Nil      |
| 13.     | B Ramesh Kumar <sup>5</sup>                 | Independent           | 05                                    | 05                            | N   | 2                    | Nil                  | Nil      |
| 14.     | V R Sastry <sup>5</sup>                     | Independent           | 05                                    | 04                            | N   | 1                    | Nil                  | Nil      |
| 15.     | K. Narasimha Murthy                         | Independent           | 10                                    | 07                            | N   | 6                    | 1                    | 2        |
| 16.     | V. K. Agarwal                               | Independent           | 10                                    | 09                            | N   | 2                    | 1                    | Nil      |

1. Shri K. Ranganath has relinquished the charge of the post of CMD consequent upon attaining the age of superannuation w.e.f. 30.06.2012 and Shri Malay Chatterjee, has assumed the charge of the post of CMD, w.e.f. 01.07.2012.

2. Maj. Gen (Retd.) Dr. OP Soni has relinquished the charge of the post of Director (Commercial) consequent upon attaining the age of superannuation w.e.f. 31.01.2013 and Shri MV. Subba Rao, has assumed the charge of the post of Director (Commercial), w.e.f. 01.02.2013
3. In pursuance to Ministry of Steel order No 5(1)/2006-KDH dated 26th July, 2012, Shri EK Bharat Bhushan, Special Secretary & Financial Advisor, Ministry of Steel was appointed as a Director vice Shri S. Machendra Nathan, Additional Secretary & Financial Advisor, Ministry of Steel w.e.f. 26.07.2012.
4. In pursuance to Ministry of Steel order No 5(1)/2006-KDH dated 13th March, 2013, Shri Lokesh Chandra, Joint Secretary, Ministry of Steel was appointed as a Director vice Shri Upendra Prasad Singh, Joint Secretary, Ministry of Steel w.e.f. 13.03.2013.
5. In pursuance to Ministry of Steel order No 5(11)/2007-KDH dated 30th July, 2009, Shri NR Mohanty & Prof. VR Sastry ceased to hold the office of non-official part-time Director of the Company w.e.f. 04.08.2012 and Shri B. Ramesh Kumar & Dr. Chiranjib Sen ceased to hold the office of non-official part-time Director of the Company w.e.f. 06.08.2012

#### **d. Code of Conduct**

In pursuance to SEBI and DPE guidelines, Code of Conduct as applicable to Board level and below Board level i.e. one grade below Board level up to General Manager Cadre is in existence. The same is also available on the website of the Company i.e. [www.kiocltd.com](http://www.kiocltd.com). The Code of Conduct is in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.

All the Board Members and Senior Managerial Personnel have affirmed compliance to the Code of Conduct. A declaration signed by the Chairman-cum-Managing Director affirming the compliance with the Code of Conduct by the Board Members and Senior Managerial Personnel of the Company is appended at the end of this report.

## **2. COMMITTEES OF THE BOARD OF DIRECTORS**

To enable better and focus more attention on the affairs of the Company, the Board delegated particular matters to Committee of the Board set up for the purpose. These committees prepare the groundwork for decision making and report at the subsequent Board Meeting. The Board of Directors at their 206th meeting held on 22.10.2011 streamlined the various Committees constituted earlier and enhanced their scope. The following Committees are functioning as on date:

- A. Audit Committee;
- B. HR, Remuneration & Sustainable Development Committee;
- C. Empowered Board Sub-Committee;
- D. Share Transfer Committee.

### **2.1 AUDIT COMMITTEE**

#### **(a) Composition, Meetings and Attendance of the Audit Committee**

The Company has an Audit Committee at the Board level functioning since 2000 with the powers and role that are in accordance with Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement and DPE guidelines. The Committee acts as a link between the management, the Statutory Auditors, Internal Auditors and the Board of

Directors to oversee the financial reporting process. The Audit Committee consists of three Independent Directors & one Govt. Nominee upto 04-08-2012 and the same was re-constituted w.e.f. 27-09-2012 comprising of Two Independent Director and One Functional Director. The Chairman of the Committee is an Independent Director. The majority of the Audit Committee members have accounting and financial management expertise. Director (Finance), Chief of Internal Audit & Statutory Auditors is the permanent invitees to the meeting. In addition, other Functional Directors except CMD, Senior Managerial Personnel are also invited to the Committee meetings to present reports on the respective items being discussed as and when required. Company Secretary acts as a Secretary to the Committee.

The Audit Committee observes and controls the financial reporting process of the Company with a view to provide accurate and proper disclosures. The Committee reviews the Internal Audit reports periodically as well as action taken report. The Committee also gives directions to the management in areas that needs to be strengthened. The recommendation of the Audit Committee is binding on the Board.

During the financial year 2012-13, five meetings of the Audit Committee were held on 16.04.2012, 26.05.2012, 30.07.2012, 29.10.2012 and 28.01.2013. The time gap between two Audit Committee meetings is not more than four months.

**The Composition of the Audit Committee as on 31.03.2013 and the attendance of the members at the meetings are as under:**

| Name of Director<br>S/Shri                  | No. of meeting held during<br>respective tenure | No. of meeting<br>Attended |
|---|---|----------------------------|
| N. R. Mohanty <sup>1</sup>                  | 3   | 3                          |
| Upendra Prasad Singh <sup>2</sup>           | 3   | 3                          |
| Prof. V. R. Sastry <sup>1</sup>             | 3   | 2                          |
| K. Narasimha Murthy                         | 5   | 5                          |
| V. K. Agarwal <sup>3</sup>                  | 2   | 2                          |
| Maj. Gen. (Retd.) Dr. O P Soni <sup>3</sup> | 2   | 2                          |

1. Shri NR Mohanty & Prof. VR Sastry ceased to be the members of the Committee w.e.f. 04.08.2012.

2. Shri Upendra Prasad Singh ceased to be the member of Audit Committee w.e.f. 27.09.2012.

3. Shri V. K. Agarwal & Maj. Gen. (Retd.) Dr. O P Soni became member of the Audit Committee w.e.f. 27.09.2012.

- (b) The Terms of Reference to the Audit Committee and the powers delegated to it are as per the Listing Agreement / DPE guidelines.

## **2.2 HR, REMUNERATION & SUSTAINABLE DEVELOPMENT COMMITTEE**

In accordance to Corporate Governance guidelines for CPSEs issued by Department of Public Enterprises, the HR, Remuneration and Sustainable Development Committee of the Company has been functioning in the Company until 06.08.2012.

In the mid-year, the tenure of four Independent Directors was completed. Board has reconstituted the Sustainable Development Committee comprising of Two Independent Directors and One Functional Director. Director (P&P) is the member Secretary of the Committee. The role of the Sustainable Development Committee is to oversee the SD performance. The reconstitution of HR & Remunerations Committee was kept pending in the absence of adequate number of Independent Directors. The said committee will be re-constituted once the vacant post of Independent Directors is filled up.

During the financial year 2012-13, 5 (Five) meetings of the HR, Remuneration Committee & Sustainable Development Committee were conducted on 03.05.2012, 13.06.2012, 03.08.2012, 26.11.2012 and 26.03.2013.

**The Composition of the Remuneration Committee and the attendance of the members at the meetings were as under:**

| Name of Director<br>S/Shri                  | No. of meeting held during<br>respective tenure | No. of meeting Attended |
|---|---|-------------------------|
| B. Ramesh Kumar <sup>1</sup>                | 3   | 3                       |
| Dr. Chiranjib Sen <sup>1</sup>              | 3   | 3                       |
| Shri V. K. Agarwal                          | 5   | 5                       |
| Shri K Narasimha Murthy <sup>2</sup>        | 2   | 0                       |
| Maj. Gen. (Retd.) Dr. O P Soni <sup>2</sup> | 1   | 1                       |
| Shri K. Subba Rao                           | 3   | 3                       |
| Shri M V Subba Rao <sup>3</sup>             | 1   | 1                       |

1. Shri B Ramesh Kumar & Dr. Chiranjib Sen ceased to be the members of the Committee w.e.f. 06.08.2012.
2. Shri K Narasimha Murthy & Maj. Gen. (Retd.) Dr. O P Soni became members of the Sustainable Development Committee w.e.f. 27.09.2012.
3. Dr. O P Soni ceased to be member consequent upon superannuation and Sri M V Subba Rao has taken over the charge as Director (Commercial) w.e.f. 01.02.2013.

### **2.3 EMPOWERED BOARD SUB COMMITTEE**

In order to give additional comfort level to take a decision on any major capital investment which exceeds CMD's delegated power and requires Board's approval, to examine major proposal on Investment, Procurement, Contract and advise suitability to the Board to take decision by the Board and to approve the Un-audited/audited financial results (quarterly/year to date/annual) in the absence of Board meeting, as per clause 41 of the listing agreement an Empowered Board Sub Committee has been constituted.

The committee shall review and submit the recommendations on the proposal. During the year 6 (Six) meetings were held on 07.04.2012, 16.4.2012, 17.05.2012, 22.06.2012, 31.10.2012 and 03.01.2013.



**The composition of the Empowered Board Sub Committee as on 31.3.2013 and the attendance of the members at the meeting are as under:**

| <b>Name of Director S/Shri</b> | <b>Meeting held during respective tenure</b> | <b>No. of meeting attended</b> |
|--------------------------------|--|--------------------------------|
| Malay Chatterjee <sup>1</sup>  | 2  | 2                              |
| K. Ranganath <sup>1</sup>      | 4  | 4                              |
| Maj. Gen. (Retd.) Dr. O P Soni | 6  | 5                              |
| K. Subba Rao <sup>2</sup>      | 2  | 2                              |
| Laxminarayana                  | 6  | 5                              |
| NR Mohanty                     | 4  | 4                              |
| B. Ramesh Kumar                | 4  | 4                              |
| Dr. Chiranjib Sen              | 4  | 4                              |
| V. K. Agarwal <sup>2</sup>     | 2  | 2                              |

1. Shri Malay Chatterjee became member of the EBSC w.e.f. 01.07.2012 & Shri K. Ranganath ceased to be the member of the Committee w.e.f. 30.06.2012.

2. Shri K. Subba Rao & Shri V.K. Agarwal became member of the EBSC w.e.f. 27.09.2012

#### **2.4. SHARE TRANSFER & INVESTOR GRIEVANCE COMMITTEE**

A Share Transfer Committee consisting of Senior Manager (F&A) and Company Secretary is functioning to look into all the transfers, transmissions, splitting and Issue of Duplicate Share Certificates & grievance matters etc. The action taken by the Committee is subsequently placed before the Board for ratification. There was no grievance from any of the shareholder during the year.

Securities and Exchange Board of India (SEBI) has introduced online compliant redressal system namely SEBI Complaint Redressal System (SCORES). During the year, no complaint was received through SCORES. As on 31.03.2013 no complaint is pending in SCORES.

#### **3. REMUNERATION TO DIRECTORS AND POLICY**

Being a Central Government Public Sector Enterprise, the appointment, tenure and remuneration of Directors are decided by the Government of India. The Government letter appointing the Chairman & Managing Director and other Functional Directors indicate the detailed terms & conditions of their appointment, including the period of appointment, basic pay, scale of pay, dearness allowance, entitlement to accommodation etc., and it also indicates that in respect of other terms & conditions not covered in the letter, the relevant rules of the Company shall apply.

Details of remuneration paid to Whole Time Directors during the year 2012-13 are given below:

(₹ in Lakhs)

| Name of Director<br>S/Shri    | Salary | Benefits | Company Contribution to PF &<br>Gratuity | Total for the year<br>2012-13 |
|-------------------------------|--------|----------|--|-------------------------------|
| Malay Chatterjee*             | 13.65  | 2.40     | 1.28                                     | <b>17.33</b>                  |
| K Ranganath*                  | 7.19   | 33.51    | 0.66                                     | <b>41.36</b>                  |
| Maj. Gen (Retd) Dr. O P Soni* | 13.26  | 4.98     | 1.50                                     | <b>19.74</b>                  |
| K. Subba Rao                  | 19.47  | 2.99     | 1.80                                     | <b>24.26</b>                  |
| Laxminarayana                 | 19.20  | 3.10     | 1.79                                     | <b>24.09</b>                  |
| MV Subba Rao*                 | 1.86   | 0.01     | 0.15                                     | <b>2.02</b>                   |

\*Part of the year

Non Official Part Time Government Nominee Directors are not paid any remuneration. They are also not paid sitting fees for attending Board Meetings. Independent Directors are paid sitting fee of ₹ 20,000/- per meeting of the Board and ₹15,000/- per meeting of the Committee of the Board attended. Details of sitting fees paid to the Independent Directors during the year 2012-13 are given below: -

(In ₹)

| Name of Director<br>(S/Shri) | Sitting Fee    |                     | Total      |
|------------------------------|----------------|---------------------|------------|
|                              | Board Meetings | Committee Meetings* |            |
| N. R. Mohanty                | 1,00,000/-     | 1,20,000/-          | 2,20,000/- |
| B. Ramesh Kumar              | 1,00,000/-     | 1,20,000/-          | 2,20,000/- |
| Dr. Chiranjib Sen            | 1,00,000/-     | 1,05,000/-          | 2,05,000/- |
| Prof. V. R. Sastry           | 80,000/-       | 45,000/-            | 1,25,000/- |
| Shri K. Narasimha Murthy     | 1,40,000/-     | 75,000/-            | 2,15,000/- |
| Shri V.K. Agarwal            | 1,80,000/-     | 1,35,000/-          | 3,15,000/- |

\* Committee includes Audit Committee, Empowered Board Sub-Committee, HR, Remuneration & Sustainable Development Committee.

None of the non-executive Directors had any pecuniary relationship or transactions with the Company during the year. The part time Government Directors are ex-officio appointees and their terms is co-terminus with the term of respective position held by them in Government at the time of appointment on the Company's Board. The non-executive Independent Directors are appointed for a period of three years.

#### 4. DIRECTORS SHAREHOLDING

The following Directors holding the equity shares in the Company as on 31.03.2013

| Name of Director                       | Number of Shares held |
|--|-----------------------|
| Shri K. Subba Rao, Director (P&P)      | 100                   |
| Shri Laxminarayana, Director (Finance) | 100                   |

#### 5. DISCLOSURES

- a) There was no material transaction with the Directors or the Management or their relatives that may have potential conflict with the interest of the Company at large.
- b) The Company has adopted all suggested items to be included in the Report on Corporate Governance as required under the listing agreement as well as Code of Corporate Governance issued by DPE.
- c) None of the Directors on the Board is a member of more than 10 Committees and the Chairman of more than 5 Committees, across all the Companies (Public Limited) in which he is a Director.
- d) There is no inter-se relationship between Directors of the Company, as per declarations received.
- e) There has been no instance of the non-compliance by the Company and no penalty or stricture is imposed on the Company by stock exchange(s) or SEBI or any statutory authority, on any matters related to capital markets during last three years.
- f) Whistle Blower Policy is not a mandatory requirement. However, Whistle Blower Policy is in operation in Company w.e.f. 06.12.2012.

#### 6. RISK MANAGEMENT

As a part of implementation of the guidelines on Corporate Governance issued by DPE, a Risk Assessment and Minimization Policy & Fraud Prevention Policy for drawing of appropriate risk assessment, management and minimization framework as also internal risk assessment framework, integrated and aligned with Corporate and operational objectives is already put in place in the Company. Same is being reviewed at periodical interval.

#### 7. GENERAL SHAREHOLDERS INFORMATION

##### (i) Disclosure regarding appointment of Directors

The Company has provided brief resume(s) of the Directors seeking appointment at the ensuing Annual General Meeting, in the notice attached with the Annual Report.

##### (ii) Communications to Shareholders

The Company's quarterly financial results, official news releases and other general information about the Company are uploaded on the Company's website ([www.kioclltd.com](http://www.kioclltd.com)). The quarterly financial results of the Company generally published in the Financial Express (all editions) & Samyuktha Karnataka, (first & second quarter) Vijayavani, (third & fourth quarter) (regional daily publication from Karnataka). Date of Board meeting to adopt financial results, date of Annual General Meeting and Postal Ballot etc are also published in News papers.

##### (iii) Reconciliation of Share Capital Audit

The Company obtains a Reconciliation of Share Capital Audit Report from a Practicing Company Secretary every quarter to reconcile the total admitted capital with National Security Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. This Audit Report confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized

shares held with NSDL and CDSL. This Audit Report is forwarded to all the Stock Exchanges where the Company's shares are listed.

The Company also obtains a Certificate of Compliance from a Practicing Company Secretary at half yearly intervals certifying that transfer requests complete in all respects have been processed and share certificates with transfer endorsements have been issued by the Company within one month from the date of lodgement thereof. This certificate of compliance is forwarded to all the Stock Exchanges where the Company's shares are listed.

**(iv) Details of Annual General Meeting(s)**

| Year    | Location                     | Date       | Time       |
|---------|------------------------------|------------|------------|
| 2011-12 | Registered Office, Bangalore | 21-06-2012 | 12.00 Noon |
| 2010-11 | Registered Office, Bangalore | 12-07-2011 | 11.45 AM   |
| 2009-10 | Registered Office, Bangalore | 21-07-2010 | 11.30 AM   |

All the resolutions set out in the respective notices of last three Annual General Meetings were passed by the shareholders. No Special Resolution was passed at the Annual General Meeting.

**(v) Financial Calendar**

The Company's financial year is from 1st April to 31st March.

**(vi) Transfer of unpaid/unclaimed dividend amounts to Investor Education & Protection Fund**

Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, as required to be transferred to Investor Education & Protection Fund (IEPF) established by the Central Government.

