



CONTENTS	Page No.
Board of Directors	2
MIDHANI - General	3
25 years at a glance	4
Notice of A G M	6
Report of the Board of Directors	8
- Report on Corporate Governance	19
- Management Discussion & Analysis	31
- Report on UN Global Compact	38
Auditors' Report	43
Comments of C&AG of India	47
Significant Accounting Policies	48
Balance Sheet	52
Profit & Loss Account	53
Schedules	54
Cash Flow Statement	67
Balance Sheet Abstract and Company's General Business Profile	69

BOARD OF DIRECTORS

FUNCTIONAL DIRECTORS:

SHRI M. NARAYANA RAO	:	CHAIRMAN & MANAGING DIRECTOR
SHRI K. RAMESH (From:26.04.2007)	:	DIRECTOR (PRODN.&MKTG.)
SHRI V.S. KRISHNA MURTHY (From:18.07.2008)	:	DIRECTOR (FINANCE)
SHRI B.V. KRISHNAMURTHY (Upto:06.09.2007)	:	DIRECTOR (FINANCE)

PART-TIME OFFICIAL DIRECTORS

DR. DIPANKAR BANERJEE	:	CHIEF CONTROLLER R&D (AMS), DRDO
SHRI S.N. MISRA	:	JOINT SECRETARY (AEROSPACE), MoD

PART-TIME NON-OFFICIAL DIRECTORS

DR. KOTA HARINARAYANA	:	EX. VICE-CHANCELLOR, UNIVERSITY OF HYD.
PROF. R.K. MISHRA (From:01.11.2007)	:	DIRECTOR INSTITUTE OF PUBLIC ENTERPRISE
DR. (Mrs.) B. KINNERA MURTHY (From:01.11.2007)	:	KNOWLEDGE MENTOR
	:	MILAGROW KNOWLEDGE SOLUTION CENTRE

PERMANENT SPECIAL INVITEE

SHRI DILIP BISWAS (From:17.07.2008)	:	ADDL. FA (D) & JOINT SECRETARY, MoD
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SHRI P. RAVI, IPS,	:	CHIEF VIGILANCE OFFICER
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SHRI P.V. SUBBA RAO	:	COMPANY SECRETARY
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MISHRA DHATU NIGAM LIMITED

[A GOVT. OF INDIA UNDERTAKING, MINISTRY OF DEFENCE]

REGISTERED OFFICE & WORKS : P.O. KANCHANBAGH, HYDERABAD - 500 058, INDIA,

Phone : (040) 24340001 (10 lines), 24340201, 24340280, 24340044, 24340853 (Other Lines)

Fax : (040) - 24340214 / 24340764, E-mail: spralloy.midhani@ap.nic.in

Website : www.midhani.com

GENERAL MANAGERS

Shri N.V. Ram Anand	:	General Manager	(HRD&S)
Shri D.N. Bhatia	:	General Manager	(Prod.)
Shri A.K. Bhatia	:	General Manager	(Prod.)
Shri M.V. Raghavaiah	:	General Manager	(Prod.)
Shri T.K. Chandrasekhar	:	General Manager	(P&A&M)
Shri V.S. Verma	:	General Manager	(Mktg.&ER)
Shri B.G. Raj	:	General Manager	(F&A)

CORPORATE MANAGEMENT COMMITTEE

SHRI M. NARAYANA RAO, CHAIRMAN & MANAGING DIRECTOR

Shri K. Ramesh	Director (Prodn. &Mktg.)	Shri P.P. Reddy	Addl. Gen. Manager (PP&E)
Shri V.S. Krishna Murthy	Director (Finance)	Shri D.N. Sridhar	Addl. Gen. Manager (Maint.)
Shri P. Ravi	Chief Vigilance Officer	Shri T.B. Harikishan Rao	Addl. Gen. Manager (QA/QC)
Shri N.V. Ram Anand	General Manager(HRD&S)	Shri J.P. Singh	Addl. Gen. Manager (Proj.)
Shri D.N. Bhatia	General Manager (Prod.)	Shri A. Banerjee	Addl. Gen. Manager (Pur)
Shri A.K. Bhatia	General Manager (Prod.)	Shri P. Sarkar	Addl. Gen. Manager (Methods &PM)
Shri M.V. Raghavaiah	General Manager (Prod.)	Shri D. Ghosh	Dy. Gen. Manager (Safety & Maint.)
Shri T.K. Chandrasekhar	General Manager (P&A&M)	Shri K. Rambabu	Dy. Gen. Manager (Tech. Co-ord.)
Shri V.S. Verma	General Manager (Mktg.&ER)	Shri P.V. Subba Rao	Company Secretary
Shri B.G. Raj	General Manager (F&A)		

COMMERCIAL OFFICES

MUMBAI

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CHENNAI

147/940, Sorrento House, Poonamalle High Road,

CHENNAI - 600 084.

Phone: (044) 26401734, Tele-fax : (044) 26481101

e-mail: mdnmco@vsnl.net

STATUTORY AUDITORS

M/s. Nataraja Iyer & Co.,

Chartered Accountants, Hyderabad.

BANKERS

Andhra Bank

HDFC Bank

State Bank of India

State Bank of Hyderabad

25 YEARS AT A GLANCE

Rs. in Lakhs

SL No.	ITEM	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
1	Sales											
	- To Customers	857.85	1,321.80	1,924.25	2,854.98	2,929.36	3,471.37	3,748.48	3,195.19	4,370.27	4,841.16	6,322.75
	- Despatches to Sub-contractors	-	-	-	-	-	164.44	430.80	1,010.72	1,056.09	1,496.76	1,201.51
	Total	857.85	1,321.80	1,924.25	2,854.98	2,929.36	3,635.81	4,179.28	4,205.91	5,426.36	6,337.92	7,524.26
2	Value of Production (Including ED)	1,098.40	1,723.14	2,211.81	2,593.54	2,775.36	3,758.65	4,431.55	4,565.57	6,046.45	6,191.95	6,757.00
3	Cash Profit/Loss(-) ★	(262.36)	12.96	144.15	541.56	729.19	795.11	884.28	686.03	759.52	761.62	1,027.13
4	Net Profit(PAT) ★★	(817.09)	(644.05)	(489.83)	(181.95)	1.04	14.53	54.20	57.38	133.92	160.59	520.10
5	Value added	627.81	920.13	1,334.71	1,891.47	2,060.67	2,467.41	2,767.19	2,890.95	3,606.37	4,202.99	4,879.63
6	Value added per employee	0.42	0.60	0.87	1.25	1.36	1.64	1.84	1.90	2.37	2.80	3.27
7	Productivity per employee	0.75	1.12	1.44	1.72	1.83	2.49	2.95	3.00	3.98	4.12	4.52
8	Paid up Capital	13,696.00	13,696.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00
9	Capital Employed	10,754.43	10,520.24	10,331.98	9,992.99	9,787.15	10,270.90	10,517.72	10,521.08	10,654.41	10,765.65	11,457.59
10	Net Worth	10,849.04	10,117.44	9,726.88	9,651.20	9,827.02	10,016.34	10,245.45	10,302.18	10,458.18	10,604.06	11,073.21
11	Contribution to Exchequer	311.27	444.42	362.00	475.98	616.00	799.00	902.00	862.00	1337.00	1820.00	1,285.00
12	No. of Employees											
	Executives	259	267	264	268	271	270	268	289	292	295	308
	Non-executives	1,221	1,271	1,268	1,241	1,246	1,238	1,233	1,233	1,227	1,208	1,186
	Non-unionised supervisory cadre											