Ministry of Corporate Affairs, Govt. of India through a Notification G.S.R.352(E) dated 10.05.2012 enacted the rules called as Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012. Subsequently Ministry of Corporate Affairs through Circular No.17/2012 dated 23.07.2012 and Circular No.20/2012 dated 01.08.2012 issued the clarifications further to aforesaid rules. In compliance to the aforesaid rules, the Company has uploaded the complete information regarding unpaid and unclaimed amounts from the financial year 2010-11 onwards upto the date of AGM in the Ministry of Corporate Affairs website as well as in the Company's official website. Prior period unpaid/unclaimed list year wise is also available at the Company's website. Shareholders are requested to visit the site to know the status. Members are advised that no claim shall lie against the said Fund or the Company for the amounts of dividend so transferred to the said Fund.

Members who have so far not en-cashed their dividend warrants are requested to write to the Company/Registrar to claim the same, to avoid transfer to IEPF.

The Company has transferred unclaimed Dividend of amount upto the year 2005-06 (2nd Interim Dividend) to Investor Education & Protection Fund as set up by Government of India.

**(vii) CEO / CFO Certification**

As required by clause 49 of the Listing Agreement, the CEO/CFO certification is appended as an Annexure to this Report.

**(viii) Annual General Meeting for the year 2012-13**

|              |  |
|--------------|--|
| Day and Date | Friday, 30-08-2013.                                      |
| Time         | 12 Noon  |
| Venue        | KIOCL Limited, II Block, Koramangala, Bangalore – 560034 |

**(ix) Approval of Members through Postal Ballot**

During the financial year 2012-13, KIOCL has approached the shareholders seeking approval through Postal Ballot twice in the year. In the postal Ballot conducted on 16.4.2012, the Company has received approval of the members, for passing an ordinary resolution under Section 293(1)(a) of the Companies Act, 1956, for sale or disposal of Kudremukh Mining & Beneficiation Equipments as package and on as is where is and no complaint basis.

KIOCL conducted the postal ballot on 07.01.2013 seeking shareholders approval to amend the main object of existing Memorandum of Association under Section 17 of the Companies Act, 1956, to commence new business in the field of E-Commerce under Section 149(2A) of the Companies Act, 1956 and to alter the existing Articles of Association in pursuance to Section 31 of the Companies Act, 1956. The Company has received the approval of shareholders and the resolution was passed with requisite majority.

Shri SN Mishra of M/s SNM Associates, Company Secretaries was appointed as the scrutinizer for conducting the aforesaid Postal Ballots.

**Procedure for Postal Ballot**

After receiving the approval of the Board of Directors, Notice of the Postal Ballot, text of the Resolution and Explanatory Statement, relevant documents, Postal Ballot Form and self-addressed postage envelopes are sent to the shareholders to enable them to consider and vote for and against the proposal within a period of 30 days from the date of dispatch. The calendar of events containing the activity chart is filed with the Registrar of Companies within 7 days of the passing of the Resolution by the Board of Directors. After the last day for receipt of ballots, the Scrutinizer, after due verification, submits the results to the Chairman. Thereafter, the Chairman declares the result of the Postal Ballot. The same is published in the Newspapers and displayed on the Company website and Notice Board.

**(x) Financial Calendar for 2013-14 (Tentative)**

|  |  |
|--|--|
| Financial Report for the Quarter ending June 30, 2013      | Within 45 days of the end of each quarter.       |
| Financial Report for the Quarter ending September 30, 2013 | Within 45 days of the end of each quarter.       |
| Financial Report for the Quarter ending December 31, 2013  | Within 45 days of the end of each quarter.       |
| Financial Report for the Quarter ending March 31, 2014     | Within 60 days of the end of the financial year. |
| Annual General Meeting for the year 2013-14                | Last week of September, 2014                     |

**(xi) Book Closure**

The Register of Members and Share Transfer Books of the Company shall remain closed from 27-08-2013 to 30-08-2013 (Both days inclusive).

**(xii) Dividend Payment Date**

Dividend will be paid within 30 days of declaration.

**(xiii) Listing on Stock Exchanges**

The Equity Shares of the Company are listed on

| Sl. No. | Name & address of the Stock Exchanges   | Scrip Code |
|---------|---|------------|
| 1.      | Bangalore Stock Exchange Ltd.<br>51, 1st Cross, JC Road, Bangalore – 560 027                  | KIO        |
| 2.      | Madras Stock Exchange Limited. Exchange Building,<br>11, Second Line Beach, Chennai – 600 001 | KIO        |

Listing fees for the year 2012 – 13 has been paid.

**(xiv) Dematerialization of Shares and Liquidity**

The shares of the Company continue to be an eligible security in dematerialized form by CDSL and NSDL with ISIN No.: INE880L01014. As on March 31, 2013, 99.60% of the Company's total paid up Capital representing 631,996,740 shares is in dematerialized form. In view of the numerous advantages offered by the Depository system, members holding shares in physical mode are advised to avail of the facility of dematerialization from either of the Depositories.

**(xv) Market price Data**

There was no trading reported at Bangalore and Madras Stock Exchange during 2012-13.

**(xvi) Performance in comparison to broad based indices such as BSE Sensex, CRISIL Index etc.**

Since the Company's shares are not traded on a large scale frequently, its performance cannot be compared to broad based indices such as BSE Sensex, CRISIL Index etc. in the absence of price data.

**(xvii) Registrars and Transfer Agents & DP:**

**M/s Integrated Enterprises (India) Ltd**

Regd. Office: 30, Ramana Residency,  
4th Cross, Sampige Road, Malleswaram,  
Bangalore – 560003  
Tel. No.: 080-23460815 - 818  
Fax No.: 080-23460819  
Email id: [alfint@vsnl.com](mailto:alfint@vsnl.com).

**(xviii) Share Transfer System**

The shares of the Company which are in compulsory dematerialised (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, Integrated Enterprises (India) Limited and approved by the Share Transfer Committee. The share transfers are generally processed within a period of 15 days from the date of receipt of the transfer documents by the Company or its R&T Agent.

**(xix) Investor Correspondence**

In order to facilitate quick redressal of grievance/queries, the investors and shareholders may contact the Company Secretary at under mentioned address for any assistance:

**Shri S. K. Padhi,**

Company Secretary

KIOCL Limited

II Block, Koramangala,

Bangalore - 560034

Telfax No. 080-25531525

Email id: [bsecretary@kudreore.com](mailto:bsecretary@kudreore.com)

**(xx) Shareholders Pattern as on 31.03.2013**

| Category                         | Number of shares    | Shares in dematerialized mode | Shares in Physical mode | %age of shareholding |
|----------------------------------|---------------------|-------------------------------|-------------------------|----------------------|
| Central Govt./State Govt.(s)     | 62,81,44,130        | 62,81,44,130                  | -                       | 98.9961              |
| Mutual Funds                     | 19,85,000           | 175,000                       | 18,10,000               | 0.3128               |
| Financial Institutions/<br>Banks | 8,00,000            | 800,000                       | -                       | 0.1260               |
| Insurance Companies              | 27,78,300           | 27,78,300                     | -                       | 0.4379               |
| Bodies Corporate                 | 20,070              | 19,770                        | 300                     | 0.0031               |
| Resident Indians &<br>others     | 7,86,300            | 79,540                        | 7,06,760                | 0.1241               |
| <b>Total</b>                     | <b>63,45,13,800</b> | <b>63,19,96,740</b>           | <b>27,17,060</b>        | <b>100.00</b>        |

**(xxi) Outstanding GDRs/ADRs/Warrants**

There are no outstanding GDR's/ADR's/warrant's or any convertible instruments.

**(xxii) Registered Office:****KIOCL Limited**

II Block, Koramangala,  
Bangalore – 560034, Karnataka  
Phone: 080-25531461-470  
Fax: 080-25532153-5941  
Website: www.kioclltd.com

**(xxiii) Plant Locations**

Pellet Plant and Blast Furnace unit is located in Dakshina Kannada District of Karnataka. Iron Ore Mine site and Beneficiation Plant is located at Kudremukh in Chickmagalur District of Karnataka which is stopped its operations w.e.f. 01.01.2006 following Hon'ble Supreme Court directives.

**(xxiv) Compliance Certificate**

As required under clause 49 of the listing agreement, the certificate from a Practising Company Secretary pertaining to compliance of conditions of Corporate Governance is being annexed with the Directors Report.

This report duly complies with the requirements of Guidelines on Corporate Governance for CPSEs and covers all the suggested items mentioned in Annexure-VII of the Guidelines. The quarterly report on compliance with the Corporate Governance requirements prescribed by DPE is also sent to Administrative Ministry regularly.

## NON-MANDATORY REQUIREMENTS

Besides the mandatory requirements as mentioned above, the status of compliance with non-mandatory requirements of clause 49 of the Listing Agreement is produced below:

### 1. The Board

The Company is headed by an Executive Chairman. No Independent Director has been appointed for the period exceeding, in the aggregate, a period of nine years, on the Board of the Company.

### 2. Remuneration Committee

Explained in Para 3.2 of Corporate Governance Report.

### 3. Shareholders Rights

The quarterly, half yearly and yearly financial results are published in the newspapers. These results are also uploaded on the website of the Company. Half yearly results are not sent to the shareholder of the Company separately.

### 4. Audit qualifications

There is no audit qualification.

### 5. Training of Board Members

The Company is having an approved Structured Training Policy for providing training to Board members of the Company. During the year, Directors were nominated for various training programme on Corporate Governance/Workshops conducted by various Government & Non Government Institutions. The Company also follow the practice of giving presentation about the Company, its goal & objectives and Critical issue and risk associated with it.

### 6. Mechanism for evaluating non-executive Board Members

Not adopted.

### 7. Whistle Blower Policy

During the year the Company has framed the "Internal Whistle Blower Policy" which has been hoisted in the Company website. The Policy provides employees an avenue to lodge complaints in line with the commitment of the Company to the highest possible standards of ethical, moral and legal business conduct and its commitment to open communication. It provides necessary safeguards for protection of employees from reprisals or victimization for whistle blowing in good faith.

#### **Sub: Code of Conduct**

In compliance with Clause 49 I (D) (ii) of the Listing Agreement and Clause 3.4 and the guidelines on Corporate Governance for Central Public Sector Enterprises issued by Department of Public Enterprises, the Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management of the Company. I hereby declare that the Board Members and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct during the year 2012-13.

Place: Bangalore  
Date: 18-07-2013



(Malay Chatterjee)  
Chairman-cum-Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS

### i) INDUSTRY STRUCTURE AND DEVELOPMENT

The Indian Steel industry had a dismal year during 2012-13 due to poor performance of the infrastructure segment. However, demand for quality Pellets remained firm due to restricted availability of Iron Ore, but this did not translate into better prices for Pellets as many new Pellet plants entered into the market resulting in over supply of Pellets and putting severe pressure on Pellet prices. The low prices resulted in restricted sale of our Pellets in domestic market during 2012-13. The issue raised by Railways regarding applicability of Levy of Distance based charges over and above normal freight on Iron Ore transported through Railway net work for manufacture of Pellets and subsequent export has made the sale of Pellets in International market unviable. Export of Pellets has been stopped from September 2011. These factors affected Production of Pellets during 2012-13. The Plant operation had to be intermittently stopped due to poor market conditions.

Production and sale of Pellets during the financial year 2012-13 was 1.265 Million tons and 1.236 Million Tons respectively. Indian Pellet capacity is expected to cross 90 million tons by the end of 2013-14. Almost all the Steel manufacturers in private sector have commissioned their captive Pellet plants and the excess production from these plants may hit the market in the coming days. However, DR grade Pellet is expected to maintain its premium continuously for ever.

### ii) SWOT Analysis

In the changing environment, the Company has identified the following strengths, weakness, opportunities and threats:

#### Strength

- Strong brand image for KIOCL Pellets.
- Zero debt Company.
- Plant is having flexibility in using Iron Ore of Hematite or Magnetite grade for making Pellets.
- In-house R & D initiatives with production at rated capacity.
- Logistics –
  - 1) Shore based Pellet plant with dedicated birth and automatic ship loading facility - on arrival in berthing.
  - 2) Private Railway Siding/Proximity to NH 66.
  - 3) Proven adaptability to establish newer ore supply routes in short span of time.
- Captive Power plant.
- Highly technically qualified and Skilled Manpower.

#### Weakness:

- No Captive mine w.e.f 01-01-2006.
- Production units are generally located at mine head or consumption head. The loss of Kudremukh mines has denied this.
- Dependence on Iron Ore Fines procured from outside market.
- High logistics cost for transportation of Iron Ore fines.
- Reduced margins due to severe competition.
- BFU with no forward & backward integration.
- Inability to procure IOF from Karnataka through auction due to stiff competition.
- Imposition of Distance Based Charge (DBC) by Railways severely affected the export market.

## Opportunities

- Assets and skilled manpower readily available.
- Chikkanayakanahalli mines already allotted, Boundary dispute is yet to be settled for obtaining forest clearance.
- Govt. of Karnataka has made informal assurance for allotment of Ramanadurga mines.
- Exploration of Long term arrangement for procurement of Iron Ore Fines and sale of Pellets.
- Exploring new avenues in acquisition of mineral assets, MDO, JVs etc.,
- Proven track record and brand name in Iron Ore mining and beneficiation.

## Threats

- No priority for allotment of Rakes for Ore movement.
- Disputes/Delays in getting new mining leases.
- Installation of New / Expansion of Pellet production capacity in Private & Public Sector.
- Inflow of Pellet and high grade lump from Overseas at cheaper rates.
- Ban on export of Pellets produced from Ore procured from Karnataka which may get extended to other parts of India.
- Safety/Security & cost of holding idle assets at Kudremukh.

### iii) PRODUCT-WISE PERFORMANCE

The following table summarises the production performance during the past three years:-

| Year    | PP: Pellet Plant |       | PI: Pig Iron Plant |    | (Qty. in million tons)                          |    |
|---------|------------------|-------|--------------------|----|---|----|
|         | MoU target       |       | Actual production  |    | Capacity utilisation of installed capacity in % |    |
|         | PP               | PI    | PP                 | PI | PP  | PI |
| 2012-13 | 2.500            | -     | 1.265              | -  | 36  | -  |
| 2011-12 | 3.000            | -     | 1.710              | -  | 49  | -  |
| 2010-11 | 2.780            | 0.100 | 2.124              | -  | 61  | -  |

(Installed capacity of Pellet Plant is 3.500 million tons and Pig Iron is 0.216 million tons).

### iv) OUTLOOK

KIOCL is a zero debt company and has a large Equity base with highly Technical manpower. Your Company is exploring the possibilities of diversifying into entering into new areas of business such as acquiring new mining leases, setting up of beneficiation cum Pellet plants under JVs, O&M contracts with new Pellet plants, e-commerce, solar power etc.

To make the Blast Furnace unit (BFU) economically viable on standalone basis and as a backward integration to the BFU, the Company has proposed to set up a non recovery type Coke Oven Battery of 3.0 lakh tons per annum capacity along with a 25 MW Captive Power plant. M/s SAIL were contacted for a possible tie up to take the above project forward on Joint Venture basis in the best interest of both KIOCL & VISL unit of M/S SAIL located at Bhadravati, as both the plants require Coke for their furnaces.

The Company had initiated action for setting up of a permanent railway siding and bulk material handling system at about 3 kms. from KIOCL's Pellet plant at Baikampady industrial area, Mangalore for receipt & mechanized handling of Iron Ore and other raw materials received through Railway wagons and their storage and conveying to KIOCL's Pellet plant Unit and Blast Furnace Unit. The total investment for this project as per the DPR is estimated at ₹ 303 crores. The company has initiated dialogue with M/S MRPL for a possible tie up for this project

The Company is pursuing to enter into a contract with M/s NMDC, for Operation & Maintenance of their upcoming Beneficiation Plant and Pellet Plant at Donimalai. Efforts are on in this direction to get the contract and utilize the expertise available with KIOCL in operating the plants for mutual benefit of both the organization.

In similar way, the Company is exploring the possibility of having a Joint Venture with M/s OMDC– M/s RINL for setting up of Beneficiation Plant and Pellet Plant at Thakurani mines of M/s OMDC at Odisha.

The Company with an objective of providing expertise in the fields of mining, beneficiation and Pelletisation by utilizing the expertise available with KIOCL has proposed to establish an R & D and training centre with state of the art facilities for the benefit of steel industry at a suitable location around Bangalore. The Company approached M/s Karnataka Industrial Area Development Board (KIADB) requesting them to allot 5 acres of land for the purpose. M/s KIADB vide their letter no. KIADB/HO/Secy-2/455 dated 26th April 2013 have informed their decision to allot an extent of 5.00 acre of land at Obhadenahalli Industrial area. After completing the necessary formalities and approvals, Company will take forward this project further.

To secure Iron ore for its Pellet Plant, your Company has submitted various mining lease applications to Govt of Karnataka (GoK). Chikkanayakanahalli Iron Ore mining lease is already recommended by the GoK and your Company is in the process of obtaining various statutory clearances to commence the mining operation. Other mining lease applications are under different stages of processing by GoK.

Your Company has also submitted mining lease applications for Iron Ore in the States of Odisha, Jharkhand and Andhra Pradesh. The same is being pursued with highest authorities for early clearance.

Company is in the process of entering into Memorandum of Understanding with APMDC for exploration and exploitation of Iron Ore Deposit at Nemakal village in Anantapur Dist, Andhra Pradesh by APMDC and KIOCL, setting up of Beneficiation and Pelletisation Plant by KIOCL and supply of Pellets to RINL

#### **v) RISKS & CONCERNS**

The main risks and the area of concern for the Company is non-availability of captive mine and increasing merchant and captive Pellet plant capacity. Continuous import of DR grade Pellets and lump ore at competitive price by integrated steel plants put pressure on Indian Pellet prices. High logistic cost for raw materials as well as market. The Company is exploring possibility to diversify into Contract Mining, Coal Mining, e-commerce setting up of beneficiation and Pellet plants through JV etc but which are yet to materialise.

Due to un-economical price of Pig Iron, BF unit was shut down from 05-08-2009 and examining possibility to offer BFU on long term lease or accept job work.

#### **vi) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Internal Audit system is commensurate with the size and nature of the business of the Company. The reports of the Internal Auditor are regularly placed before the Audit Committee for its review and further guidance.

**vii) FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

a) The Financial performance of the Company for the year 2012-13 in brief is furnished below:

(₹ in Crores)

| Particulars                           | 2012-13        | 2011-12 |
|---------------------------------------|----------------|---------|
| Sales                                 | <b>1159.12</b> | 1521.08 |
| Profit/(Loss) Before Tax for the year | <b>32.34</b>   | 115.39  |
| Profit/(Loss) After Tax               | <b>31.05</b>   | 94.30   |

**b) Cash Flow information**

An abstract of Cash Flow statement for the year ended on 31st March, 2013 is as under:

₹ In lakhs.

|    |  |            |
|----|--|------------|
| A) | Opening cash and cash equivalents as at 1-4-2012 | 146454.19  |
| B) | Net cash from operating activities               | (17780.20) |
| C) | Net cash from investing activities               | 15122.46   |
| D) | Net cash used in Financing Activities            | (2219.71)  |
| E) | Cash and Cash equivalent as at 31-03-2013        | 141576.74  |

**viii) MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATION FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED**

The Company aims at providing motivation and growth opportunities for employees. It also encourages them and creates an environment for best utilisation of their skills in achieving the Company's objectives. Training and Development is the key word of HRD. The achievement during the year under report was 4084 Man days training for both Executives and Non-executives.

Industrial Relations situation remained peaceful throughout the year in all the establishments of the Company. Works Committees and Joint Plant and Shop Councils meet regularly and their discussions contribute towards improving industrial relations and resolving differences, if at all they arise.

The following table shows the total number of employees in different Groups on rolls of the Company as on 31st March 2013:-

| Group        | Total No. of employees on rolls | SC         | ST        | No. of women employees | Ex-servicemen | Physically Handicapped |
|--------------|---------------------------------|------------|-----------|------------------------|---------------|------------------------|
| A            | 386                             | 52         | 13        | 19                     | 01            | 07                     |
| B            | 45                              | 05         | 01        | 07                     | -             | -                      |
| C            | 755                             | 110        | 35        | 14                     | 07            | 08                     |
| D            | 59                              | 14         | 07        | 03                     | -             | 03                     |
| D (Sweepers) | 06                              | 05         | -         | 01                     | -             | -                      |
| <b>Total</b> | <b>1251</b>                     | <b>186</b> | <b>56</b> | <b>44</b>              | <b>08</b>     | <b>18</b>              |

Poaching of trained manpower at Kudremukh is a source of concern for the Company.

#### **IX. CODE OF CONDUCT - CLAUSE 49 I (D)**

In compliance with Clause 49 I (D) of the Listing Agreement, the Board of Directors has laid down the code of Business Conduct and Ethics for the Board members and senior Management of the Company. The Copy of Code is displayed on the website of the Company [http// www.kiocltd.com](http://www.kiocltd.com). All Board members and key officials of the Company have affirmed their compliance with the code. A declaration by the Chairman-cum-Managing Director in this regard is at Appendix-I to Annexure-II.

#### **X. FINANCIAL AND CASH FLOW STATEMENTS – CLAUSE 49 V**

A Certificate signed by the Chairman-cum-Managing Director and the Director (Finance) to the effect that the Financial and Cash Flow statements do not contain any materially untrue statement and that they present a true and fair view of the Company's affairs and are in compliance with existing standards, applicable laws and regulations is at Appendix-II to Annexure-II.

#### **XI. CAUTIONARY STATEMENT**

Certain statements made in the management discussion and analysis report relating to Company's objectives, projections, outlook, expectations and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations whether expressed or implied. Several factors could make significant difference to the Company's operations. These include climatic and economic conditions affecting demand and supply, government regulations and taxation, natural calamities over which the Company does not have any direct control.

### The Board of Directors

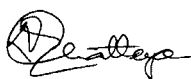
KIOCL Limited,  
II Block, Koramangala,  
Bangalore-560034

### Sub: Financial and Cash Flow statements

Dear Sir,

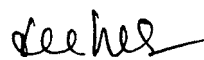
- a) We hereby certify that we have reviewed the Financial statements and Cash Flow Statements for the year 2012-13, and to the best of our knowledge and belief:
- i) these statements do not contain any materially untrue statement or omit any material fact or certain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b) To the best of our knowledge and belief, no transactions were entered into by the Company during the year 2012-13 which are fraudulent, illegal or violative of the Company's Code of Conduct;
- c) we accept the responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and we have taken steps to rectify these deficiencies;
- d) We have indicated to the Auditors and the Audit Committee-
- i) significant changes in internal control over financial reporting during the year;
  - ii) significant changes in Accounting Policies during the year 2012-13 and that the same have been disclosed in the Notes to the financial statements; and
  - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

This certificate is issued in compliance with Clause 49 (V) of the Listing Agreement with the Stock Exchanges.



**(Malay Chatterjee)**

Chairman-cum-Managing Director



**(Laxminarayana)**

Director (Finance)

Place: Bangalore

Date: 18-07-2013

**SNM & Associates**

Company Secretaries,  
No. 486, 8th Cross, 10th Main,  
HAL 3rd Stage,  
Bangalore- 560075

### CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,

**The Board of Directors**

**KIOCL Limited**

**Bangalore**

We have examined all relevant records of M/s. KIOCL Limited, for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement(s) entered into with Indian Stock Exchanges for the financial year ending March 31, 2013.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementation thereof adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said clause.

On the basis of our findings recorded in the annexed report from the examination of the records produced and explanations and information furnished to us, in our opinion the Company has complied with the conditions of corporate governance as stipulated in the clause 49 of the Listing Agreement as on March 31, 2013 except with respect to Composition of Board and Remuneration committee which is not in conformity with Clause 49 of the Listing Agreement and DPE guidelines on Corporate Governance for the quarters ending 30.09.2012, 31.12.2012, 31.03.2013.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Bangalore

Date : 30th July, 2013

Sd/-

**Name : S.N.Mishra.**

Company Secretary

C. P. No. : 4684

FCS No. : 6143

To  
**The Members of  
KIOCL Limited, Bangalore**

### **A. Report on the Financial Statements**

We have audited the accompanying financial statements of KIOCL Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In the light of observations arising from the audit by the Comptroller and Audit General of India, our earlier report dated 15th May 2013 has been revised in Para D and Para E to the extent of presentation and also Para 8 of the Annexure to the said Report. This report supersedes our earlier Report.

### **B. Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Sub - Section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **C. Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

As audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, Whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **D. Basis for Qualified Opinion**

- a) **Confirmation of balances of trade receivables and trade payables has been obtained in certain cases only. (Refer item 22 of Note 13, "Other notes forming part of Accounts").**
- b) **Attention is invited to item 3 of Note 13 ("Other notes forming part of Accounts") regarding claims by railways for difference in freight charges on account of distance based charges and normal freight on Iron ore transportation.**
- c) **Provision for Excise Duty on the closing stock is not made, to that extent the valuation of closing stock and provision for Excise Duty will be increased.**
- d) **Iron ore fines retrieved from the cooling pond is valued in accordance with item 17 of Note 13, "Other notes forming part of Accounts".**



## E. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b) In the case of the Profit and Loss Accounts, of the profit/loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

## F. Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub - section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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. Except for the effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e. Being a Government Company provision of clause (g) of sub section (1) of Sec 274 of the Companies Act, 1956, is not applicable as per notification No GSR 829 (E) dated October 21, 2003, issued by the Department of Company Affairs.
  - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For M/S SUNDARAM & SRINIVASAN  
Chartered Accountants  
(Firm Registration No : 004207 S)

(P MENAKSHI SUNDARAM)  
(PARTNER)  
Membership No : 217914

Place : Bangalore  
Date : 13th June 2013

1.
  - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. On the basis of the information and explanation given to us fixed assets are being physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
  - c. The Company has not disposed off any substantial part of its fixed assets. Hence going concern status not affected.
2.
  - a. We are informed that the inventories of stores and spares are physically verified by the management on a continuous basis as per programme of perpetual inventory except raw materials and additives at different stages of production. Inventories of other items have been physically verified at the year end.
  - b. 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 is maintaining proper records for inventory and as informed to us the discrepancies noticed on physical verification by the management, which reported to be not material, same have been properly dealt with in the books of account of the Company.
3. The Company has neither granted nor taken any loans, secured or unsecured to /from Companies, firms or other parties covered in the register maintained u/s 301 of the Act. Accordingly sub clause (b), (c), (d), (f) & (g) are not applicable.
4. 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 with regard to purchase of Inventory and Fixed Assets and with regards to Sale of Goods and Services. Further, on the basis of our examination of the books and records of the Company carried out in accordance with the Auditing standards generally accepted in india and according to the information and explanations given to us, we state that we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control system.
5.
  - a. In our opinion and according to the information and explanations given to us, there are no particulars of contracts that need to be entered into the register maintained in pursuance of section 301 of the Act.
  - b. Hence, the relative reporting requirements are not applicable.
6. The Company has not accepted any deposits from the public during the year and hence the directives issued by the Reserve Bank of india and provisions of Sec 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable.
7. The Company has an internal Audit system, the scope and coverage of which is commensurate with its size and nature of its business.
8. We have broadly reviewed the records 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 are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether these are accurate and complete. Cost Audit report is yet to be obtained for the year.

9. a. According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Cess, Excise Duty, Service Tax and any other Statutory dues with the appropriate authorities. As explained to us, the scheme of Employees State Insurance is not applicable to the Company for the current year. There were no undisputed liabilities of above nature as at the last date of the Balance sheet outstanding for a period of more than 6 months. However, for Employees State Insurance an amount of ₹ 19.57 lakhs pertaining to the years 2001-07 is disputed towards delayed payment. The Company has neither paid nor provided for cess payable u/s 441A of the Companies Act 1956, since no notification has been issued as specified in Sec. 441A(1).
- b. According to the information & explanations given to us, there are no dues payable in respect of Sales Tax, Income Tax, Excise Duty, Wealth Duty, Service Tax and Cess which were disputed except the following :

| Statute                    | Nature of dues                        | Total amount<br>(₹ in lakhs) | Paid and or<br>provided<br>(₹ in lakhs) | Balance<br>amount<br>outstanding | Financial year<br>which amt<br>relates | Forum to which it<br>relates            |
|----------------------------|---------------------------------------|------------------------------|---|----------------------------------|--|---|
| Central Excise<br>Duty     | Levy of<br>Education Cess             | 371.37                       | 90.71                                   | 280.66                           | 2006-10                                | CESTAT, B'lore                          |
| Special<br>Additional duty | Non Payment<br>of SAD on DTA<br>Sales | 5955.77                      | -                                       | 5955.77                          | 2010-12                                | CESTAT, B'lore                          |
| Income Tax                 | Regular Assts.                        | 1736.44                      | 1736.44                                 | -                                | 2007-08                                | ITAT, B'lore                            |
|                            |                                       | 603.70                       | 603.70                                  | -                                | 2008-09                                | Commissioner of<br>Income Tax (Appeals) |

10. There are no accumulated losses as the end of the financial year. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
11. According to the information and explanations given to us, the Company has not defaulted in repayments to banks or financial institutions. The Company has not issued any Debentures.
12. The Company has not granted any advance or loan on the basis of security by way of pledge of shares, debentures and other securities.
13. Since the Company is not a chit Fund/Nidhi/Mutual Benefit Fund/Society, the relative reporting requirements are not applicable.
14. Since the Company is not dealing or trading in Shares, Securities, Debentures or other investments, the relative reporting requirements are not applicable.
15. According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from Banks or financial institutions. Hence, the relative reporting requirements are not applicable.
16. According to the information and explanation given to us, the Company has not availed any fresh term loans during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, the Company has not raised any funds on short term basis during this year.

18. During the year, the Company has not made any preferential allotment of shares. Hence, the relative reporting requirements are not applicable.
19. The Company has not issued any debentures during the year. Hence, the relative reporting requirements are not applicable.
20. The Company has not raised money from the public issues during the year, hence the relative reporting requirements are not applicable.
21. In our opinion and according to the information and explanation given to us, during the period under audit, no cases of fraud on or by the Company were noticed or reported.

For M/S SUNDARAM & SRINIVASAN  
Chartered Accountants  
(Firm Registration No : 004207 S)

(P MENAKSHI SUNDARAM)  
(PARTNER)  
Membership No : 217914

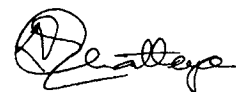
Place : Bangalore

Date : 13th June 2013

## COMMENTS/ OBSERVATIONS OF THE STATUTORY AUDITORS AND REPLY BY THE COMPANY

| Auditors Report Para No. D | Comments / Observations   | Reply by the Company  |
|----------------------------|---|---|
| (a)                        | Confirmation of balances of trade receivables and trade payables has been obtained in certain cases only. (Refer item 22 of Note 13, "Other notes forming part of Accounts")  | The position has been clearly explained in Sl. No.22 of Note 13 – Other Notes forming part of accounts.   |
| (b)                        | Attention is invited to item 3 of Note 13 ("Other notes forming part of Accounts") regarding claims by railways for difference in freight charges on account of distance based charges and normal freight on iron ore transportation.   | The factual position of the case is given in detail in item no.3 of Note-13 other Notes forming part of accounts.   |
| (c)                        | Provision for Excise Duty on the closing stock is not made, to that extent the valuation of closing stock and provision for Excise Duty will be increased.  | The Company is 100% Export Oriented Unit and is exempt from paying Excise Duty. Hence, no provision for Excise Duty on closing stock is made.   |
| (d)                        | Iron Ore fines retrieved from the cooling pond is valued in accordance with item 17 of Note 13, "other notes forming part of Accounts".   | The position has been clearly explained in Sl. No.17 of Note 13 – other Notes forming part of accounts.   |
| 8.                         | <p><b>ANNEXURE REFERRED TO IN AUDITORS' REPORT OF EVEN DATE</b></p> <p>We have broadly reviewed the records maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act,1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether these are accurate and complete. Cost Audit Report is yet to be obtained for the year.</p> | Cost records are maintained by Company in respect of Pellet plant and Blast Furnace Units. In addition to Blast Furnace unit, cost Audit is also applicable for Pellet plant from the year 2012-13. The cost auditor is appointed for both pellet plant and BFU for the year 2012-13. The cost Audit is complete. |

Place: Bangalore  
Date: 25-07-2013



(Malay Chatterjee)  
Chairman-cum-Managing Director

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF KIOCL LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2013**

The preparation of financial statements of KIOCL Limited, Bangalore for the year ended on 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 13 June 2013.

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 KIOCL Limited, Bangalore for the year ended on 31 March 2013. This Supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

Sd/-

**(N. Karunakaran)**

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

Place : Hyderabad

Date : 24 June 2013

**Balance Sheet as at March 31, 2013**

₹ in Lakhs

| Particulars   | Note No | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---------|---|--|
| <b>I EQUITY AND LIABILITIES</b>   |         |   |  |
| <b>(1) Shareholders' funds:</b>   |         |   |  |
| (a) Share capital   | 2.1     | <b>63451.38</b>   | 63451.38   |
| (b) Reserves and surplus  | 2.2     | <b>145973.14</b>  | 143610.73  |
|   |         | <b>209424.52</b>  | 207062.11  |
| <b>(2) Non-current liabilities:</b>                                       |         |   |  |
| (a) Other long-term liabilities   | 3.1     | <b>77.47</b>  | 73.68  |
| (b) Long-term Provisions  | 3.2     | <b>14611.05</b>   | 11775.96   |
|   |         | <b>14688.52</b>   | 11849.64   |
| <b>(3) Current liabilities:</b>   |         |   |  |
| (a) Trade payables  | 4.1     | <b>2482.93</b>  | 2853.08  |
| (b) Other current liabilities   | 4.2     | <b>11312.44</b>   | 11528.95   |
| (c) Short-term provisions   | 4.3     | <b>1710.96</b>  | 3091.19  |
|   |         | <b>15506.33</b>   | 17473.22   |
| <b>TOTAL:</b>   |         | <b>239619.37</b>  | 236384.97  |
| <b>II ASSETS</b>  |         |   |  |
| <b>(1) Non-current assets</b>   |         |   |  |
| (a) Fixed assets:   |         |   |  |
| (i) Tangible assets   | 5.1     | <b>33288.94</b>   | 35848.13   |
| (ii) Intangible assets  | 5.2     | -   | -  |
| (iii) Capital work-in-progress  | 5.3     | <b>656.94</b>   | 2402.40  |
| (b) Deferred tax assets(net)  | 5.4     | <b>2582.81</b>  | 1632.23  |
| (c) Long-term loans and advances  | 5.5     | -   | -  |
| (d) Other non-current assets  | 5.6     | <b>1104.75</b>  | 1011.44  |
|   |         | <b>37633.44</b>   | 40894.20   |
| <b>(2) Current assets:</b>  |         |   |  |
| (a) Inventories   | 6.1     | <b>33298.67</b>   | 22023.74   |
| (b) Trade receivables   | 6.2     | <b>16688.58</b>   | 8521.35  |
| (c) Cash & cash equivalents   | 6.3     | <b>141576.75</b>  | 146454.19  |
| (d) Short-term loans and advances   | 6.4     | <b>4269.23</b>  | 11315.65   |
| (e) Other current assets  | 6.5     | <b>6152.70</b>  | 7175.84  |
|   |         | <b>201985.93</b>  | 195490.77  |
| <b>TOTAL:</b>   |         | <b>239619.37</b>  | 236384.97  |
| Significant Accounting Policies and other notes forming part of accounts. | 1 & 13  |   |  |