★ Before Prior Period Adjustments and excluding Amortisation of DRE & Depreciation

★★ Before Prior Period Adjustments

25 YEARS AT A GLANCE

Rs. in Lakhs

1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
7,867.98	8,034.55	7,549.04	7,840.29	8,157.29	9,687.37	9,075.96	8,710.35	7,486.41	9,562.63	11,190.78	13,926.20	17,256.58	23,111.71
98.97	377.64	1,568.89	1,403.59	1,179.23	1,360.55	2,183.57	1,713.30	1,648.76	2,949.96	1,936.23	1,362.92	1,993.18	2,389.30
7,966.95	8,412.19	9,117.93	9,243.88	9,336.52	11,047.92	11,259.53	10,423.65	9,135.17	12,512.59	13,127.01	15,289.12	19,249.76	25,501.01
8,592.99	9,214.57	9,317.30	9,114.53	9,382.47	11,189.99	11,386.57	10,717.41	9,350.23	11,641.88	14,166.73	17,759.69	22,388.49	29,640.17
1,121.52	1,060.12	1,006.86	690.46	653.56	551.65	359.62	396.82	(32.85)	908.62	1,385.47	2,036.80	3,768.16	5,737.67
629.48	606.37	503.74	208.41	178.81	130.76	35.14	8.95	(236.07)	690.15	687.08	1,180.78	2,318.01	3,548.93
5,956.46	5,801.38	5,875.42	6,100.70	6,677.10	7,805.23	7,172.68	7,160.95	6,768.64	9,082.89	9,697.49	10,112.80	13,016.50	17,652.62
4.03	3.98	4.05	4.27	4.66	5.47	5.25	5.54	5.26	7.06	7.34	7.67	10.16	13.97
5.81	6.33	6.43	6.38	6.54	7.84	8.34	8.29	7.27	9.05	10.72	13.46	17.48	23.45
13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00	13,734.00
12,036.62	12,109.71	12,561.62	13,033.48	13,560.50	13,991.70	13,889.87	14,093.79	13,712.03	13,825.54	14,361.63	15,381.39	17,041.34	19,434.90
11,697.68	12,368.52	12,883.88	13,134.33	13,354.14	13,592.34	13,421.16	13,348.23	13,226.10	13,888.66	14,468.80	15,429.10	17,208.21	19,930.54
1,635.49	2,102.00	1,749.78	1,449.66	2,002.00	2,506.00	2,270.80	2,029.00	1,863.00	2,031.00	2,418.00	2,671.00	4,405.00	5,483.00
301	305	301	289	307	304	285	256	256	256	265	270	250	249
1,177	1,151	1,149	1,141	1,127	1,123	1,081	1,037	1,031	1,030	993	985	905	862
			-	-	-	-	-	-	-	63	64	126	153

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

FOR ITEM :3

Since the year 2007-2008 has resulted in a distributable Profit of Rs.3,554.17 Lakh; the Board of Directors have recommended to transfer a sum of Rs. 2,722.33 Lakh to the General Reserve of the Company, after appropriating a sum of Rs. 831.84 Lakh, towards payment of Dividend (including interim Dividend of Rs. 100 Lakh and Rs. 120.84 Lakh towards tax on Dividend) for the financial year ended on 31st March, 2008 subject to the approval of the Members in General Meeting as set out in the Notice. As per Article 97 of the Articles of Association of MIDHANI, the Chairman & Managing Director, shall reserve for the decision of the President of India, the matter relating to creation of Reserves and Special Funds. Since the President of India holds virtually the entire paid up share capital of the Company and is the major shareholder in the Company, the resolution for transfer of a surplus of Rs.2,722.33 Lakh to General Reserve is proposed for approval of the Members.

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

BY ORDER OF THE BOARD
FOR MISHRA DHATU NIGAM LIMITED



(P.V.SUBBA RAO)
COMPANY SECRETARY

Place : Hyderabad
Date : 02.09.2008

DIRECTORS' REPORT

To
The Members,
Mishra Dhatu Nigam Limited,

Dear Members

Your Directors take pleasure in presenting the 34th Annual Report of your Company together with Audited Accounts for the year ended 31st March, 2008.

1.0 HIGHLIGHTS OF PERFORMANCE

1.1 The year 2007-'08 was the '**FIFTH**' eventful year in succession resulting in all round development, growth and excellence in major operational areas of the Company. The year remained as 20th profit making year and 5th dividend paying year. The performance of the year under report resulted in achieving an "**EXCELLENT**" rating as per evaluation criterion adopted by Govt. of India in the MoU for the year 2007-'08.

Some of the **Highlights** for the year 2007-08 were:

- ★ **Achieved all time highest** sales turnover of Rs. 255.01 Cr. during the year, recording 67% growth over a period of two years.
- ★ **Built up Reserves over the years equal to** 45% of owners investment by transferring an impressive Profit After Tax of around Rs. 27 Cr. during the year, thus crossing another land mark on MIDHANI's Corporate journey.
- ★ **Achieved an un-precedented** order book position of Rs. 703 Cr. as on 01-04-'08, which is symbolic of customer's **delight & confidence**.
- ★ **Obtained type approval** for 4 Special Aeronautical alloys like Titan - 26A Titanium Alloy; ZS6Y - VI Nickel based cast alloy; Superni 718 Nickel iron based superalloy; E-16 NCD13 alloy steel, indigenously developed.
- ★ **Crystallized** Business & Technological strategies were merged into preparation of Corporate Plan upto 2020 aiming to improve plant capacity to 6,140 MT by 2010-11 onwards with progressive investments of around Rs. 200 Cr. both from internal and external resources.