For and on behalf of Board of Directors

**Malay Chatterjee**  
Chairman-cum-Managing Director

**Laxminarayana**  
Director (Finance)

as per our report of even date  
for **M/s SUNDARAM & SRINIVASAN**  
Chartered Accountants  
(Firm Registration No:004207S)

Place: Bangalore  
Date : 15th May,2013

**S.K.Padhi**  
Company Secretary

**(P.Menakshi Sundaram)**  
Partner  
Membership No:217914

# STATEMENT OF PROFFIT & LOSS

## Statement of Profit and Loss for the year ended March 31,2013

₹ in Lakhs

| Particulars   | Note No | Figures for the current reporting period<br>31-03-2013 | Figures for the previous reporting period<br>31-03-2012 |
|---|---------|--|---|
| <b>I. Revenue from operations</b>   | 7       | <b>97629.35</b>  | 138929.08   |
| <b>II. Other income</b>   | 8       | <b>20518.07</b>  | 17133.12  |
| <b>III. Total Revenue (I+II)</b>  |         | <b>118147.42</b>                                       | 156062.20   |
| <b>IV. Expenses:</b>  |         |  |   |
| Cost of materials consumed  |         | <b>76623.64</b>  | 92775.34  |
| Changes in inventories of finished goods, work-in-progress and stock -in- Trade | 9       | <b>(8883.60)</b>                                       | 215.22  |
| Employee benefits expense   | 10      | <b>15494.13</b>  | 14245.72  |
| Depreciation & Amortization expense   | 5.1     | <b>4322.48</b>   | 4090.16   |
| Other expenses  | 11      | <b>27356.49</b>  | 33196.34  |
| <b>Total expenses</b>   |         | <b>114913.14</b>                                       | 144522.78   |
| <b>V. Profit before exceptional and extraordinary items and tax (III-IV)</b>    |         | <b>3234.28</b>   | 11539.42  |
| VI. Exceptional items   |         | -  | -   |
| <b>VII. Profit before extraordinary items and tax(V-VI)</b>                     |         | <b>3234.28</b>   | 11539.42  |
| VIII. Extraordinary Items   |         | -  | -   |
| <b>IX. Profit before tax (VII-VIII)</b>   |         | <b>3234.28</b>   | 11539.42  |
| X. Tax expense:   |         |  |   |
| (1) Current tax   |         | <b>1392.00</b>   | 2290.24   |
| Earlier years (net)   |         | <b>(311.90)</b>  | -   |
| (2) Deferred tax  |         | <b>(950.58)</b>  | (180.95)  |
|   |         | <b>129.52</b>  | 2109.29   |
| <b>XI. Profit/(Loss) for the period from continuing operations (IX-X-XIV)</b>   |         | <b>3104.76</b>   | 9430.13   |
| XII. Profit/(loss) from Discontinuing operations                                |         | -  | -   |
| XIII. Tax expense of Discontinuing operations                                   |         | -  | -   |
| <b>XIV. Profit/(loss) from Discontinuing operations(after tax) (XII-XIII)</b>   |         | -  | -   |
| <b>XV. Profit/(loss) for the period (XI+XIV)</b>                                |         | <b>3104.76</b>   | 9430.13   |
| XVI. Earnings per equity share:   |         |  |   |
| Basic   |         | <b>0.49</b>  | 1.49  |
| Diluted   |         | -  | -   |
| Significant Accounting Policies and other notes forming part of accounts.       | 1 & 13  |  |   |

For and on behalf of Board of Directors

**Malay Chatterjee**  
Chairman-cum-Managing Director

**Laxminarayana**  
Director (Finance)

as per our report of even date  
for **M/s SUNDARAM & SRINIVASAN**  
Chartered Accountants  
(Firm Registration No:004207S)

Place: Bangalore  
Date : 15th May,2013

**S.K.Padhi**  
Company Secretary

**(P.Menakshi Sundaram)**  
Partner  
Membership No:217914



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

₹ in thousands

|   | Figures as at the end of current reporting period 31-03-2013 | Figures as at the end of previous reporting period 31-03-2012 |
|---|--|---|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>              |  |   |
| <b>Net profit before tax</b>                              | <b>323,428</b>   | 1,153,942   |
| Add/(Less) Adjustment for:                                |  |   |
| Depreciation - Current year                               | <b>432,248</b>   | 344,850   |
| - Prior period  | <b>(8,694)</b>   | 29,651  |
| Interest income   | <b>(1,443,871)</b>   | (1,351,123)   |
| Deferred Revenue expenses (Charged during the year)       | -  | 64,166  |
| Provision no longer required written back                 | -  | (101,499)   |
| (Profit)/Loss on sale of Fixed assets                     | <b>(697)</b>   | (439)   |
| <b>Operating cash flow before working capital changes</b> | <b>(697,586)</b>   | 139,548   |
| Adjustment for:   |  |   |
| (Increase)/Decrease in Inventories                        | <b>(1,127,492)</b>   | 154,013   |
| (Increase)/Decrease in Trade and other receivables        | <b>(87,588)</b>  | 143,044   |
| Increase/(Decrease) in Trade and other payables           | <b>(509,135)</b>   | (575,517)   |
| Sale/deletion/Transfer of Fixed assets                    | <b>(2,967)</b>   | 3,787   |
| <b>Cash generated from operations</b>                     | <b>(2,424,768)</b>   | (135,125)   |
| Direct tax paid(Net of refunds)                           | <b>646,748</b>   | (92,400)  |
| Net cash from Operating activities                        | <b><u>(1,778,020)</u></b>                                    | <u>(227,525)</u>  |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>              |  |   |
| Purchase of Fixed assets                                  | <b>(164,752)</b>   | (879,450)   |
| (Increase)/Decrease in Capital work in progress           | <b>174,546</b>   | 370,047   |
| Interest received   | <b>1,512,360</b>   | 1,110,194   |
| Tax on interest received                                  | <b>(10,690)</b>  | (40,872)  |
| Proceeds from sale of Fixed assets                        | <b>782</b>   | 439   |
| Net cash from investing activities                        | <b><u>1,512,246</u></b>                                      | <u>560,358</u>  |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>              |  |   |
| Payment of Dividends and dividend tax                     | <b>(221,971)</b>   | (125,713)   |
| Net cash used in Financing activities                     | <b><u>(221,971)</u></b>                                      | <u>(125,713)</u>  |

## CASH FLOW STATEMENT ... Continuation

₹ in thousands

|  | Figures as at the end of current reporting period 31-03-2013 | Figures as at the end of previous reporting period 31-03-2012 |
|--|--|---|
| <b>ABSTRACT</b>  |  |   |
| (A) Net cash from operating activities                     | (1,778,020)  | (227,525)   |
| (B) Net cash from investing activities                     | 1,512,246  | 560,358   |
| (C) Net cash used in financing activities                  | (221,971)  | (125,713)   |
| Net increase/(decrease) in cash and cash equivalents       | <u>(487,745)</u>   | <u>207,120</u>  |
| <b>Net increase/(decrease) in cash + cash equivalents:</b> |  |   |
| Cash and Cash equivalents                                  | 14,645,419   | 14,438,299  |
| As at 01-04-2012 (O.B)                                     |  |   |
| Cash and Cash equivalents                                  | 14,157,674   | 14,645,419  |
| As at 31-03-2013 (C.B)                                     |  |   |
| Net increase /(decrease) in Cash + cash equivalents        | <u>(487,745)</u>   | <u>207,120</u>  |

### Notes:

- The above statement has been prepared using indirect method except in case of interest income from investment, Dividend, purchase and sale of investment/Fixed assets and taxes, which have been considered on the basis of actual movement of cash, with corresponding adjustments in assets and Liabilities.
- Additions to fixed assets and capital work-in-progress between the beginning and end of the period are treated as investing activities.
- Figures in brackets indicate cash outflows.

For and on behalf of Board of Directors

**S.K. Padhi**  
Company Secretary  
Place: Bangalore  
Date : 15th May, 2013

**Laxminarayana**  
Director (Finance)

**Malay Chatterjee**  
Chairman-cum-Managing Director

### AUDITOR'S REPORT

We have examined the Cash flow statement of KIOCL LIMITED, for the year ended 31st March 2013. The statement has been prepared by the Company in accordance with the requirements of clause 32 of the listing agreement with the stock exchange and is based on and in agreement with the corresponding Profit & Loss account and Balance sheet of the Company covered by our report dated 15th May, 2013 to the members of the Company.

for **M/s SUNDARAM & SRINIVASAN**  
**Chartered Accountants**  
(Firm Registration No:004207S)

Place: Bangalore  
Date: 15th, May, 2013

(P. Menakshi Sundaram)  
Partner  
Membership No:217914

## Note 1: Significant accounting policies

### 1. ACCOUNTING:

#### 1.1 Basis of preparation:

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in India ('I-GAAP') under the Historical Cost Convention on an accrual basis and are in conformity with mandatory Accounting Standards, as prescribed by the Companies (Accounting Standards) Rules, 2006, and the provisions of the Companies Act, 1956.

#### 1.2 Use of estimates:

In preparing the financial statements in conformity with I-GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities as at the date of financial statements and the amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. Any variation to such estimates is recognised in the period the same is determined.

### 2. FIXED ASSETS:

2.1 Fixed Assets are stated at historical cost less accumulated depreciation. Cost includes all expenditure involved in bringing them to usable condition.

2.2 Cost of Land is capitalised on taking possession, pending execution of formal deeds of lease, title or transfer.

2.3 Works completed have been capitalised on provisional basis, in respect of those works for which final bills are yet to be received.

2.4 Process Development Expenditure is recognised as an Internally Generated Intangible Asset.

2.5 Capital work in progress consists of costs incurred on projects and other capital works under feasibility/commissioning stage. Cost includes related incidental expenses.

### 3. DEPRECIATION:

3.1 Depreciation on Fixed Assets is provided on Straight Line Method as stipulated in Schedule XIV of the Companies Act, 1956, at respective rates prevailing at the time they are put to use, except in the case of following assets for which higher rates are charged based on their estimated useful life:

| Sl No | Particulars                | Rate of Depreciation |                |
|-------|----------------------------|----------------------|----------------|
|       |                            | Charged              | As per Sch-XIV |
| 1     | Steel cord Conveyor Belts  | 25.00%               | 5.28%          |
| 2     | Vehicles                   | 16.67%               | 9.50%          |
| 3     | Furniture & Fittings       | 16.67%               | 6.33%          |
| 4     | Re-lining in Blast Furnace | 12.50%               | 5.28%          |

3.2 Depreciation in respect of Assets whose actual cost does not exceed ₹ 5,000/- each and Temporary Structures has been provided in full retaining a nominal value of ₹ 1/- per item.

3.3 Cost of Leasehold Land is amortised over the period of lease.

- 3.4 Depreciable assets under Mines and Plant at Kudremukh are depreciated in full on stoppage of mining operation, retaining a nominal value of ₹ 1/- against each asset except for Vehicles, Furniture & Fittings. Lakya Dam with associated spillway and tunnel also are depreciated in full retaining a nominal value of ₹ 1/-each. Normal rates of depreciation have been adopted for other depreciable assets.
- 3.5 Plant, Machinery and other assets damaged or suspected to be damaged during transit, erection or commissioning are shown at cost and related insurance claims are accounted separately on realisation.
- 3.6 Part replacement of Steel Cord Conveyor Belt is charged to consumption.
- 3.7 Process Development Expenditure is amortised equally over a period of three years from the year of incurring.

#### **4. INVENTORIES :**

- 4.1 Stock of finished goods namely, Pellets and Pig Iron (including stock with the Consignment Agents) is valued at lower of cost or net realisable value. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its location and includes wherever applicable, appropriate overheads based on normal level of activity. However, when the actual production is abnormally lower as compared to normal level, the expenditure of fixed nature is reduced in proportion to the shortfall.
- 4.2 Raw Materials, Stores & Spares, Consumables and Additives are valued at lower of Cost and net realisable value. The cost is computed on weighted average basis. Materials in Transit are valued at Cost.
- 4.3 Stock of residue products is valued at estimated net realisable value.
- 4.4 (a) Non-moving items of Stores, Spares and Consumables with value less than ₹ 1,000 each at the end of the year are charged to consumption.  
(b) In respect of other non-moving stores including Insurance spares full provision is made if not moved for five or more consecutive completed financial years.
- 4.5 Loose tools with individual value below ₹ 1,000 are charged to consumption. Loose tools with individual value of ₹ 1,000 each and above are accounted on issue at cost and charged to consumption over a period of three years. However, if the written down value of each tool is below ₹ 1,000 at the end of the year, the remaining balance is charged to consumption.
- 4.6 Semi finished products are valued at lower of cost and net realisable value.

#### **5. REVENUE RECOGNITION:**

- 5.1 Sales include Excise Duty and Freight on Consignment Sales wherever applicable and is net of Sales Tax/Value Added Tax. Sales are recognised on despatch of goods to the customers. In respect of sea shipments, issue of Bill of Lading is considered as despatch.
- 5.2 Interest is recognised on accrual basis subject to certainty of realisation.
- 5.3 Sale of scrap is accounted on lifting of scrap by the buyers.
- 5.4 Capital grants received for specific assets are deducted from the gross value of the assets. Revenue grants are treated as income
- 5.5 Refunds of statutory duties and taxes, other than service tax, export duty and cess, are accounted on receipt.
- 5.6 Insurance and Railway claims are accounted on receipt.

## 6. TAX ON INCOME:

6.1 Tax on income for the current period is determined based on taxable income and tax credits computed in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognised, subject to consideration of prudence on timing differences, representing the difference between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

## 7. RETIREMENT BENEFITS :

7.1 Liability with regard to Gratuity benefits payable in future is determined by actuarial valuation at each Balance Sheet date using the Projected Unit Credit Method. Liability on this account is covered under Group Gratuity Life Assurance Scheme of LIC of India. Premium paid on this Scheme is charged to expense as contribution to gratuity. Settlement, if any, in excess of the amount received under the scheme, is also recognised as an expense as and when incurred.

7.2 Provision for Leave Encashment Benefits and Leave Travel Concessions is made based on actuarial valuation as on the Balance Sheet date.

7.3 Provident Fund contributions are made to a Trust administered by the trustees nominated by the Company and charged as expenses during the year. Provision for Provident fund interest guarantee is made based on actuarial valuation as on the Balance sheet date.

## 8. FOREIGN CURRENCY TRANSLATIONS :

8.1 Amount recoverable and payable as at the close of the year in foreign currency is accounted for at the current rate of exchange prevailing on the Balance Sheet date.

8.2 Exchange variations arising out of translation of current assets and current liabilities at the end of the year are taken to Profit and Loss Account.

8.3 Exchange variations on account of fixed assets are being adjusted to respective assets.

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### For and on behalf of Board of Directors

**Malay Chatterjee**  
*Chairman-cum-Managing Director*

**Laxminarayana**  
*Director (Finance)*

as per our report of even date  
for **M/s SUNDARAM & SRINIVASAN**  
*Chartered Accountants*  
*(Firm Registration No:004207S)*

Place: Bangalore  
Date : 15th May,2013

**S.K.Padhi**  
*Company Secretary*

**(P.Menakshi Sundaram)**  
*Partner*  
*Membership No:217914*

## Note-2.1 : Share Capital

₹ in Lakhs

| Particulars   | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| <b>Authorised :</b>   | <b>67500.00</b>   | <b>67500.00</b>  |
| 67,50,00,000 Equity shares of ₹ 10/- each (Previous year 67,50,00,000 equity shares of ₹ 10/- each) |   |  |
| <b>Issued, Subscribed and fully paid-up:</b>  | <b>63451.38</b>   | <b>63451.38</b>  |
| 63,45,13,800 Equity shares of ₹ 10/- each (Previous year 63,45,13,800 shares of ₹ 10/- each)        |   |  |
| <b>Total:</b>   | <b>63451.38</b>   | <b>63451.38</b>  |

a) During the year, the Company has not issued/bought back any shares

b) Details of shareholders holding more than 5% shares in the Company:

| Particulars           | 31-03-2013   |           | 31-03-2012   |           |
|-----------------------|--------------|-----------|--------------|-----------|
|                       | No of shares | % holding | No of shares | % holding |
| - Government of India | 628144130    | 99.00%    | 628144130    | 99.00%    |

## Note-2.2 : Reserves and Surplus

₹ in Lakhs

|  | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--|---|--|
| <b>Capital Reserve</b>                                       | <b>9.08</b>   | <b>9.08</b>  |
| <b>General Reserve</b>                                       |   |  |
| As per last Balance sheet                                    | <b>143601.65</b>  | 136391.22  |
| Add: Transfer from surplus in the statement of Profit & loss | <b>2362.41</b>  | <b>7210.43</b>   |
|  | <b>145964.06</b>  | 143601.65  |
| <b>Surplus in the statement of profit &amp; loss</b>         |   |  |
| Profit for the year as per statement of profit & loss        | <b>3104.76</b>  | 9430.13  |
| Less: Appropriations:  |   |  |
| Proposed Dividend  | <b>634.51</b>   | 1903.54  |
| Tax on proposed Dividend                                     | <b>107.84</b>   | 316.16   |
| Transfer to general reserve                                  | <b>2362.41</b>  | 7210.43  |
| <b>Total:</b>  | <b>145973.14</b>  | <b>143610.73</b>   |

### Note-3.1 : Other Long term liabilities

₹ in Lakhs

| Particulars                                    | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--|---|--|
| Deposits from Suppliers,Contractors and Others | <u>77.47</u>  | <u>73.68</u>   |
| <b>Total:</b>                                  | <b><u>77.47</u></b>   | <b><u>73.68</u></b>  |