- ★ **Commissioned** 600 kg Vaccum Induction Melting Furnace(VIM) symbolising entry into final stage of long-cherished Modernisation & Up-gradation program of MIDHANI surpassing all mile stone events.

1.2 OTHER SIGNIFICANT ACHIEVEMENTS DURING THE YEAR WERE:

- ◆ Quantum jump of 184% in Gross Margin and 198% in Profit Before Tax and 195% in Profit After Tax over a period of two years .
- ◆ Fresh order booking to the tune of around Rs. 232 Cr. surpassing all past records.
- ◆ "EXCELLENT" rating under MoU with Govt. for the 5th year in succession with composite score of 1.20.
- ◆ Won the first prize from Indian Institute of Metals for Non-Ferrous best performance Award for the year 2007.

2.0 HIGHLIGHTS OF PRODUCTION & SUPPLIES

2.1 The Company achieved a sales turnover of Rs. 255.01 Cr. (1919 MT) as compared to Rs. 192.51 Cr. (1262 MT) during the previous year, thus registering a growth of about 32% value wise and 52% tonnage wise. The value of production (including ED) was Rs. 296.40 Cr. as compared to Rs. 223.88 Cr. in the previous year, registering an increase of about 32%.

2.2 Some of the important highlights in Production & Supplies are :

- ◆ All time highest record of 3,989 tons of Primary melting in Vacuum Induction Melting & Vacuum Arc Re-melting Furnace;
- ◆ All time record supply of 54 Nos of Maraging Steel plates to VSSC;
- ◆ All time high record production of Superni-80A rings consisting of 16 larger rings of 1.5 meter outer dia;
- ◆ Entering into MoU with Dept. of Atomic Energy for supply of 300 MT of maraging steel over a period of three years;

- ◆ Opening a new market avenue in international market by exporting Titan- 31 rectangular bars to M/s Bibus Metal, Poland;
- ◆ Achieving targeted tonnage of 2309 MT in 1500 T Forge Press in spite of its break down for around two months, indicating dedicated commitment and team spirit of MIDHANI engineers. The tonnage was even higher than the previous year tonnage for full year of operation.
- ◆ Prestigious supply of 3 Nos of Dished ends to L&T involving near net shape forging.
- ◆ Modest beginning was made in supplies of Titanium Fasteners for a prestigious Naval project.
- ◆ All time highest supply of 350 MT of weld consumables & flux through judicious planning of in-house and out-sourced facilities.
- ◆ Substantial cost savings were achieved in rolling of special high strength steel DMR-1700 plates.
- ◆ **Other Major supplies during the year include:** 452 Tons of Maraging Steel valued at Rs. 5930 lakhs to VSSC, BARC & DRDL etc. ; 66 Tons of Ti-alloys valued at Rs. 3860 lakhs to HAL(K), VSSC & Kaveri Engine Project; 51 Nos of T 72 Gun Barrel and 60 Nos of casings valued at Rs. 1523 lacs supplied to FGF, Kanpur; 58 Nos of MDN 172 Electro Slag Re-melting Ingots to Metal and Steel Factory.

3.0 FINANCIAL HIGHLIGHTS

3.1 The Company has earned a gross margin of Rs. 57.43 Cr. and a Profit Before Tax of Rs. 54.95 Cr. as compared to Rs. 37.69 Cr. and Rs. 35.59 Cr. for the previous year respectively. The Profit After Tax for the year stands at Rs. 35.54 Cr. as against Rs. 23.19 Cr. in the previous year.

3.2 The surplus available for appropriations would be Rs. 35.54 Cr., as against Rs. 23.19 Cr. in the previous

year which enabled the Company to declare an Interim Dividend and a final dividend aggregating to Rs. 7.11 Cr. for the fifth year in succession as against Rs. 4.64 Cr. in the previous year.

3.3 During the year the Authorized, Issued, Subscribed and Paid-up Capital remained unchanged.

3.4 Your company has achieved all the financial and operational targets set out for the year 2007-'08. The highlights are as under:

(Rs. Lakh)

Particulars	2007-2008	2006-2007
Sales (Less returns)	25,501	19,251
Other Income	1,504	1,196
Value of Production (Excluding ED)	28,900	21,575
Depreciation	248	210
Interest	34	36
Profit (before tax)	5,495	3,559
Profit (after tax)	3,554	2,319

(Rs. Lakh)

Gross Block (including Capital WIP)	14,196	13,467
Net Block	3,053	2,566
Working Capital	16,767	14,603
Capital Employed	19,435	17,041
Net Worth	19,931	17,208
Paid-up Capital	13,734	13,734

Ratios (Percentages)

Profit Before Tax to Capital employed	28.27	20.88
Profit Before Tax to Sales	21.55	18.49
Profit After Tax to Net Worth	17.83	13.48
Profit After Tax to Paid-up Capital	25.88	16.88
Sales to Capital Employed	131.21	112.97
Sales to Gross Block	179.64	142.95
Per Capita Sales (Rs. Lakh)	20.17	15.03

3.5 Your Directors have proposed to utilize the available surplus as under:

Particulars	(Rs. Crore)
Dividend	7.11
Tax on Dividend	1.21
Transfer to General Reserves	27.22

4.0 DIVIDEND AND TRANSFER TO GENERAL RESERVE

4.1 Your Directors are pleased to recommend Dividend at 5.18 % of the paid up share capital of Rs. 137.34 Cr. amounting to Rs. 7.11 Cr. as against 3.377% in the previous year. Further an amount of Rs.1.21 Cr. will be paid as Dividend Tax including surcharge as against Rs.75.85 Lakh in the previous year. The rate of Dividend works out to Rs. 51.80 per equity share of Rs. 1000/- on 13,73,400 equity shares, as against a Dividend of Rs. 33.77/- per equity share in the previous year.

4.2 Your Directors are happy to inform that a sum of Rs. 27.22 Cr. have been transferred to General Reserves of the Company as against previous year's transfer of Rs. 17.79 Cr.; thereby accumulating the Reserve to the tune of Rs. 61.97 Cr.

5.0 PERFORMANCE AGAINST MoU

5.1 MIDHANI's performance as per MoU with Govt. of India for the year 2007-'08 was rated as excellent as per the criteria laid down by Govt. The Company has achieved "EXCELLENT" in 35 parameters, out of 39 parameters, with a composite score of 1.20 points under "Excellent" criteria as against 1.47 in the previous year.

5.2 The company has signed MoU for the year 2008-'09 with Govt. of India, Ministry of Defence, Dept. of Defence Production with an Annual Sales target of Rs. 231 Cr. with a gross margin of Rs. 28.93 Cr. under "Excellent" criteria. The company is confident of achieving the same in the current Financial Year.