### Note-3.2 : Long term provisions

₹ in Lakhs

| Particulars                                  | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--|---|--|
| <b>Provision towards employee benefits:</b>  |   |  |
| Gratuity                                     | 5689.68   | 4670.87  |
| Other Superannuation Benefits                | 5058.98   | 4080.68  |
| Long term compensated absence-EL             | 2336.77   | 1842.88  |
| Long term compensated absence-HPL            | 1122.70   | 801.52   |
| Retirement settlement benefits               | 340.90  | 340.90   |
| Provident Fund interest Guarantee Obligation | 62.02   | 39.11  |
|  | <u>14611.05</u>   | <u>11775.96</u>  |
| <b>Total:</b>                                | <b><u>14611.05</u></b>  | <b><u>11775.96</u></b>   |

### Note-4.1 :Trade payables

₹ in Lakhs

| Particulars     | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|-----------------|---|--|
| (a)For Goods    | 2019.01   | <u>2200.85</u>   |
| (b)For Works    | 225.56  | 281.89   |
| (c)For services | 238.36  | 370.34   |
| <b>Total:</b>   | <b><u>2482.93</u></b>   | <b><u>2853.08</u></b>  |

## Note-4.2 :Other current liabilities

₹ in Lakhs

| Particulars  | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--|---|--|
| (a) Advances   | 853.08  | 748.18   |
| (b) Security deposits from suppliers, Contractors and Others | 1085.58   | 906.58   |
| (c) Liability for expenses                                   | 4307.07   | 4072.84  |
| (d) Accrued salaries & benefits                              | 3676.15   | 4287.91  |
| (e) Unclaimed dividend pending encashment of warrants        | 2.46  | -  |
| (f) Other Payables   | 1059.66   | 1513.44  |
| (g) Income Tax provision                                     | 7082.55   | -  |
| Less:Advance tax and tax deducted at source                  | 6754.11   | -  |
|  | 328.44  | -  |
| <b>Total:</b>  | <b>11312.44</b>   | <b>11528.95</b>  |

## Note-4.3 :Short-term provisions

₹ in Lakhs

| Particulars                                 | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| <b>Provision towards Employee benefits:</b> |   |  |
| Gratuity                                    | 403.67  | 500.00   |
| Short term compensated absence-EL           | 326.27  | 204.25   |
| Leave travel concession                     | 87.74   | 79.67  |
| Short term compensated absence-HPL          | 150.93  | 87.57  |
|   | 968.61  | 871.49   |
| <b>Others:</b>                              |   |  |
| Proposed Dividend                           | 634.51  | 1903.54  |
| Tax on Proposed Dividend                    | 107.84  | 316.16   |
|   | 742.35  | 2219.70  |
| <b>Total:</b>                               | <b>1710.96</b>  | <b>3091.19</b>   |



## FIXED ASSETS

| Sl. No.                         | Description of Assets                           | GROSS BLOCK (At cost) |                           |                    |                       | DEPRECIATION             |                 |                    |                           | NET BLOCK        |                  |
|---------------------------------|---|-----------------------|---------------------------|--------------------|-----------------------|--------------------------|-----------------|--------------------|---------------------------|------------------|------------------|
|                                 |   | Cost as at 01.04.2012 | Additions during the year | Sales/ Adjustments | Cost as at 31.03.2013 | Provided upto 01.04.2012 | For the year    | Sales/ Adjustments | Provided up to 31.03.2013 | As at 31.03.2013 | As at 31.03.2012 |
| <b>NOTE 5.1 TANGIBLE ASSETS</b> |   |                       |                           |                    |                       |                          |                 |                    |                           |                  |                  |
| <b>MINES &amp; PLANT:</b>       |   |                       |                           |                    |                       |                          |                 |                    |                           |                  |                  |
| 1.                              | Land* - Freehold                                | 722.99                | -                         | 0.35               | <b>723.34</b>         | -                        | -               | -                  | -                         | 723.34           | 722.99           |
|                                 | - Leasehold                                     | 2,179.42              | 0.66                      | (0.89)             | <b>2,179.19</b>       | 119.09                   | 31.05           | 9.23               | <b>159.37</b>             | 2,019.82         | 2,060.33         |
| 2                               | Buildings                                       | 22,548.39             | 497.41                    | -                  | <b>23,045.80</b>      | 16,523.67                | 337.00          | (97.88)            | <b>16,762.79</b>          | 6,283.01         | 6,024.72         |
| 3                               | Plant & Equipment                               | 103,622.23            | 966.65                    | (22.95)            | <b>104,565.93</b>     | 80,455.91                | 3,235.57        | (51.61)            | <b>83,639.87</b>          | 20,926.06        | 23,166.32        |
| 4                               | Furniture & Fixtures                            | 354.82                | 4.44                      | (1.53)             | <b>357.73</b>         | 350.28                   | 1.48            | (1.36)             | <b>350.40</b>             | 7.33             | 4.54             |
| 5                               | Vehicles  | 676.08                | -                         | (1.22)             | <b>674.86</b>         | 608.80                   | 13.26           | (1.22)             | <b>620.84</b>             | 54.02            | 67.28            |
| 6                               | Office equipments                               | 1,053.19              | 15.89                     | (5.86)             | <b>1,063.22</b>       | 935.36                   | 37.89           | (5.03)             | <b>968.22</b>             | 95.00            | 117.83           |
| 7                               | Others:   |                       |                           |                    |                       |                          |                 |                    |                           |                  |                  |
|                                 | Roads, Bridges & Culverts                       | 1,512.76              | -                         | -                  | <b>1,512.76</b>       | 1,357.43                 | 4.07            | -                  | <b>1,361.50</b>           | 151.26           | 155.33           |
|                                 | Dams, Embankments etc.,                         | 12,984.83             | -                         | -                  | <b>12,984.83</b>      | 12,556.20                | 428.63          | -                  | <b>12,984.83</b>          | -                | 428.63           |
|                                 | Temporary Structures                            | 86.46                 | -                         | -                  | <b>86.46</b>          | 86.46                    | -               | -                  | <b>86.46</b>              | -                | -                |
|                                 | Railway Siding                                  | 971.81                | -                         | -                  | <b>971.81</b>         | 286.70                   | 46.16           | -                  | <b>332.86</b>             | 638.95           | 685.11           |
|                                 | Water supply, Sewerage & Fire Prevention system | 2,050.12              | 102.03                    | -                  | <b>2,152.15</b>       | 1,918.01                 | 17.45           | -                  | <b>1,935.46</b>           | 216.69           | 132.11           |
|                                 | Electrical Installation                         | 8,559.44              | 60.44                     | -                  | <b>8,619.88</b>       | 7,380.69                 | 128.04          | -                  | <b>7,508.73</b>           | 1,111.15         | 1,178.75         |
|                                 | <b>SUB TOTAL</b>                                | <b>157,322.54</b>     | <b>1,647.52</b>           | <b>(32.10)</b>     | <b>158,937.96</b>     | <b>122,578.60</b>        | <b>4,280.60</b> | <b>(147.87)</b>    | <b>126,711.33</b>         | <b>32,226.63</b> | <b>34,743.94</b> |

### TOWNSHIP:

|    |   |          |   |        |                 |          |       |        |                 |        |        |
|----|---|----------|---|--------|-----------------|----------|-------|--------|-----------------|--------|--------|
| 1. | Land* - Freehold                                | 32.81    | - | -      | <b>32.81</b>    | -        | -     | -      | -               | 32.81  | 32.81  |
|    | - Leasehold                                     | 34.14    | - | -      | <b>34.14</b>    | 34.14    | -     | -      | <b>34.14</b>    | -      | -      |
| 2  | Buildings                                       | 2,205.13 | - | -      | <b>2,205.13</b> | 1,231.35 | 36.13 | -      | <b>1,267.48</b> | 937.65 | 973.78 |
| 3  | Furniture & Fittings                            | 43.77    | - | (0.46) | <b>43.31</b>    | 43.38    | 0.07  | (0.46) | <b>42.99</b>    | 0.32   | 0.39   |
| 4  | Vehicles  | 59.93    | - | -      | <b>59.93</b>    | 59.93    | -     | -      | <b>59.93</b>    | -      | -      |
| 5  | Office equipments                               | 88.36    | - | (0.08) | <b>88.28</b>    | 87.12    | 0.25  | (0.08) | <b>87.29</b>    | 0.99   | 1.24   |
| 6  | Others:   |          |   |        |                 |          |       |        |                 |        |        |
|    | Roads, Bridges & Culverts                       | 250.83   | - | -      | <b>250.83</b>   | 165.58   | 3.84  | -      | <b>169.42</b>   | 81.41  | 85.25  |
|    | Temporary Structures                            | 48.55    | - | -      | <b>48.55</b>    | 48.55    | -     | -      | <b>48.55</b>    | -      | -      |
|    | Electrical Installations                        | 199.96   | - | -      | <b>199.96</b>   | 196.13   | 0.56  | -      | <b>196.69</b>   | 3.27   | 3.83   |
|    | Water supply, Sewerage & Fire Prevention System | 291.81   | - | (0.26) | <b>291.55</b>   | 284.92   | 1.03  | (0.26) | <b>285.69</b>   | 5.86   | 6.89   |

### Note 5.2 INTANGIBLE ASSETS

|   |                                 |                   |                 |                |                   |                   |                 |                 |                   |                  |                  |
|---|---------------------------------|-------------------|-----------------|----------------|-------------------|-------------------|-----------------|-----------------|-------------------|------------------|------------------|
| 1 | Process development expenditure | 1,924.98          | -               | -              | <b>1,924.98</b>   | 1,924.98          | -               | -               | <b>1,924.98</b>   | -                | -                |
|   | <b>SUB TOTAL</b>                | <b>1,924.98</b>   | <b>-</b>        | <b>-</b>       | <b>1,924.98</b>   | <b>1,924.98</b>   | <b>-</b>        | <b>-</b>        | <b>1,924.98</b>   | <b>-</b>         | <b>-</b>         |
|   | <b>GRAND TOTAL</b>              | <b>162,502.81</b> | <b>1,647.52</b> | <b>(32.90)</b> | <b>164,117.43</b> | <b>126,654.68</b> | <b>4,322.48</b> | <b>(148.67)</b> | <b>130,828.49</b> | <b>33,288.94</b> | <b>35,848.13</b> |
|   | Previous year                   | 153,810.40        | 8,794.49        | (102.08)       | 162,502.81        | 122,332.22        | 4,090.16        | 232.30          | 126,654.68        | 35,848.13        | 31,478.18        |

#### 1. \*Includes

a. Development Costs

b. Amortisation in respect of Leasehold Land

c. 9.06 acres of land at Kudremukh & 4.481 acres at BFU are leased to other agencies.

d. Freehold land 324.048 acres, and leasehold land including lease cum sale 11426.296 acres.

e. The Company will get freehold title in respect of leasehold land (153.875 acres at BFU) after payment of remaining ₹ 0.03 crore (i.e. 1% of cost of the land) and registration of sale deed in 2015.

### Note-5.3 :Capital work-in-progress

₹ in Lakhs

| Particulars  | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--|---|--|
| Plant and machinery/construction stores in stock             | 33.11   | 295.32   |
| Work in progress:  |   |  |
| Material handling facilities and Railway siding from Thokkur | 376.48  | 753.61   |
| Ductile Iron spun pipe plant                                 | 69.00   | 66.42  |
| Others   | 572.66  | 1455.82  |
| <b>Total:</b>  | <b>1018.14</b>  | <b>2275.85</b>   |
| Less:Provision   | 394.31  | 168.77   |
|  | <b>623.83</b>   | <b>2107.08</b>   |
| <b>Total:</b>  | <b>656.94</b>   | <b>2402.40</b>   |

### Note-5.4 :Deferred Tax Assets(Net)

₹ in Lakhs

| Particulars   | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| <b>A. Deferred tax assets:</b>                                      |   |  |
| Timing differences on account of disallowances under Income Tax Act | 7668.70   | 6593.52  |
| <b>B. Deferred tax liability:</b>                                   |   |  |
| Timing differences on account of depreciation                       | 5085.89   | 4961.29  |
| <b>Net Deferred Tax Assets(A-B)</b>                                 | <b>2582.81</b>  | <b>1632.23</b>   |

### Note-5.5 :Long term loans & advances

₹ in Lakhs

| Particulars                        | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|------------------------------------|---|--|
| Un-secured and considered doubtful | 1800.00   | 1800.00  |
| Less:Provision for doubtful debts  | 1800.00   | 1800.00  |
|                                    | -   | -  |
| <b>Total:</b>                      | <b>-</b>  | <b>-</b>   |

**Note-5.6 :Other non-current assets:**

₹ in Lakhs

| Particulars                          | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--------------------------------------|---|--|
| <b>(e) Other non-current assets:</b> |   |  |
| Deposits-MESCOM                      | <b>683.68</b>   | 553.36   |
| -Others                              | <b>141.99</b>   | 121.44   |
|                                      | <b>825.67</b>   | 674.80   |
| Advances -Employees                  | <b>279.08</b>   | 336.64   |
| <b>Total:</b>                        | <b>1104.75</b>  | 1011.44  |

**Note-6.1 :Inventories****(As valued and certified by the Management)**

₹ in Lakhs

| Particulars   | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| (a) Raw materials   | <b>7463.61</b>  | 6940.10  |
| Less : Provision- AS2   | <b>2485.05</b>  | 1790.65  |
|   | <b>4978.56</b>  | 5149.45  |
| Add:Raw materials in transit  | <b>2060.26</b>  | 4803.46  |
|   | <b>7038.82</b>  | 9952.91  |
| (b) Work in progress  | <b>8899.70</b>  | -  |
| (c) Finished goods at lower of cost or net realisable value<br>-Pellets | <b>8432.17</b>  | 6275.62  |
| (d) Stores and spares   | <b>14017.47</b>   | 10698.21   |
| [Includes ₹ 416.47 lakhs declared surplus(Previous year ₹ 476.39 Lakhs) |   |  |
| Less:Provision towards Non-moving and Surplus Stores                    | <b>5430.50</b>  | 5411.43  |
|   | <b>8586.97</b>  | 5286.78  |
| Add: Stores in transit at cost  | <b>8.29</b>   | 11.73  |
|   | <b>8595.26</b>  | 5298.51  |
| (e)Loose tools at cost(Less written off)                                | <b>3.34</b>   | 3.88   |
| (f) Consumables and Additives   | <b>329.38</b>   | 492.82   |
| <b>Total:</b>   | <b>33298.67</b>   | 22023.74   |

## Note-6.2 :Trade receivables

₹ in Lakhs

| Particulars   | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| (i) Outstanding for more than six months from the date they are due for payment |   |  |
| Secured, considered good  | -   | -  |
| Un-Secured, considered good   | -   | -  |
| Doubtful  | -   | -  |
| (ii) Others   | -   | -  |
| Secured, considered good  | -   | -  |
| Un-Secured, considered good   | <b>16688.58</b>   | 8521.35  |
| Doubtful  | -   | -  |
|   | <b>16688.58</b>   | 8521.35  |
| <b>Total:</b>   | <b>16688.58</b>   | 8521.35  |

## Note-6.3 :Cash & Cash equivalents

₹ in Lakhs

| Particulars   | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| <b>(i) Cash and Cash Equivalents</b>  |   |  |
| <b>Balances with banks</b>  |   |  |
| In Current Account  | <b>382.74</b>   | 1009.21  |
| In Flexi deposit  | <b>191.30</b>   | 42.40  |
| Cash on hand  | <b>1.77</b>   | 2.11   |
| Stamps in hand (Unfranked balance)  | <b>0.48</b>   | 0.16   |
| Unpaid Dividend account   | <b>2.46</b>   | 0.31   |
|   | <b>578.75</b>   | 1054.19  |
| <b>(ii) Other Bank Balances</b>   |   |  |
| In Term deposit with original maturity of more than three months, but up to twelve months | <b>140998.00</b>  | 145400.00  |
| <b>Total:</b>   | <b>141576.75</b>  | 146454.19  |

## Note-6.4 :Short-term loans and advances

₹ in Lakhs

| Particulars                            | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|--|---|--|
| Claims -Railways & Customs             | -   | 12.58  |
| - Service tax                          | 25.06   | 61.01  |
| - Modavat                              | -   | 2.95   |
|  | <b>25.06</b>  | 76.54  |
| Deposits-Port                          | 4.65  | 28.34  |
| - Customs & Excise                     | 4.33  | 4.33   |
| - Others                               | 69.33   | 37.64  |
|  | <b>78.31</b>  | 70.31  |
| Advances- Suppliers                    | 1355.49   | 3901.40  |
| - Employees                            | 130.93  | 181.15   |
| - Others                               | 2679.44   | 2628.01  |
|  | <b>4165.86</b>  | 6710.56  |
| Advance tax and tax deducted at source | -   | 10046.06   |
| - Less: Provision                      | -   | 5587.82  |
|  | -   | 4458.24  |
| <b>Total:</b>                          | <b>4269.23</b>  | 11315.65   |

## Note-6.5 :Other current assets

₹ in Lakhs

| Particulars                             | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|---|---|--|
| Accrued interest on deposits with banks | 5,683.63  | 6368.52  |
| Other receivables                       | 469.07  | 807.32   |
| <b>Total:</b>                           | <b>6152.70</b>  | 7175.84  |

## Note-7 :Revenue from operations

₹ in Lakhs

| Particulars           | Figures as at the end of current reporting period<br>31-03-2013 | Figures as at the end of previous reporting period<br>31-03-2012 |
|-----------------------|---|--|
| Gross Sales - Pellets | 115251.80   | 150364.06  |
| - Auxilliary          | 660.39  | 1743.26  |
| - Slag                | -   | 0.28   |
|                       | <b>115912.19</b>  | <b>152107.60</b>   |
| Less: Excise Duty     | 18282.84  | 13178.52   |
| Net sales             | <b>97629.35</b>   | <b>138929.08</b>   |
| <b>Total:</b>         | <b>97629.35</b>   | <b>138929.08</b>   |