6.0 UP-GRADATION & MODERNISATION PROGRAM OF THE COMPANY

6.1 The year 2007-'08 was a year of accomplishment since the long cherished Modernisation and Up-gradation program of the Company with a capital outlay of Rs. 155 Cr. entered into its final stage of erection and commissioning. Fabrication of several equipments have been completed and received at site awaiting erection. In spite of certain unforeseen setbacks, the program was taken up as a special thrust area both by the Company & the Ministry. All facilities are expected to go for regular

production in the year 2009 - 2010.

6.2 The beneficiaries of the program would be major customers of MIDHANI like Dept of Space, Defence Research & Development Organisation (DRDO), Ordnance Factories (OFs), Hindustan Aeronautics Limited (HAL) etc., who have reposed confidence in MIDHANI and funded these projects.

7.0 CORPORATE PLAN

7.1 Strategic Sectors of our Country like Defence, Space, Atomic energy, Aeronautics are in pursuit of various mega programs like commercialization of satellite programmes – PSLV and GSLV, various DRDO Missile systems entering into Commercial phase, manufacture of SU 30, JT, ALH by HAL, ATVP programmes etc and their likely demand for special metals and alloys have necessitated MIDHANI to formulate its future strategies. Accordingly a Corporate Plan upto 2020 is under finalisation so that required strategies can be adopted to meet those demands.

7.2 Under the Corporate Plan, various aspects like modernization of existing equipment and facilities and addition of new facilities were taken up. Approximately an additional capital outlay of Rs. 200 Cr. was envisaged for investing progressively which included setting up of 6000 T Forge Press, 10T ESR facility and other auxiliary equipments & facilities etc. The plan envisaged a turn over of around Rs. 1,000 Cr. by 2016.

7.3 The Corporate Plan proposes rationalized product mix to retain competitive edge in the market through yield improvement, reduction in cost of production, rationalisation of Man power, reducing delivery periods, sustaining the quality of its products and increasing market share.

8.0 ENTERPRISE RESOURCE PLANNING (ERP)

8.1 In pursuit of availing benefits of contemporary developments in the area of Information Technology and in order to derive the benefit of innovative methods of managing modern businesses; MIDHANI took concerted actions for selecting and implementing best suited Enterprise Resource Planning (ERP) package to ensure sustainable development with real-time information on

various aspects relating to core areas of functioning of MIDHANI such as Material management, Customer order processing, Finance and Costing, Production Planning which helps in quicker decision making.

8.2 The first phase of the program i.e. Campus wide networking was completed as per schedule. Some of the equipments were integrated to main servers and real time information started flowing in. However, selection of appropriate ERP package and its implementing partner is expected to be completed by August, '08. A Steering Committee under the Chairmanship of Chairman & Managing Director / Director (Prodn. & Mktg.) is constantly monitoring the progress of implementing the project.

9.0 LABOUR PRODUCTIVITY

9.1 The Direct labour productivity, in terms of value added per direct employee, stood at Rs. 45.73 Lakh as compared to Rs. 33.70 Lakh during the previous year. The value added per employee was 13.97 Lakh as compared to Rs. 10.13 Lakh in the previous year.

10.0 CAPACITY UTILISATION

10.1 The capacity achieved during the year 2007-'08 was around 70 % as against around 46 % in the previous year. The value of import content in the total material cost was 73%.

11.0 OPERATIONAL EFFICIENCY

- ❖ **"Excellent "** performance in the matter of recycling of reclaimed material from production process to the extent of 40% (1671 MT) obviating the purchase of virgin raw materials worth Rs. 24.3 Cr. as against Rs. 21 Cr. in the previous year.
- ❖ **Development** of new products through R&D efforts during the year '07-'08 include :
 - Development of high temperature corrosion resistance super alloy equivalent to INCONEL 690 for Nuclear applications;
 - Development of Ti containing austenitic stainless steel for nuclear applications;

- Development of Ultra high strength precipitation hardenable stainless steel for Aerospace applications.
- Development of single phase Ti alloy for cryogenic applications
- Development and production of high strength austenitic stainless steel forgings for Nuclear applications.
- ❖ Effective control on waste materials enabled the Company to generate additional resources to the tune of Rs. 5.26 Cr. through e-auctions.

12.0 ENERGY CONSERVATION

12.1 MIDHANI obtained "Excellent" rating for being within the limits of energy consumption both for Electricity and Liquefied Petroleum Gas (LPG) on account of proactive steps taken in conserving energy. For close monitoring of consumption pattern, separate meters were installed both for Electricity and LPG at all feasible consumption points avoiding use of common meters. The recorded readings were taken up for analysis to work out norms for future guidance and the exercise of fixing consumption norms is expected to be completed during the year '08-'09.

12.2 Committed and planned efforts made by MIDHANI to conserve energy resulted in reduction of Specific consumption of Electricity from 108.14 G.Cal / Rs. Crore of VOP to 93.92 G/Cal and its consumption per MT of production was reduced from KWH 2973.14 to KWH 2898.03 in the year 2007-'08. The reduction in case of specific consumption of LPG per Rs. Crore of Value of Production (VOP) was from 146.58 G.Cal to 117.89 G. Cal. and its consumption per MT of production was reduced from 0.30 MT to 0.27 MT during the year.

13.0. MARKETING & BUSINESS DEVELOPMENT

13.1 MIDHANI had a comfortable Order Book position during the year 2007-'08 despite several adverse factors like heavy pressure on selling prices on account of tough competition from overseas suppliers and also steep increase in imported raw material prices. The

cumulative order book on hand at the beginning of the year for 2008-'09 was of the order of Rs.703 Cr. The fresh orders booked during the year were Rs. 231.71 Cr. Such comfortable order book enabled MIDHANI to plan supply schedules, material procurement actions and smooth flow of operations for the next coming two years.

13.2 Prominent orders received during the year '07-'08 include Rs. 65 Cr. from Defence, Rs. 54 Cr. from Space Sector; Rs. 43 Cr. from Atomic Energy Sector and Rs. 5 Cr. from Aeronautics Sector. The orders from sectors like Space, Atomic Energy, and Defence was quite encouraging. The sector from where order booking is not encouraging was Aeronautics Sector. Long term tie up and business agreements to supply high value and value added products were also continued during the year and such efforts are expected to improve order booking during the years to come.

13.3 Out of the total orders executed and supplied during the year, the prominent were: Rs. 101 Cr. to Defence Sector; Rs. 74.44 Cr. to Space Sector; Rs. 21.06 Cr. to Aero Sector; Rs. 16.15 Cr. to Atomic Energy sector; and to other sectors to the extent of Rs. 42 Cr.

13.4 As a part of marketing efforts, MIDHANI participated in various trade shows, seminars, exhibitions to assess the market requirements, customers future plans and trends for guidance. Prominent among them include: LAAD 2007 International Exhibition held at Rio De Janeiro, Brazil during April, 2007, International Symposium on Advances in Stainless Steel 2007 held at Chennai during April, 2007; Defence Systems & Equipment International Exhibition held at London, UK during Sept., 2007; Indo French Nuclear Industry and Business Meet organized by French Embassy at Mumbai during Oct., 2007; India International Trade Fair 2007 held at New Delhi during Nov., 2007; National Aerospace Manufacturing Seminar on Light Alloys in Aerospace Systems organized by the Society of Aerospace Manufacturing Engineers at Trivandrum during Dec., 2007. DEFEXPO 2008, International exhibition, organized by Ministry of Defence held at New Delhi during Feb., 2008.

13.5 A motto of "**Customer Delight**" was adopted during the year 2007-'08, and the year resulted in several appreciation letters from prestigious customers with no customer grievances. The Customers delight can be seen reflected in the impressive order book position as on 01.04.'08.

13.6 In order to have common platform for face to face interaction with the Customers and understand their concerns and requirements both long term and short term; MIDHANI organized its 4th Customer Meet on 15th June, 2007. Chairman, OFB inaugurated the meet. About 100 delegates from 46 organizations representing various sectors of Indian Industry (Government, PSUs, Private etc.) have participated. MIDHANI has shared information on its modernization plans and confirmed readiness to take up supply of bulk quantities of existing grades and development and supply of new grades for their future plans

13.7 Export Performance

13.7.1 MIDHANI's exports over the years have been focusing on titanium alloys (Titan 31) in the form of ingots, slabs and rounds and Molybdenum wires. In spite of steep increase in input raw material prices like titanium sponge, molybdenum powder and small production facilities, Midhani has been offering competitive prices for molybdenum wires and titanium products to increase export to traditional markets.

13.7.2 Export Turnover during the year '07-'08 accounted for Rs. 118.72 Lakh including deemed exports as against year's target of Rs. 100 Lakh and previous year's actuals to the tune of Rs. 78.50 Lakh. Prominent among exports were supplies of Ti-6Al-4V material worth Rs. 107.90 Lakh to M/s Bibus Metals, Poland. Export sales are expected to improve in the year 2008-'09 and efforts are being made in this direction.

13.8 Bio-Medical Implants & Fastners

13.8.1 In order to transform defence technologies for sake of common man, MIDHANI took up manufacture of bio-medical implants and supplied them worth Rs. 48 Lakh. In order to propagate the cause, MIDHANI participated in 52nd Annual Conference of Indian Orthopaedic Association held at Kolkata during Dec.'07. Fastners worth Rs. 33 Lakh was also supplied by MIDHANI during the year '07-'08. Substantial improvement is expected in the area in the years to come. Modest beginning was made during the year by supplying Titanium Fasteners for a prestigious Naval project.

13.9 Business Visits during the year were:

- ❖ Visit of Ambassador of the Russian Federation

to India His Excellency Mr. Vyacheslav Ivanovich Trubnikov, during Sept, '07 wherein capabilities of MIDHANI were appreciated and possibilities of promotion of Joint Ventures were discussed;

- ❖ Visit of Dr. Tassaddug Khan, Senior Adviser at ONERA and Ms. Sandie Favier, Attache for Science & Technology, Embassy of France in India during Nov. '07 to acquaint with the functioning of MIDHANI;
- ❖ Visit of officials from Sri Lankan Army Command & Staff College during Sept. '07 for discussions on production of superalloys;
- ❖ Visit of Mr. Nick Andrew of M/s Aviation Metals, UK during May, '07 for sourcing aeronautical materials;
- ❖ A team of Executives from VSMPO-AVISMA and M/s ROSOBORONEXPORT Russia, visited MIDHANI during March, 2008 for expediting the proposal to set up a Joint Venture for manufacture of Titanium alloy and Titanium products at Hyderabad. Feasibility of joint working in specialized areas was also discussed in the Meeting.

14.0 QUALITY CONTROL & ASSURANCE

14.1 Audit of MIDHANI's Quality Management System (QMS) was conducted by BIS during Feb, 2008 and ISO 9001:2000 re-certification was granted for a further period of 3 years which confirms that the QMS as developed and being implemented in MIDHANI has been found to meet the requirements of such certification.

14.2 VSSC conducted audit of MIDHANI's Quality Management Systems in June, '07 and awarded grading of "Good" to "Very Good" for various parameters. Renewal of approval of DGCA in category A & B under CAR service was received for a period of one year for manufacture & supply of air -craft components and materials. Self certification for supply of material to ordnance factories was extended till 2011.

14.3 During the year under report, the Total Quality Management, in MIDHANI, was revisited and stringent

inspection norms while accepting materials in stores were formulated and implemented. Other measures include introduction of LPT for MDN 250 cold rolled sheets to ensure freedom from pits; introducing MPI for materials prone to develop surface and subsurface cracks; decision to check thickness at ground spots using pointed micrometer in case of MDN 250 Strips in addition to UT thickness, introducing macro etching at intermediate stages to ensure freedom from defects in the final rod products.

15.0 Aeronautical Materials Testing Laboratory

15.1 Aeronautical Material Testing Laboratory (AMTL) under the administrative control of MIDHANI continued support for the testing & evaluation of Aero Engine Materials & Components for Kaveri Program of Gas Turbine Research Establishment. During the Financial year 2007-2008, low and high cycle fatigue tests and tensile tests were regularly conducted over a wide range of temperature on the components of Kaveri Engine Program.

16.0 HUMAN RESOURCE DEVELOPMENT

16.1 The manpower of MIDHANI is its main asset. The employees are highly skilled and motivated individuals. It is the main challenge before the company for continuous upgradation of their knowledge and skills through appropriate training and development modules. Special emphasis was given for the development of SC, ST, OBC class employees. Human Resources Management & Development has emerged as a strategic function in view of radical changes brought by globalization of business environment.

16.2 Rationalisation of Man Power was taken up as focus area, where efforts are being made to achieve an optimum percentage of distribution of man power in production and non-production areas; optimum ratio between non-executives and executives, optimum degree of automation in operations wherever feasible. Steps are also on anvil to achieve an optimum "average age" of employees through well chalked out recruitment practices and natural separations.