## Note-8 :Other income

₹ in Lakhs

| Particulars                   | Figures for the current reporting period<br>31-03-2013 | Figures for the of previous reporting period<br>31-03-2012 |
|-------------------------------|--|--|
| Interest on deposits          | 14438.71   | 13511.23   |
| Interest-Others               | 1389.99  | 39.12  |
| Profit on sale of Assets      | 6.97   | 4.39   |
| Hire charges                  | 0.61   | 0.71   |
| Rent                          | 43.10  | 38.96  |
| Sale of scrap                 | 236.46   | 159.54   |
| Despatch money                | 36.84  | 35.81  |
| Exchange variation            | 0.39   | 36.54  |
| Provision no longer required: |  |  |
| Slime                         | -  | 905.51   |
| Others                        | -  | 1014.98  |
|                               |  | <b>1920.49</b>   |
| Miscellaneous                 |  |  |
| CST incentive                 | 1278.22  | 464.81   |
| Retrieved iron ore            | 1744.66  | -  |
| Others                        | 1342.12  | 921.52   |
|                               | <b>4365.00</b>   | <b>1386.33</b>   |
| <b>Total:</b>                 | <b>20518.07</b>  | <b>17133.12</b>  |

## Note-9: Changes in inventories of finished goods

₹ in Lakhs

| Particulars   | Figures for the current reporting period<br>31-03-2013 | Figures for the previous reporting period<br>31-03-2012 |
|---|--|---|
| <b>Opening Stock</b>  |  |   |
| Work in progress  | 2172.64  | -   |
| Finished Goods  |  |   |
| -Pellets  | 6275.62  | 5991.52   |
| -Auxilliary   | -  | 550.06  |
| Others  |  |   |
| - Granulated Slag   | -  | 0.70  |
| - Coke Fines-BFU  | -  | 50.31   |
|   | <b>8448.26</b>   | <b>6592.59</b>  |
| <b>Closing Stock</b>  |  |   |
| Work in progress  | 8899.70  | -   |
| Finished Goods  |  |   |
| -Pellets  | 8432.16  | 6275.62   |
|   | <b>(8883.60)</b>                                       | <b>316.97</b>   |
| Less: Variation in Excise duty on opening & closing stock of finished goods |  |   |
| - Auxilliary  | -  | 51.37   |
| - Granulated Slag   | -  | 0.07  |
|   | <b>(8883.60)</b>                                       | <b>265.53</b>   |
| Less: Transfer/Adjustment   |  |   |
| - Coke Fines-BFU  | -  | 50.31   |
|   | <b>(8883.60)</b>                                       | <b>215.22</b>   |
| <b>Total:</b>   | <b>(8883.60)</b>                                       | <b>215.22</b>   |

## Note-10 :Employee benefits expense

₹ in Lakhs

| Particulars  | Figures for the current reporting period<br>31-03-2013 | Figures for the previous reporting period<br>31-03-2012 |
|--|--|---|
| Salaries and wages                                 | 11139.11   | 10985.57  |
| Company's contribution to Provident Fund           | 843.31   | 800.76  |
| Contribution to Gratuity Fund                      | 1569.00  | 665.69  |
| Provident Fund interest guarantee obligation       | 22.91  | -   |
| Contribution towards other Superannuation Benefits | 978.29   | 871.33  |
| Workmen & Staff welfare expenses                   | 941.51   | 922.37  |
| <b>Total:</b>                                      | <b>15494.13</b>  | <b>14245.72</b>   |

## Note-11 :Other expenses

₹ in Lakhs

| Particulars   | Figures for the current reporting period<br>31-03-2013 | Figures for the previous reporting period<br>31-03-2012 |
|---|--|---|
| Cost of stores & spares consumed                    | 1936.46  | 3169.17   |
| Cost of consumables & additives consumed            | 3321.84  | 4558.03   |
| Power & fuel  | 15540.01   | 18551.88  |
| Rent  | 1066.57  | 856.13  |
| Rates and taxes, excluding taxes on income          | 35.96  | 35.19   |
| Insurance charges                                   | 100.31   | 18.45   |
| Travelling expenses                                 | 253.80   | 256.38  |
| Repairs and maintenance:                            |  |   |
| Building  | 340.93   | 270.66  |
| Machinery   | 457.07   | 756.23  |
| Others  | 88.16  | 87.23   |
|   | 886.16   | 1114.12   |
| Postage and telephone charges                       | 63.12  | 55.00   |
| Advertisement and publicity                         | 89.34  | 295.61  |
| Expenses on security                                | 1317.71  | 1276.54   |
| Payment to auditor as:                              |  |   |
| a. auditor  | 6.00   | 4.50  |
| b. for taxation matters                             | 1.25   | 1.00  |
| c. for other services                               | 1.00   | 1.00  |
| d. for reimbursement of expenses                    | 1.00   | 1.00  |
|   | 9.25   | 7.50  |
| Cost Audit fee and reimbursement expenses           | 1.20   | -   |
| Port charges, Sampling Survey and cess              | 608.62   | 1032.32   |
| Bank charges including discounting of bills         | 119.37   | 89.59   |
| Entertainment                                       | 11.21  | 6.24  |
| Commission/Incentive on sales                       | 11.03  | -   |
| Forest, Ecology & pollution control expenses        | 43.19  | 61.74   |
| Directors' sitting fees                             | 13.00  | 18.65   |
| Corporate Social Responsibility                     | 283.00   | 119.01  |
| Provision for surplus stores, DDRs and others       | 155.53   | 60.37   |
| Provision for inventory- materials & other supplies | 694.40   | -   |
| Provision -Others                                   | 225.54   | -   |
| Exchange variation                                  | 2.90   | -   |
| Prior period items                                  | 43.14  | 1138.25   |
| Miscellaneous expenses                              | 523.83   | 476.17  |
| <b>Total:</b>                                       | <b>27356.49</b>  | <b>33196.34</b>   |



**Note-12: Information regarding value of production, stocks, consumption value of imports expenditure and earnings in foreign exchange.**

₹ in Lakhs

| <b>"Figures as at the end of current reporting period<br/>31-03-2013"</b> |                                   |                                   |                             |
|---|-----------------------------------|-----------------------------------|-----------------------------|
|   | <b>"Iron Ore<br/>Concentrate"</b> | <b>"Iron Ore<br/>Pellets"</b>     | <b>Pig Iron</b>             |
| Actual Production   | <b>Nil</b><br>( Nil )             | <b>117,408.35</b><br>(150,648.16) | -<br>-                      |
| Opening Stock   | <b>Nil</b><br>( Nil )             | <b>6,275.62</b><br>(5,991.52)     | -<br>(550.06)               |
| Closing Stock   | <b>Nil</b><br>( Nil )             | <b>8,432.17</b><br>(6,275.62)     | -<br>-                      |
| Sales (Gross)   | <b>Nil</b><br>( Nil )             | <b>115,251.80</b><br>(150,364.06) | <b>660.39</b><br>(1,743.54) |

Note: 1) Pig Iron includes Auxiliary.

2) Previous year's figures indicated in bracket.

## Note -12 (Continuation)

| Particulars   | Figures as at the end of current reporting period 31-03-2013 |                     |            | Figures as at the end of previous reporting period 31-03-2012 |                     |            |
|---|--|---------------------|------------|---|---------------------|------------|
|   | Quantity<br>Metric Ton                                       | Value<br>₹ In Lakhs | Percentage | Quantity<br>Metric Ton  | Value<br>₹ in Lakhs | Percentage |
| Consumption of raw materials                                    |  |                     |            |   |                     |            |
| Imported: Coke  |  | -                   |            |   | -                   |            |
| Total :   |  | -                   |            |   | -                   |            |
| Indigenous: Iron ore fines<br>(Including WIP)                   | 1392133  | 76623.64            | 100.00%    | 1710200   | 92775.34            | 100.00%    |
| Total :   |  | 76623.64            | 100.00%    |   | 92775.34            | 100.00%    |
| Consumption of stores,spares and fuel:                          |  |                     |            |   |                     |            |
| Imported  |  | 12539.90            | 87.57%     |   | 16368.71            | 90.48%     |
| Indigenous  |  | 1779.50             | 12.43%     |   | 1721.33             | 9.52%      |
| Total :   |  | 14319.40            | 100.00%    |   | 18090.04            | 100.00%    |
| Included under:   |  |                     |            |   |                     |            |
| Stores and spares   |  | 1936.46             |            |   | 3169.17             |            |
| Power and fuel  |  | 12359.21            |            |   | 14878.86            |            |
| Welfare expenses  |  | 23.73               |            |   | 42.01               |            |
| Total :   |  | 14319.40            |            |   | 18090.04            |            |
| Consumption of Consumables & additives                          |  |                     |            |   |                     |            |
| Imported - Lime stone   | 40026  | 564.44              | 16.99%     | 49008   | 611.13              | 13.41%     |
| - Coke fines  | -  | -                   | -          | 650   | 50.31               | 1.10%      |
| Total :   |  | 564.44              |            |   | 661.44              |            |
| Indigenous: 1) Bentonite  | 8878   | 295.43              |            | 14142   | 456.56              |            |
| 2) Coke fines   | 24073  | 2407.50             | 83.01%     | 30341   | 3170.80             | 85.49%     |
| 3) Burnt lime   | 1033   | 54.47               |            | 3474  | 171.11              |            |
| 4) Lime stone   | -  | -                   |            | 5375  | 98.12               |            |
| Total :   |  | 2757.40             |            |   | 3896.59             |            |
| Total :   |  | 3321.84             | 100.00%    |   | 4558.03             | 100.00%    |
| Expenditure incurred in foreign currency (On remittance basis): |  |                     |            |   |                     |            |
| (a) Travelling  |  | 5.16                |            |   | 5.28                |            |
| (b) Other expenses  |  | 2421.10             |            |   | 960.68              |            |
| Value of Imports on CIF Basis                                   |  |                     |            |   |                     |            |
| (a) Components and spare parts                                  |  | 1339.38             |            |   | 2110.53             |            |
| (b) Furnace oil   |  | 13668.50            |            |   | 15578.79            |            |
| (c) Consumables and additives                                   |  | 360.25              |            |   | 900.33              |            |
| (d) Capital goods   |  | 53.55               |            |   | 5461.74             |            |
| Earnings in Foreign Exchange (on Receipt basis)                 |  |                     |            |   |                     |            |
| (a) Export of goods (FOB)<br>(₹ in Lakhs)                       |  | -                   |            |   | 49615.28            |            |
| equivalent of above in<br>(US \$ Million)                       |  | -                   |            |   | 110.72              |            |
| (b) Other receipts (₹ in Lakhs)                                 |  | -                   |            |   | 7.43                |            |

## Note 13: Other notes forming part of accounts

₹ in Lakhs

|  | Figures as at the end of<br>current reporting period<br>31-03-2013 | Figures as at the end of<br>previous reporting period<br>31-03-2012 |
|--|--|---|
|--|--|---|

1. "Pending execution of Lease Deed with New Mangalore Port Trust for certain tracts of land, provision has been made for the Registration charges and Stamp duty, which is estimated at ₹ 5.61 Lakhs (Previous year ₹ 5.37 Lakhs). The expenditure incurred is amortised over the period of lease. Lease Rentals are charged to Profit and Loss Account on accrual basis.

The Company has registered following tracts of land taken on lease during the year 2010-11. The period of lease and rental obligation for the remaining period of lease is as follows:

| Track of land                            | Period of lease | Rental obligation<br>Remaining (₹/Lakhs) |         |
|--|-----------------|--|---------|
| <b>Period not later than five years:</b> |                 |  |         |
| Track 1                                  | 27008 sqm       | 17.2.94 to 16.2.2014                     | 44.88   |
| Track 2                                  | 213783 sqm      | 20.7.97 to 19.7.2017                     | 1794.63 |
| <b>Period later than five years:</b>     |                 |  |         |
| Track 1                                  | 113497 sqm      | 20.4.99 to 19.4.2019                     | 4008.62 |
| Track 2                                  | 300 sqm         | 01.4.99 to 31.3.2029                     | 10.62   |
| Track 3                                  | 1190 sqm        | 01.8.99 to 31.7.2029                     | 42.97   |
| Track 4                                  | 21270 sqm       | 21.7.12 to 20.7.2022                     | 406.18  |
| Track 5                                  | 475 sqm         | 01.5.98 to 30.4.2028                     | 19.77   |
| Track 6                                  | 48 sqm          | 01.7.98 to 30.6.2028                     | 1.96    |

2. "(A) Estimated amount of the contracts to be executed on capital account and not provided for : (net of advances)
- |  |         |         |
|--|---------|---------|
|  | 1479.14 | 1955.75 |
|--|---------|---------|

**"(B) Contingent Liabilities not provided for:**

- (a) In respect of - Letters of Credit and Bank Guarantees etc., outstanding

|                         |        |         |
|-------------------------|--------|---------|
| (i) On Revenue Account  | 839.00 | 6545.14 |
| (ii) On Capital Account | -      | -       |

b) Claims against the Company not acknowledged as debts.

|                          |                 |          |
|--------------------------|-----------------|----------|
| (i) On Revenue Account * | <b>14219.13</b> | 11237.22 |
| (ii) On Capital Account  | <b>16334.87</b> | 16159.99 |

(\*includes ₹ 11,057.62 Lakhs towards Forest Development Tax at the rate of 12% of basic price of iron ore. NMDC Limited has filed a writ petition in the Hon'ble High Court of Karnataka challenging the levy of the same. The case is pending for disposal. Meanwhile, as per the interim order of the Hon'ble Court, ₹ 2,617.43 lakhs (25% of FDT) is collected in cash and Bank Guarantee of ₹ 2,734.87 lakhs is also collected by NMDC Limited)

(c) **Disputed Liabilities in Appeal**

On Revenue Account:

|             |                |         |
|-------------|----------------|---------|
| VAT         | -              | 65.08   |
| Excise Duty | <b>6236.44</b> | 2924.48 |
| Service Tax | -              | 405.98  |

(C) Demands made by the income tax department, which are disputed by the Company and payments made against each demand are as under:

| Asst. Year | Disputed demand | Amount Paid | Balance as on 31.03.2013 | Pending with                         |
|------------|-----------------|-------------|--------------------------|--------------------------------------|
| 2008-09    | 1736.44         | 1736.44     | Nil                      | Income Tax Appellate Tribunal        |
| 2009-10    | 603.70          | 603.70      | Nil                      | Commissioner of Income Tax (Appeals) |

There will not be additional financial implication over and above the provisions already made as per Company's assessment.

- 3 The Company is a 100% Export Oriented Unit. With the suspension of mining operations at Kudremukh mine site, the Company is procuring the iron ore fines from NMDC mines and transporting it to its plant at Mangalore by rail or rail cum sea route.

The Railways are raising the RRs for transporting the iron ore through rakes which are promptly settled by the Company. As on date none of the RR is pending for payment or under dispute.

Railways vide letter No. H/C.474 Classification/11 dtd. 21-10-2011 raised an issue regarding the applicability of distance based charge over and above normal freight on Iron Ore transported through railway network for manufacture of Pellets and their subsequent export.

Iron ore fines and lumps attract distance based charge if the same are exported. However, the Iron Ore so moved and utilized in the steel plants for manufacture of finished product and exported thereafter do not attract distance based charge. This benefit is not available to Pellets though it is a manufactured, and value added, technically and commercially distinct product.

This is a clear violation of Article No.14 of Constitution of India which guarantees equality before law. Accordingly, the issue raised by Railways is challenged before the Hon'ble High Court of Karnataka through a Writ Petition. The Writ Petition was dismissed and the same is being appealed before the Division Bench of Hon'ble High Court of Karnataka. However, South Westerns Railways have not raised any quantified claim in this regard.

East Coast Railways have raised a demand of ₹ 41446 lakhs towards Distance Based Charge. The same is protested on the ground that, the demand includes besides the distance based charge, the normal freight, which has already been paid at the time of transportation and penalty thereof (both on distance based charge and normal freight) at the rate of 3 times of the normal rates. Similar writ petition is going to be filed before the Hon'ble High Court of Odisha.

- 4 The Company has applied for a prospective licence of Khandhadhar deposit in Jharsuguda district, Odisha. The area identified is having low grade Iron Ore deposit and as project utility could be established only after detailed study, the Company has carried out exploration work in that area and incurred an amount of ₹ 105.68 Lakhs. Govt of Odisha rejected the PL prospecting licence(PL) application and recommended for grant of PL in favour of POSCO India Private Limited. The Company has filed a writ petition in the Hon'ble High Court of Odisha challenging the same. The Hon'ble High Court of Odisha quashed the recommendation of the State Govt in another case filed by M/s Geomine Orissa. In the said order court did not give any relief to Geomine Orissa. Hence, M/s Geomine Orissa filed a SLP before the Hon'ble Supreme Court. KIOCL being an interested party got impleaded in the said SLP. The matter is before the Hon'ble Supreme Court. Hence above amount is shown under the head of account "Capital Work in Progress" vide note 5.3.
- 5 Expenses incurred towards generation of power have been included under the primary heads of account.
- 6 Mangalore Pellet Plant is the outcome of Kudremukh activity for Ore, for beneficiated Concentrate and also water. Consequent upon the judgement of Hon'ble Supreme Court, mining and beneficiation activities were stopped w.e.f. 01.01.2006. However, Mangalore Pellet Plant and also Blast Furnace Unit draw the required water from Lakya Dam at Kudremukh. Dam maintenance activity from the safety point of view and maintenance of water drawal system which include electrical and pipeline maintenance (67 KMs long of which 14 KM passes through National Park area) are still continuing.

"Stoppage of water will result in immediate closure of Pellet Plant. Accordingly, Kudremukh plant installation is maintained as a part of Mangalore Pellet plant. Though, mining and beneficiation is not taking place, the Department continues to exist and is looking for alternative mining site for operation both in India and abroad. As such, Kudremukh installation is a working unit as on date.

- 7 “In pursuance of the directive of the Hon’ble Supreme Court, mining activities at Kudremukh were stopped with effect from 1st January 2006. The Company filed a Petition for Direction with prayers, inter-alia, to permit utilisation of 54.01 hectares of land required for the purpose of safety and slope stability of the mine, at the time of closure of the mine. Indian Bureau of Mines (IBM) has approved final mine closure plan (FMCP) of Kudremukh iron ore mine and the same was communicated vide letter no. MS/CMG/Fe-38-52 dated 06.05.2005. The expenditure towards mine closure, as per the approved plan, is ₹ 2.79 Crores. The Hon’ble Supreme Court, in its judgement (December 2006), directed IIT Delhi to issue global tender for, inter-alia, re-analysing the stability of slopes, drawing up of mine closure plan, implementation of the above plan and drawing up of detailed terms for the work to be done, consistent with basic paradigm of “no or minimal disturbance to un broken area” The expenditure for this purpose was to be met out of ₹ 19 Crores deposited by the Company and which is presently lying with the Adhoc Compensatory Aforestation Fund Management and Planning authority (Adhoc CAMPA). The Court has also directed that if any funds are required in excess of the aforesaid amount, the agency or the designated officer shall move the Court for necessary direction. IIT New Delhi is yet to start the process as directed by the Hon’ble Supreme Court. Under the above circumstances; the Company is unable to take any independent action.

Since the amount of ₹ 19 Crores paid by the Company to Central Empowered Committee is already lying with the Adhoc-CAMPA which is much more than the expenditure for mine closure as envisaged in the IBM approved final mine closure plan i.e. ₹ 2.79 Crores, no further provision for expenditure for mine closure at Kudremukh in the Books of Account is felt necessary.”

8. Present value of Future Obligations as at the Balance Sheet date as per Actuarial Valuations are:

|  |                |         |
|--|----------------|---------|
| (a) Gratuity                                     | <b>6093.35</b> | 5170.86 |
| (b) Long term compensated absence- Earned Leave  | <b>2663.04</b> | 2047.13 |
| (c) Long term compensated absence-Half pay Leave | <b>1273.64</b> | 889.09  |
| (d) Leave Travel Concession                      | <b>87.74</b>   | 79.67   |
| (e) Provident Fund interest guarantee obligation | <b>62.02</b>   | 39.11   |

“Disclosure required as per Accounting Standard (AS) – 15(Revised) on ‘Employee Benefits’ are appended.

9 During the year five employees opted for Voluntary Retirement. Total VRS compensation paid amounted to ₹ 110.51 lakhs (Previous Year ₹ 583.54 lakhs).The same is included in ‘Employee benefits expense’

10 Pending revision of pay scales of non- executive employees with effect from 01.01.2012, a provision of ₹ 350.15 lakhs is made during the year (Previous year ₹ 84.69 lakhs). The same is included in ‘Employee benefits expense’

11 As per the guidelines of Department of Public Enterprises, Central Public Sector Enterprises are allowed to extend 30% of Basic Pay plus Dearness Pay as Superannuation Benefits including Contributory Provident Fund, Gratuity and other specified superannuation benefits. The Company has revised the pay scales, with effect from 01.01.2007, in accordance therewith and provision towards superannuation benefits has been made accordingly.

The Company is contributing around 16% of Basic Pay and Dearness allowance towards Contributory Provident Fund and Gratuity benefits. The balance 14%, amounting to ₹ 978.29 Lakhs (Previous year ₹ 871.33 Lakhs) has been provided during the year towards other Superannuation benefits.

12 As per Accounting Standard (AS)–2 -“Valuation of Inventories”, materials and other supplies held for use in the production of inventories are not written down below cost if the finished products



in which they will be incorporated are expected to be sold at or above cost. However, when there has been a decline in the price of materials and it is estimated that the cost of the finished products will exceed net realisable value, the materials are written down to net realisable value.

Since the cost of the finished products, Pig Iron, and Pellet exceeds its Net Realisable Value (NRV), a provision of ₹ 694.40 lakhs (previous years ₹ 1790.65 Lakhs), and ₹ 154.73 lakhs (previous year Nil) is made towards the difference between book value and the NRV of Lamcoke and furnace oil respectively and the same is included under "Other expenses" vide Note-11.

- 13 "The 'mines & plant assets' in respect of Kudremukh establishment can be effectively utilised on relocation and/or disposed off. A substantial portion of such assets have been depreciated in full and the realisable value is estimated to be higher than the carrying value. Due to unviable price of Pig Iron, Blast Furnace Unit (BFU) is not operated during the year. However, the recoverable amount in each class of assets is more than its carrying amount. Hence there is no impairment loss to be recognised during the year.
- 14 Consequent upon the modification of the accounting policy no. 3.4 on Depreciation to depreciate the Lakhya dam with associated spillway and tunnel fully, retaining a nominal value of ₹ 1/- against each asset as against normal depreciation till previous year, profit for the year is reduced by ₹ 428.63 lakhs.
- 15 The accounting policy in respect of valuation of work in progress is modified during the year. As the finished product i.e Pellets is valued at net realisable value WIP as at the end of the year is valued at its NRV. Hence there is no impact on profits due to the change in accounting policy. The Work in progress as on 31st March,2012 is valued during the year and the same is accounted for.
- 16 During the year the Company at Blast Furnace unit excavated auxiliary material worth ₹ 660.39 lakhs (Previous year ₹ 1743.36 lakhs )and the same was sold.

- 17 During the year the Company retrieved Iron ore fines at Pellet Plant Mangalore which were accumulated during the past years in the cooling pond and is valued at the last purchase price of Doni fines . Certain portion of the above material is still lying in the closing stock as on 31.03.2013.
- 18 In pursuance of the directives of the Honourable Supreme Court mining activities at Kudremukh were stopped w.e.f 01.01.2006. The mining and beneficiation equipment along with the spares lying at Kudremukh Mine site were offered for sale through tender and the H1 bidder is identified. The sale is yet to materialize.
- 19 The Company is having two reporting business segments i.e., 'Iron Oxide Pellet' and 'Pig Iron'. Segment reporting as per AS-17 is appended herewith.
- 20 Related party disclosure:  
Key Management personnel:
- |                           |  |
|---------------------------|--|
| S/Shri                    |  |
| K Ranganath               | Chairman-cum-Managing Director till 30-06-2012 |
| Malay Chattarjee          | Chairman-cum-Managing Director from 01-07-2012 |
| Maj Gen (Retd) Dr.OP Soni | Director (Commercial) till 31-01-2013          |
| K Subba Rao               | Director (Production & Projects)               |
| Laxminarayana             | Director (Finance)                             |
| M.V. Subba Rao            | Director(Commercial) w.e.f .01.02.2013         |
- “Except salary, perquisites and other particulars shown under Note 10, there are no other transactions with the related parties which need disclosure.
- 21 Certain accounting policies have been re-worded and /or modified during the year to improve clarity. Impact has been quantified, wherever necessary.
- 22 “Confirmation of balances from Trade payables, Trade receivables, advances, deposits and materials with sub-contractors in certain cases have not been received.”
- 23 Previous year’s figures have been regrouped/ reclassified/recasted wherever necessary to conform to current year’s presentation.
- 24 Figures in the Balance Sheet, Statement of Profit and loss and the Notes thereon have been rounded off to Rupees Thousands and expressed in Rupees Lakhs.

Details of measurement of present value of obligation in respect of Retirement Benefits for employees as per actuarial valuation are as follows:(Refer SI No. 8(a))

| TYPE OF PLAN  | LONG TERM GRATUITY              |                   |
|---|---------------------------------|-------------------|
|   | 01-04-2012 to 31-03-2013        |                   |
| <b>I. PRINCIPAL ACTUARIAL ASSUMPTIONS</b>   | <b>31-03-2012</b>               | <b>31-03-2013</b> |
| [Expressed as weighted averages]  |                                 |                   |
| Discount Rate   | 8.40%                           | 8.00%             |
| Salary escalation rate  | 6.00%                           | 8.00%             |
| Attrition rate  | 0.50%                           | 5.00%             |
| Expected rate of return on Plan Assets  | 9.00%                           | 9.00%             |
| In the following tables,all amounts are in ₹ lakhs, unless otherwise stated                                       |                                 |                   |
| <b>II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:</b> |                                 |                   |
| PVO as at the beginning of the period   |                                 | 5222.45           |
| Interest Cost   |                                 | 411.66            |
| Current service cost  |                                 | 87.38             |
| Past service cost - (non vested benefits)   |                                 | -                 |
| Past service cost - (vested benefits)   |                                 | -                 |
| Benefits paid   |                                 | (643.51)          |
| Actuarial loss/(gain) on obligation (balancing figure)  |                                 | 1082.25           |
| PVO as at the end of the period   |                                 | 6160.23           |
| <b>III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:</b>            | <b>01-04-2012 to 31-03-2013</b> |                   |
| Fair value of plan assets as at the beginning of the period   |                                 | 51.59             |
| Expected return on plan assets  |                                 | 5.16              |
| Contributions   |                                 | 655.00            |
| Benefits paid   |                                 | (643.51)          |
| Actuarial gain/(loss) on plan assets [balancing figure]   |                                 | (1.36)            |
| Fair value of plan assets as at the end of the period   |                                 | 66.88             |
| <b>IV. ACTUAL RETURN ON PLAN ASSETS</b>   |                                 |                   |
| Expected return on plan assets  |                                 | 5.16              |
| Actuarial gain / (loss) on plan assets  |                                 | (1.36)            |
| Actual return on plan assets  |                                 | 3.80              |
| <b>V. ACTUARIAL GAIN / LOSS RECOGNIZED</b>  |                                 |                   |
| Actuarial gain / (loss) for the period - Obligation   |                                 | (1082.25)         |
| Actuarial gain / (loss) for the period- Plan Assets   |                                 | (1.36)            |
| Total (gain) / loss for the period  |                                 | 1083.61           |
| Actuarial (gain) / loss recognized in the period  |                                 | 1083.61           |
| Unrecognized actuarial (gain) / loss at the end of the year   |                                 | -                 |

|  |                          |           |
|--|--------------------------|-----------|
| <b>VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES</b>        |                          |           |
| Present value of the obligation  |                          | 6160.23   |
| Fair value of plan assets  |                          | 66.88     |
| Difference   |                          | 6093.35   |
| Unrecognised transitional liability  |                          | -         |
| Unrecognised past service cost - non vested benefits                           |                          | -         |
| Liability recognized in the balance sheet                                      |                          | 6093.35   |
| <b>VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:</b>           |                          |           |
| Current service cost   |                          | 87.38     |
| Interest Cost  |                          | 411.66    |
| Expected return on plan assets   |                          | (5.16)    |
| Net actuarial (gain)/loss recognised in the year                               |                          | 1083.61   |
| Transitional Liability recognised in the year                                  |                          | -         |
| Past service cost - non-vested benefits  |                          | -         |
| Past service cost - vested benefits  |                          | -         |
| Expenses recognized in the statement of profit and loss                        |                          | 1577.48   |
| <b>VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET</b>        |                          |           |
| Opening net liability  |                          | 5170.86   |
| Expense as above   |                          | 1577.48   |
| Contribution paid  |                          | (655.00)  |
| Closing net liability  |                          | 6093.35   |
| <b>IX. AMOUNT FOR THE CURRENT PERIOD</b>                                       |                          |           |
|  | 01-04-2012 to 31-03-2013 |           |
| Present Value of obligation  |                          | 6160.23   |
| Plan Assets  |                          | 66.88     |
| Surplus (Deficit)  |                          | (6093.35) |
| Experience adjustments on plan liabilities -(loss)/gain                        |                          | (213.28)  |
| Experience adjustments on plan assets -(loss)/gain                             |                          | (1.35)    |
| <b>X. MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)</b> |                          |           |
| Government of India Securities   |                          | 50.00%    |
| State Government Securities  |                          | 50.00%    |
| High Quality Corporate Bonds   |                          | -         |
| Equity shares of listed companies  |                          | -         |
| Property   |                          | -         |
| Special Deposit Scheme   |                          | -         |
| Funds managed by Insurer   |                          | -         |
| Others (to specify)  |                          | -         |
| Total  |                          | 100.00%   |
| <b>XI. ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR</b>         |                          |           |
|  |                          | 2500.00   |

Details of measurement of present value of obligation in respect of Retirement Benefits for employees as per actuarial valuation are as follows:(Refer SI No. 8(b))

| TYPE OF PLAN  | LONG TERM COMPENSATED ABSENCE - EARNED LEAVE |                   |
|---|--|-------------------|
|   | 01-04-2012 to 31-03-2013                     |                   |
| <b>I. PRINCIPAL ACTUARIAL ASSUMPTIONS</b>   | <b>31-03-2012</b>                            | <b>31-03-2013</b> |
| [Expressed as weighted averages]  |  |                   |
| Discount Rate   | 8.40%  | 8.00%             |
| Salary escalation rate  | 6.00%  | 8.00%             |
| Attrition rate  | 0.50%  | 5.00%             |
| Expected rate of return on Plan Assets  | 0.00%  | 0.00%             |
| In the following tables, all amounts are in ₹ lakhs ,unless otherwise stated                                      |  |                   |
| <b>II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:</b> |  |                   |
| PVO as at the beginning of the period   |  | 2047.13           |
| Interest Cost   |  | 156.78            |
| Current service cost  |  | 87.66             |
| Past service cost - (non vested benefits)   |  | -                 |
| Past service cost - (vested benefits)   |  | -                 |
| Benefits paid   |  | (361.29)          |
| Actuarial loss/(gain) on obligation (balancing figure)  |  | 732.75            |
| PVO as at the end of the period   |  | 2663.04           |
| <b>III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:</b>            | <b>01-04-2012 to 31-03-2013</b>              |                   |
| Fair value of plan assets as at the beginning of the period   |  | -                 |
| Expected return on plan assets  |  | -                 |
| Contributions   |  | 361.29            |
| Benefits paid   |  | (361.29)          |
| Actuarial gain/(loss) on plan assets [balancing figure]   |  | -                 |
| Fair value of plan assets as at the end of the period   |  | -                 |
| <b>IV. ACTUAL RETURN ON PLAN ASSETS</b>   |  |                   |
| Expected return on plan assets  |  | -                 |
| Actuarial gain / (loss) on plan assets  |  | -                 |
| Actual return on plan assets  |  | -                 |
| <b>V. ACTUARIAL GAIN / LOSS RECOGNIZED</b>  |  |                   |
| Actuarial gain / (loss) for the period - Obligation   |  | 732.75            |
| Actuarial gain / (loss) for the period- Plan Assets   |  | -                 |
| Total (gain) / loss for the period  |  | 732.75            |
| Actuarial (gain) / loss recognized in the period  |  | 732.75            |
| Unrecognized actuarial (gain) / loss at the end of the year   |  | -                 |

|  |                          |           |
|--|--------------------------|-----------|
| <b>VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES</b>        |                          |           |
| Present value of the obligation  |                          | 2663.04   |
| Fair value of plan assets  |                          | -         |
| Difference   |                          | 2663.04   |
| Unrecognised transitional liability  |                          | -         |
| Unrecognised past service cost - non vested benefits                           |                          | -         |
| Liability recognized in the balance sheet                                      |                          | 2663.04   |
| <b>VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:</b>           |                          |           |
| Current service cost   |                          | 87.66     |
| Interest Cost  |                          | 156.78    |
| Expected return on plan assets   |                          | -         |
| Net actuarial (gain)/loss recognised in the year                               |                          | 732.75    |
| Transitional Liability recognised in the year                                  |                          | -         |
| Past service cost - non-vested benefits  |                          | -         |
| Past service cost - vested benefits  |                          | -         |
| Expenses recognized in the statement of profit and loss                        |                          | 977.20    |
| <b>VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET</b>        |                          |           |
| Opening net liability  |                          | 2047.13   |
| Expense as above   |                          | 977.20    |
| Contribution paid  |                          | (361.29)  |
| Closing net liability  |                          | 2663.04   |
| <b>IX. AMOUNT FOR THE CURRENT PERIOD</b>                                       |                          |           |
|  | 01-04-2012 to 31-03-2013 |           |
| Present Value of obligation  |                          | 2663.04   |
| Plan Assets  |                          | -         |
| Surplus (Deficit)  |                          | (2663.04) |
| Experience adjustments on plan liabilities -(loss)/gain                        |                          | (278.20)  |
| Experience adjustments on plan assets -(loss)/gain                             |                          | -         |
| <b>X. MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)</b> |                          |           |
| Government of India Securities   |                          | 0.00      |
| State Government Securities  |                          | 0.00      |
| High Quality Corporate Bonds   |                          | 0.00      |
| Equity shares of listed companies  |                          | 0.00      |
| Property   |                          | 0.00      |
| Special Deposit Scheme   |                          | 0.00      |
| Funds managed by Insurer   |                          | 0.00      |
| Others (to specify)  |                          | 0.00      |
| Total  |                          | 0.00      |
| <b>XI. ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR</b>         |                          |           |
|  |                          | 0.00      |