16.3 During the year thrust was given to programs on cost reduction, quality, safety, and Occupational health.

16.4 MAN POWER

16.4.1 The total manpower strength of MIDHANI as on 31.3.2008 is 1,264 consisting of 249 Executives, 153 Non-unionized supervisors, 862 Non-executives as tabulated below:

	Non-Executives	Non-Unionised Supervisory cadre	Executives	Total
Male	835	146	*237	1218
Female	27	7	12	46
Total	862	153	249	1264
Previous Year	905	126	*253	1284

* Including functional Directors and deputationists (3 nos)

16.5 INDUSTRIAL RELATIONS

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

16.6 TRAINING & DEVELOPMENT:

16.6.1 Several steps were taken to focus on Human Resource Development. In order to develop inherent skills and knowledge of work force several training programs were conducted in-house and employees were sponsored to outside programs. During the year 07-08, 493 employees (261 Executives and 232 non-executives) underwent training under various schemes utilizing 1984 man days. The Company attained "Excellent" rating under this criteria.

16.6.2 During the year 12 Management Development Programs were conducted wherein 275 executives participated. 12 Employee Development programs were conducted wherein 244 non-executives participated.

16.6.3 MIDHANI fulfills its statutory obligations under provisions of Apprentices Act, 1961. Two All India Trade Tests at the National level were conducted during May and Nov. '07.

17.0 VISIT OF VVIPs

- ❖ Hon'ble Minister of State for Defence Shri MM Pallam Raju, visited MIDHANI during

Jan. '08 and appreciated the contributions of MIDHANI to strategic sectors of our country. He was appraised of ongoing activities and future expansion plans of MIDHANI.

- ❖ Hon'ble Members of Parliament and Members of Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice visited MIDHANI on 7.1.2008 and had discussions with MIDHANI Management on RTI Act and Reservation Policy of Govt.

18.0 STATUTORY & SOCIAL OBLIGATIONS

18.1 CONTRIBUTION TO EXCHEQUER

18.1.1 Your Company contributed an amount of Rs. 5,483 Lakh in the form of Duties, Sales Tax and Income Tax and surcharge during the year 2007-08 as compared to Rs. 4,405 Lakh in the previous year.

18.2 EMPLOYEE WELFARE

Monetary awards were given to meritorious students and children of weaker sections of society. The Company run Brahm Prakash DAV School continued to excel in its performance. MIDHANI continues to provide and maintain quarters to its employees working in essential services of the company.

18.3 CORPORATE SOCIAL RESPONSIBILITY

18.3.1 MIDHANI believes that it is a business enterprise with self assumed responsibility to the society in which it does business. It has, as one of its Corporate Objectives, the plans to take up social and community development through various schemes. A social welfare "Trust" has been formed and registered to under take various social and community development programs. Discussions were also held with various Non-Government Organisations to seek their help in implementing such schemes/ programs.

18.3.2 MIDHANI has become a member of Global Compact Forum under the aegis of United Nations Organisation. Various activities taken up by MIDHANI in this regard are detailed in **Annexure-VI** to this report.

18.4 Encouraging Small Family Norms

18.4.1 MIDHANI continued its commitment to encourage small family norms amongst its employees as a part of Government Policy.

18.5 REPRESENTATION OF SC/ST OBC/ EX-SERVICEMEN & PHYSICALLY HANDICAPPED

18.5.1 The Company continued its efforts for the development of Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Class (OBC) employees during the year 2007-'08. Schemes of granting Cash awards to meritorious children of such employees have been continued during the year. All the applicable directives from the Government for ensuring adequate representation have been followed by the Company during the year under report. The representation of SC, ST, OBCs, Ex- servicemen and Physically Handicapped on the rolls of the Company are given in **Annex: I & II.**

18.6 ENVIRONMENT MANAGEMENT

18.6.1 MIDHANI continued its efforts to maintain and promote ecological balance in and around factory premises by developing green belt in and around MIDHANI.

18.7 ENCOURAGEMENT TO SMALL SCALE/ ANCILLARY INDUSTRIES

18.7.1 The Company continues to encourage public-private co-operation by outsourcing technical jobs to small sector industries and tiny units wherever feasible. During the year under review, outsourcing to the tune of Rs. 3.41 Cr. were made from 8 units of Small Scale Enterprises as compared to 114 units amounting to Rs. 5.57 Cr. during the previous year. Further jobs worth Rs. 1.39 Cr. were entrusted to units under private non-SSI sector. The services of small scale industrial units are availed in areas of high skilled works and precision jobs.

18.7.2 With a view to strengthen the policy of ensuring value for every rupee spent in procurement and to develop a strong and reliable supplier chain, MIDHANI organised Vendor Meet on 04.01.2008. Representatives from 44 Vendor organisations have participated in the Meet. Steps are being made to implement e-payment system to facilitate quick and prompt payments.

18.8 Implementation of Official Language Policy

18.8.1 During the year 2007-08, special efforts were made for compliance of the Rajbhasha, the official language of Govt. of India, in accordance with Official Languages Act, 1963 and the Official Languages Rules, 1976.

- (i) a total of 80 employees were trained in Praveen and Pragma courses and have passed the Examination successfully.
- (ii) four (4) Hindi Awareness Workshops were organised for about 130 employees (41 Executives and 89 Non-Executives) in order to help them in carrying out of day-to-day Official work in Hindi.
- (iii) "HINDI DIVAS" Celebrations were organized and 5th edition of Techno Commercial Annual Hindi magazine " SANKALP" was released.
- (iv) Bilingual computer software is being used by various departments effectively.

18.9 EMPOWERMENT OF WOMEN

18.9.1 MIDHANI is extending all facilities as per the statutes for the welfare of the women employees. Women's Day was organized on 8th March, 2008. Women employees, both executives and non-executives are nominated for in-house as well as external training programs. The strength of women employees is 46 as on 31.3.2008.

19.0 VIGILANCE

19.1 During the year under review, effective measures were taken to improve Vigilance administration in the Company. As a part of Vigilance Week Celebrations, relevant lectures by eminent vigilance professionals were arranged, essay-writing competitions were conducted among the employees and a team of vigilance officials interacted with officers of different departments and educated them on vigilance functions. Vigilance Department conducted surprise checks at different departments also on scrap management and issued preventive vigilance advices and system improvements wherever required. Vigilance Officials were deputed for advanced training to reputed institutions to gain knowledge on vigilance matters. Vigilance

Department was instrumental in formulation of Material Inspection Norms, as, they have arisen out of study of the report submitted by Vigilance Department. Circulars/guidelines issued by CVC were circulated from time to time to the officers concerned. A number of procurement files were examined and system improvements were suggested wherever necessary.

20.0 GENERAL EXEMPTION FROM DISCLOSURES

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

21.0 FOREIGN TRAVEL

21.1 An amount of Rs. 39.19 Lakh was spent towards foreign travel (previous year Rs. 12.28 Lakh) undertaken by the Directors and employees of the Company for technology development and market/ business development/ pre-inspection of Materials/ Equipments.

22.0 ENTERTAINMENT EXPENDITURE

22.1 An amount of Rs. 0.38 Lakh was spent during the year towards entertainment expenditure (previous year Rs. 0.28 Lakh) which represents 0.001% of the sales turnover.

23.0 CORPORATE GOVERNANCE

23.1 MIDHANI is committed for implementing the precepts of Corporate Governance in letter and spirit. In tune with the growing recognition for good practice of Corporate Governance, MIDHANI pro-actively took steps for such Governance. Several of MIDHANI's policies and practices are in conformity with good practices of Corporate Governance. A detailed report on Corporate Governance is enclosed as **Annexure - III** to this report.

24.0 BOARD OF DIRECTORS

24.1 During the year 2007-'08 and till the date of this

report, the following changes have taken place in the composition of Board of Directors of MIDHANI.

Presidential Sanction has been conveyed by MIDHANI for:

- the appointment of Shri. K. Ramesh, as Director (Prodn. & Mktg.), who assumed charge on 26th April, 2007.
- the appointment of Shri S.N. Misra, Joint Secretary (Aerospace), Dept. of Defence Production, Ministry of Defence, as Part-time Official Director w.e.f 31st May, 2007 vice Shri Ranjan Chatterjee, Joint Secretary (HAL).
- the appointment of Prof. R.K. Mishra and Dr. (Mrs.) B. Kinnera Murthy, as part-time Non-official Directors, who assumed the charge on 1st November, 2007.
- the appointment of Shri V. S. Krishna Murthy, as Director (Finance) who assumed charge on 18th July, 2008.

Ministry of Defence has appointed Shri Dilip Biswas, Additional FA (D) & Joint Secretary as a Permanent Special Invitee on the Board of Midhani w.e.f. 17th July, 2008.

24.2 During the year, '07-'08, the post of Director (Finance) fell vacant on account of sudden demise of late Shri B.V. Krishnamurthy, who held the said post upto 06.09.2007.

24.3 The details of the members of the Board as on date of this report and bio-data of new Directors appointed during the year 07-08 are given as part of information on Corporate Governance enclosed to this report.

25.0 DIRECTORS' RESPONSIBILITY STATEMENT

25.1 Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is confirmed:

a) that in the preparation of the annual accounts for the financial year ended 31st March, 2008, the applicable Accounting Standards have been followed along with proper explanations on the material departure, if any;

b) that the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year i.e. 31st March, 2008 and of the Profit or Loss of the Company for the year ending on that date;

c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, '56, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that the Directors have prepared the accounts for the financial year ended on 31st March, 2008 on a 'going concern' basis.

26.0 AUDITORS & AUDITORS' REPORT

26.1 C&AG of India has appointed M/s Nataraja Iyer & Co., Chartered Accountants, Hyderabad, as Statutory Auditors for conducting Statutory audit of accounts of the Company for the year ended 31st March, 2008.

26.2 With reference to observations of Statutory Auditors in para 4 (d) & (f) of the Auditor's Report, attention is invited to Note No. 22, 4 (ii) and 6 respectively of Schedule 20 forming part of Accounts which are self explanatory.

27.0 COMMENTS OF COMPTROLLER & AUDITOR GENERAL OF INDIA

27.1 The comments on the Accounts by the Comptroller & Auditor General of India for the year ended 31st March, 2008 are placed in this report after the report of Statutory Auditors.

28.0 PARTICULARS OF EMPLOYEES

28.1 The particulars of employees to be furnished as per Section 217(2A) of the Companies Act, '56 read with the Companies (Particulars of employees) Rules 1975, as amended are NIL for the year '07-'08.

29.0 ACKNOWLEDGEMENT

29.1 The Board would like to express its sincere gratitude for the support, cooperation, and guidance received from Ministry of Defence, particularly from Dept. of Defence Production and unstinted support extended by the major Customers of the Company and your Directors also place on record their deep appreciation for cooperation extended by all concerned agencies of Central Govt., State Govt., Bankers, Auditors, Advisers, Consultants etc., for successful performance over the years.

29.2 Your Directors would like to place on record its compliments for the synergies brought in by all MIDHANIANS towards effective utilization of available resources of the Company for achieving best performance standards during the year '07-'08 and the co-operation extended by employee's Unions and Associations in scaling up the performance of the Company to newer heights year after year.

29.3 MIDHANI would like to ensure that all possible efforts will be made to provide better, faster and value added services which would enhance the interests of all stakeholders. Your Directors hope that continued support and co-operation of all stakeholders, would transform it into a world class materials solution provider thus securing a leading position for MIDHANI in its field.

For and on behalf of the Board of Directors


(M. NARAYANA RAO)

CHAIRMAN & MANAGING DIRECTOR

Place : Hyderabad,
Date : 30.08.2008.

ANNEXURE - I
REPRESENTATIONS OF SCs, STs, OBCs, PHCs & Ex-Sn AS ON 31.3.2008

Pay Scale & Group	Total No of Employees	Strength of Employees				
		SC	ST	OBC	PHC	Ex-sn
Executives Group 'A' Rs.8,600 -14,600 & above	232	29	8	35	2	-
Executives Group 'B' Rs. 6,500 - 11,350 (Gr.I) (Non-Unionized Supervisory Cadre) Rs. 6,400 - 10,000 (E.O.)	14 153	- 14	1 1	7 39	- -	1 5
Non-Executives: Group 'C' From Rs. 3,200 - 6,235 To Rs. 6,100 - 10,560	790	142	39	335	18	32
Group 'D' From Rs. 2,300 - 3,600 To Rs. 3,000 - 5,750	72	14	5	27	1	2

ANNEXURE - II
RECRUITMENT OF SCs, STs DURING THE YEAR 2007

Pay Scale & Group	Total recruited during the year	No. of posts reserved		No. of candidates appointed	
		SC	ST	SC	ST
Executives Group 'A' Rs. 8,600-14,600 & above	16	4	1	4	1
Executives Group 'B' Rs. 6,500 - 11,350 (Gr.I) (Non-Unionized Supervisory Cadre) Rs. 6,400 - 10,000 (E.O.)	- -	- -	- -	- -	- -
Non-Executives: Group 'C' From Rs. 3,200 - 6,235 To Rs. 6,100 - 10,560	-	-	-	-	-
Group 'D' From Rs. 2,300 - 3,600 To Rs. 3,000 - 5,750	1	1	-	1	-

**REPORT ON CORPORATE GOVERNANCE AS
ON DATE OF THIS REPORT****1.0 Company's Philosophy on Corporate Governance:**

- 1.1 MISHRA DHATU NIGAM LIMITED (MIDHANI) believes that good Corporate Governance comprising well principled processes, structures and systems, would enable the Company to attain maximum level of transparency, accountability, and equity in all facets of its operations and interactions with its stakeholders. MIDHANI is committed to perform its role accordingly at all times. This also enhances compliance under the provisions of the Right to Information Act. 2005, by providing access to information to the Citizens of India.
- 1.2 MIDHANI complies with all applicable laws of the land, regulates its affairs, executes its strategies in a competitive system and monitors them through effective policies / decisions.
- 1.3 The senior Management of the Company is committed and accountable in pursuit of achieving the Company's mission and objectives.