Details of measurement of present value of obligation in respect of Retirement Benefits for employees as per actuarial valuation are as follows: (Refer SI No. 8(c))

| TYPE OF PLAN  | LONG TERM COMPENSATED ABSENCE - SICK LEAVE |            |
|---|--|------------|
|   | 01-04-2012 to 31-03-2013                   |            |
|   | 31-03-2012                                 | 31-03-2013 |
| <b>I. PRINCIPAL ACTUARIAL ASSUMPTIONS</b>   |  |            |
| [Expressed as weighted averages]  |  |            |
| Discount Rate   | 8.40%                                      | 8.00%      |
| Salary escalation rate  | 6.00%                                      | 8.00%      |
| Attrition rate  | 0.50%                                      | 5.00%      |
| Expected rate of return on Plan Assets  | 0.00%                                      | 0.00%      |
| In the following tables, all amounts are in ₹ lakhs, unless otherwise stated                                      |  |            |
| <b>II. CHANGES IN THE PRESENT VALUE OF THE OBLIGATION (PVO) - RECONCILIATION OF OPENING AND CLOSING BALANCES:</b> |  |            |
| PVO as at the beginning of the period   |  | 889.09     |
| Interest Cost   |  | 68.26      |
| Current service cost  |  | 50.08      |
| Past service cost - (non vested benefits)   |  | -          |
| Past service cost - (vested benefits)   |  | -          |
| Benefits paid   |  | (152.88)   |
| Actuarial loss/(gain) on obligation (balancing figure)  |  | 419.08     |
| PVO as at the end of the period   |  | 1273.63    |
| <b>III. CHANGES IN THE FAIR VALUE OF PLAN ASSETS - RECONCILIATION OF OPENING AND CLOSING BALANCES:</b>            | 01-04-2012 to 31-03-2013                   |            |
| Fair value of plan assets as at the beginning of the period   |  | -          |
| Expected return on plan assets  |  | -          |
| Contributions   |  | 152.88     |
| Benefits paid   |  | (152.88)   |
| Actuarial gain/(loss) on plan assets [balancing figure]   |  | -          |
| Fair value of plan assets as at the end of the period   |  | -          |
| <b>IV. ACTUAL RETURN ON PLAN ASSETS</b>   |  |            |
| Expected return on plan assets  |  | -          |
| Actuarial gain / (loss) on plan assets  |  | -          |
| Actual return on plan assets  |  | -          |
| <b>V. ACTUARIAL GAIN / LOSS RECOGNIZED</b>  |  |            |
| Actuarial gain / (loss) for the period - Obligation   |  | (419.08)   |
| Actuarial gain / (loss) for the period- Plan Assets   |  | -          |
| Total (gain) / loss for the period  |  | 419.08     |
| Actuarial (gain) / loss recognized in the period  |  | 419.08     |
| Unrecognized actuarial (gain) / loss at the end of the year   |  |            |

|  |                                 |           |
|--|---------------------------------|-----------|
| <b>VI. AMOUNTS RECOGNISED IN THE BALANCE SHEET AND RELATED ANALYSES</b>        |                                 |           |
| Present value of the obligation  |                                 | 1273.63   |
| Fair value of plan assets  |                                 | -         |
| Difference   |                                 | 1273.63   |
| Unrecognised transitional liability  |                                 | -         |
| Unrecognised past service cost - non vested benefits                           |                                 | -         |
| Liability recognized in the balance sheet                                      |                                 | 1273.63   |
| <hr/>  |                                 |           |
| <b>VII. EXPENSES RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS:</b>           |                                 |           |
| Current service cost   |                                 | 50.08     |
| Interest Cost  |                                 | 68.26     |
| Expected return on plan assets   |                                 | -         |
| Net actuarial (gain)/loss recognised in the year                               |                                 | 419.08    |
| Transitional Liability recognised in the year                                  |                                 | -         |
| Past service cost - non-vested benefits  |                                 | -         |
| Past service cost - vested benefits  |                                 | -         |
| Expenses recognized in the statement of profit and loss                        |                                 | 537.42    |
| <hr/>  |                                 |           |
| <b>VIII. MOVEMENTS IN THE LIABILITY RECOGNIZED IN THE BALANCE SHEET</b>        |                                 |           |
| Opening net liability  |                                 | 889.09    |
| Expense as above   |                                 | 537.42    |
| Contribution paid  |                                 | (152.88)  |
| Closing net liability  |                                 | 1273.63   |
| <hr/>  |                                 |           |
| <b>IX. AMOUNT FOR THE CURRENT PERIOD</b>                                       | <b>01-04-2012 to 31-03-2013</b> |           |
| Present Value of obligation  |                                 | 1273.63   |
| Plan Assets  |                                 | -         |
| Surplus (Deficit)  |                                 | (1273.63) |
| Experience adjustments on plan liabilities -(loss)/gain                        |                                 | (203.30)  |
| Experience adjustments on plan assets -(loss)/gain                             |                                 |           |
| <hr/>  |                                 |           |
| <b>X. MAJOR CATEGORIES OF PLAN ASSETS (AS PERCENTAGE OF TOTAL PLAN ASSETS)</b> |                                 |           |
| Government of India Securities   |                                 | 0.00      |
| State Government Securities  |                                 | 0.00      |
| High Quality Corporate Bonds   |                                 | 0.00      |
| Equity shares of listed companies  |                                 | 0.00      |
| Property   |                                 | 0.00      |
| Special Deposit Scheme   |                                 | 0.00      |
| Funds managed by Insurer   |                                 | 0.00      |
| Others (to specify)  |                                 | 0.00      |
| Total  |                                 | 0.00      |
| <hr/>  |                                 |           |
| <b>XI. ENTERPRISE'S BEST ESTIMATE OF CONTRIBUTION DURING NEXT YEAR</b>         |                                 | 0.00      |
| <hr/>  |                                 |           |



# SEGMENT REPORTING

## SEGMENT REPORTING FOR THE YEAR ENDED 31ST MARCH 2013

₹ in Lakhs

| Particulars                                      | Pellets  |   | Pig Iron   |   | Consolidated Total   |   |
|--|--|---|--|---|--|---|
|  | Figures as at the end of current reporting period 31-03-2013 | Figures as at the end of previous reporting period 31-03-2012 | Figures as at the end of current reporting period 31-03-2013 | Figures as at the end of previous reporting period 31-03-2012 | Figures as at the end of current reporting period 31-03-2013 | Figures as at the end of previous reporting period 31-03-2012 |
| <b>REVENUE:</b>                                  |  |   |  |   |  |   |
| External Sales (Gross)                           | 115,251.80   | 150,364.06  | 660.39   | 1,743.54  | 115,912.19   | 152,107.60  |
| Less: Excise Duty & Freight on Consignment Sales | 18,210.19  | 13,009.70   | 72.65  | 168.82  | 18,282.84  | 13,178.52   |
| Net Sales  | 97,041.61  | 137,354.36  | 587.74   | 1,574.72  | 97,629.35  | 138,929.08  |
| Total Revenue                                    | 97,041.61  | 137,354.36  | 587.74   | 1,574.72  | 97,629.35  | 138,929.08  |
| <b>RESULT:</b>                                   |  |   |  |   |  |   |
| Segment result (Operating profit)                | (7,601.37)   | 1,048.85  | (3,603.07)*  | (3,020.66)  | (11,204.44)  | (1,971.81)  |
| Profit after Extraordinary Items                 | (7,601.37)   | 1,048.85  | (3,603.07)   | (3,020.66)  | (11,204.44)  | (1,971.81)  |
| Unallocated Income less expenses                 |  |   |  |   |  |   |
| Interest Income                                  | -  | -   | -  | -   | 14,438.71  | 13,511.23   |
| <b>Profit before tax</b>                         |  |   |  |   | 3,234.28   | 11,539.42   |
| Less: Income Tax                                 | -  | -   | -  | -   | 1,080.10   | 2,290.24  |
| Deferred Tax                                     | -  | -   | -  | -   | (950.58)   | (180.95)  |
| <b>Net Profit After Tax</b>                      | (7,601.37)   | 1,048.85  | (3,603.07)   | (3,020.66)  | 3,104.76   | 9,430.13  |
| <b>OTHER INFORMATION:</b>                        |  |   |  |   |  |   |
| Segment Assets                                   | 76,125.03  | 60,450.98   | 16,562.39  | 18,653.04   | 92,687.42  | 79,104.02   |
| Unallocated Assets                               | -  | -   | -  | -   | 146,931.95   | 157,280.95  |
| <b>Total Assets</b>                              |  |   |  |   | 239,619.37   | 236,384.97  |
| Segment Liabilities                              | 27,630.93  | 24,461.05   | 2,563.92   | 2,642.11  | 30,194.85  | 27,103.16   |
| Unallocated Liabilities                          | -  | -   | -  | -   | 742.35   | 2,219.70  |
| <b>Total liabilities</b>                         |  |   |  |   | 30,937.20  | 29,322.86   |
| Capital Expenditure                              | 1,561.80   | 8,793.60  | 85.72  | 0.91  | 1,647.52   | 8,794.51  |
| Depreciation & Amortisation                      | 2,697.43   | 2,521.45  | 1,625.05   | 1,568.71  | 4,322.48   | 4,090.16  |
| Non-cash expenses other than Depreciation        | 3,580.13   | 784.43  | 968.20   | 130.43  | 4,548.32   | 914.86  |

### Note:

- (1) The expenses at Kudremukh is mainly for the purpose of maintaining of Lakya dam and pumping of water for use in Pellet plant, as such the expenses, Assets and liabilities of Kudremukh establishment is allocated to Pellet plant segment.
- \*(2) The Segment results (Operating profit) of the pig iron segment for the year ₹ 3,603.07 lakhs includes ₹ 694.04 lakhs towards AS-2 provision for decline in the value of inventories.

**Malay Chatterjee**  
Chairman-cum-Managing Director

**Laxminarayana**  
Director (Finance)

for **M/s SUNDARAM & SRINIVASAN**  
Chartered Accountants  
(ICAI Regn No: 004207S)

Place: Bangalore  
Date : 15th May, 2013

**S.K.Padhi**  
Company Secretary

**(P.Menakshi Sundaram)**  
Partner

## **Regd. & Corporate Office:**

Block II, Koramangala, Sarjapur Road,  
Bangalore – 560 034.

Tel : 080-25531461-25531470 (10 Lines)

080-25535937-25535940 (4 Lines)

Fax : 080-25532153, 25535941, 25630984

Email : bsecretary@kudreore.com

## **Manufacturing Unit :**

### **Pellet Plant Unit**

New Mangalore Port, Panambur,  
Mangalore – 575010. Tel.: 0824-2409681.

Fax : 0824-2407422, 2408224

Email : kioclmr@kudreore.com

### **Blast Furnace Unit**

New Mangalore Port, Panambur,  
Mangalore – 575010

Tel.: 0824-0824-2408916.

Telefax: 0824-2409366, 0824-2408224

Email : bfuadmin@kudreore.com

## **Project Office:**

### **Chikkanayakanhalli Unit :**

Adjacent to JMFC Court Building,  
Kanakagiri Extension, Ward No.3,  
Chikkanayakanhalli -572214

Telefax : 08133-268331

Email : kudremuk\_cnh\_scdrid@bsnl.in

### **Kudremukh Unit:**

Kudremukh PO 577142, Chikmagalur District,  
Karnataka. Tel.: 08263-254148,

Fax : 08263-254117

Email : kagmk@kudreore.com

### **Sandur Unit :**

Plot No.1221, Bhosle Complex,  
Opp. Adarsh Kalyan Mantap,  
Kudligi Road, Sandur-583119,  
Bellary District, Karnataka

### **D-Hirehal**

Gavisiddesware Street, Opp to BSNL Tower,  
D-Hirehal-515872

## Liaison Office :

### New Delhi

Himalaya House, 9th Floor, No.23, Kasturba Gandhi Marg,  
New Delhi – 110 001. Tel.: 011-23315665  
Telefax: 011-237216969. E-Mail: [kioclnd@kudreore.com](mailto:kioclnd@kudreore.com)

### Chennai

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Tel.: 044-28586738. Fax : 044-28520450  
Email : [kioclnms@kudreore.com](mailto:kioclnms@kudreore.com)

### Hyderabad

Room No 31, 4th Floor, Rear block(APMDC Office)  
HMWSSB Premises, Khairatabad, Hyderabad - 500 004  
Tel.:040-23393814. Fax : 040-23393152  
Email:[kioclhyd@kudreore.com](mailto:kioclhyd@kudreore.com)

### Bhubaneswar

N-1/275, IRC Village, CRP Square, Nayapalli,  
Bhubaneswar – 750012. Odisha  
Tel. No.0674-2557011. Fax No.0674-2558102  
Email :[kiocl\\_bbsr@bsnl.in](mailto:kiocl_bbsr@bsnl.in)

## Logistics Coordination Office :

### Visakhapatnam

No.25-12-39 (Ground Floor), Block No.8, Godeyvari Street,  
Opp. Old State Bank of India, Visakhapatnam-530001  
Telefax : 0891-2739530. Email:[kioclvizag@gmail.com](mailto:kioclvizag@gmail.com)

### Kirandul

No.17, 11-C Hostel, BSNL Compound, PO Kirandul, Dist.  
Dantewada , Kirandul-494556 Chattisgarh  
Email :[kioclkrdl@kudreore.com](mailto:kioclkrdl@kudreore.com)

### Donimalai

No. 120, Type-II, South Block, Donimalai Township,  
Sandur Taluk, Bellary Dist., Donimalai - 583118  
Karnataka

### Bacheli

Quarter No.Type 3/FF/06, Near Bacheli Guest House,  
Bacheli Township, Bacheli, Dist- South Bastar, Dantewada  
Chattisgarh, Telefax : 07857-231392

### Gua Ore Mines

SAIL Raw Materials Division  
PO Gua, Dist West Singhbhum -833213  
Jharkhand





# FORM OF PROXY

## KIOCL LIMITED

Regd. Folio No.....

DP id/Client id .....

No. of Shares held.....

I/We..... of .....

..... in..... the district ..... being a member of KIOCL Limited hereby appoint.....of .....

..... or failing him/her..... of.....in the district of ..... as my/our proxy to attend and vote for me/us on my/our behalf at the Thirty-Seventh Annual General Meeting to be held on Friday, the 30th day of August 2013 at 12 Noon and at any adjournment thereof.

Signed this..... day of .....

Note: This form, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the meeting

## ATTENDANCE SLIP

Regd. Folio No.....

DP id/Client id .....

No. of Shares held.....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Thirty-Seventh Annual General Meeting of the Company at the Company's Community Hall (an Annexe to the Registered Office of the Company) at II Block, Koramangala, Bangalore – 560 034 on Friday, the 30th day of August 2013 at 12.00 Noon.

.....  
Member's/Proxy's name in BLOCK letters

.....  
Member's/Proxy's Signature

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copy of the Annual Report.



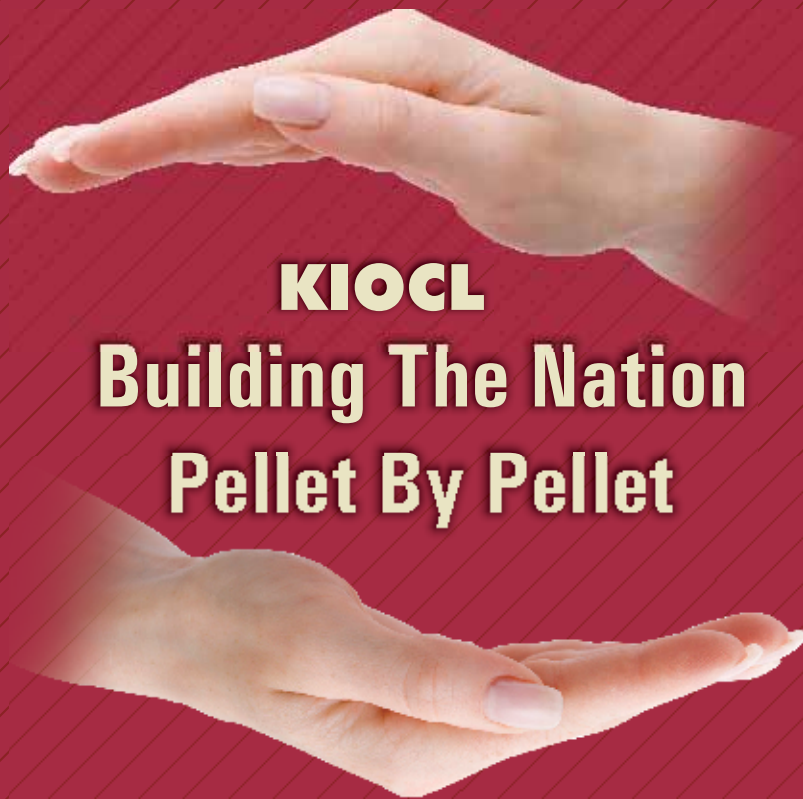


Shri Malay Chatterjee, CMD and Chairman TOLIC unveiled the hoarding at Auto Care outlet of HPCL Old Airport Road, Bangalore on 14.09.2012 as a mark of Hindi Day.

KIOCL sponsored to Samarthanam Trust for disabled towards SBI T20 World Cup Cricket for the Blind on 12.12.2012 at Bangalore under CSR initiatives.



KIOCL contributed to Shankar Eye Hospital, Bangalore for purchasing of Oculopasty Machine on 13.05.2013 as a part of CSR.



# **KIOCL** **Building The Nation** **Pellet By Pellet**



View of Pellet Plant



Ship Loader



Ball Mills



Horizontal Pressure Filters



**KUDREMUKH**

## **KIOCL Limited**

(A Government of India Enterprise)

An ISO 9001, ISO 14001 & OHSAS 18001 Company

II Block, Koramangala, Bangalore - 560 034. Karnataka State, INDIA

website : [www.kioclltd.com](http://www.kioclltd.com)