2.0 Board of Directors:

- 2.1 The Members on the Board of Directors of MIDHANI comprise experts, eminent in respective fields of their activities with sufficient experience and competency to direct the affairs of the Company. As the Board of Directors is the highest policy making body in the organisation, all important information concerning the company such as details on operational performance, Annual Accounts, Annual Capital & Revenue Budgets as well as long term Corporate Plans of the Company and issues like putting in place systems & procedures, were regularly discussed at Board Meetings. The efficacy and performance of such issues would be periodically monitored and reviewed by Board

2.2 Size and Composition of the Board:

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

- 2.3 As on the date of report, the Board of MIDHANI consisted of eight (8) Directors including Chairman & Managing Director consisting of the following categories:

(i)	Functional / Whole time Directors in the full time employment of the Company including Chairman & Managing Director	:	3 (Three)
(ii)	Part-time Official / Government Directors representing Ministry of Defence	:	2 (Two)
(iii)	Part-time Non-Official Directors Independent Directors from different professions.	:	3 (Three)
(iv)	Permanent Special Invitee for all Board Meetings	:	1 (One)

Shri. M. Narayana Rao, is the Chairman & Managing Director.

The details of whole time and part-time Directors were :

(i) Whole Time Directors:

- a. Shri K. Ramesh : Director(Prodn. & Markg.)
(From: 26.04.2007)
- b. Shri V.S. Krishna Murthy : Director (Finance)
(From: 18.07.2008)
- c. Late Shri B.V, Krishnamurthy : Director (Finance)
(Upto 06.09.2007)

(ii) Part-time Official Directors

- a. Dr. Dipankar Banerjee : Distinguished Scientist &
Chief Controller R&D (AMS)
Def. Res. & Dev. Organisation
- b. Shri. S.N. Misra : Joint Secretary (Aerospace)
(From: 31.05.2007) Dept. of Defence Production
Ministry of Defence.
- c. Shri. Ranjan Chatterjee : Joint Secretary (HAL)
(Upto: 03.04.2007) Dept. of Defence Production
Ministry of Defence

(iii) Part-time Non-official Directors

- a. Dr. Kota Harinarayana : Ex-Vice Chancellor
University of Hyderabad.
- b. Prof. R.K. Mishra : Director
(From: 01.11.2007) Institute of Public Enterprises
- c. Dr. (Mrs.) B. Kinnera Murthy : Professor Administrative Staff
(From: 01.11.2007) College of India and Knowledge Mentor
in an NGO for growth of SMEs.

(iv) Permanent Special Invitee

- a. Shri Dilip Biswas : Addl. FA (D) & Joint Secretary
Ministry of Defence (Finance)

2.3.1 The existing Articles of Association of the Company provides for appointment of all Directors by the President of India. Up to the date of this report 4 Presidential orders were received conveying the appointment of new Directors on the Board of MIDHANI. The Directors appointed were persons of eminence in respective fields of their activity. The required information about these New Directors appointed on the Board is given below:

(i) Shri S.N. Misra, Part-time Official Director

Shri **S.N. Misra**, joined the Board of MIDHANI w.e.f. 31st May, 2007. He is a Post Graduate in Applied Economics with First Class and joined the Indian Economic Service in 1976.

He served in the Ministry of Finance as Research Officer looking after the World Bank aided irrigation projects and Aid India consortium desk.

He joined IDAS in 1979 and served in various capacities both in the field and on deputation in the Ministry with extensive association with the three Services, DRDO, OFB and Defence PSUs like HAL, BDL and MIDHANI.

One of major assignments held by him has been as Director (Fin.), R&D, Ministry of Defence from 1995 to 1998 providing Financial advice cover to 39 DRDO Lab (s) under Dr. Kalam, the then SA to RM, and being very closely associated with major CCS programmes like IGMDP, EW & LCA.

On promotion as Controller of Defence Accounts, Bangalore in 1998 he provided audit and payment coverage to units/formations in Karnataka financial advice to GoC-in-C, Southern Command, payment to 1.5 lakh PBORs with audit & pay responsibility to HAL Divisions and BDL.

From 2001 he served as Controller of Finance in the Ordnance Factory Board under Department of Defence Production upto 2004 looking after major procurement of stores and P&M, budget formulation & monitoring major projects and pricing of issues to the three Services.

He came to MoD(Acquisition) wing in 2004 and was associated in finalizing major army acquisitions like Smerch, UAV, HERON & ER Rockets as Financial Manager (Land Systems).

From March, 2005 as Additional Financial Adviser & Joint Secretary in the Ministry of Defence, he served as Financial Adviser to Indian Air Force, QMG, AG and DGAFMS for two years.

On assuming charge as Joint Secretary in the Department of Defence Production w.e.f. 16th May, 2007 he is in-charge of flagship Defence PSUs like HAL & MIDHANI and also provides overall co-ordination issues of Department of Defence Production Ministry of Defence as JS (Coord).

He was the Chairman for formulating of Defence Procurement Manual 2005 for Revenue Stores and its updated version of DPM-2006. This was part of PMO's mandate for MoD drawing encomium. He was part of Sub-Committee for finalizing "Offset Procedure". Integrity pact and was a Member for finalizing DPP-2005/2006 for acquisition schemes. He has been a part of large number of Empowered delegations from MoD to various countries as also high level delegations led by Defence Secretary. Teaching nuances of Defence Contract & Transparency in Procurement practices in professional institutes is one of his abiding interests.

ii) **Prof. R K Mishra, Part-time Non-Official Director**

Dr R K Mishra, Senior Professor and Director, Institute of Public Enterprise, is a graduate of International Management Programme, SDA Bocconi, Milan, Italy. He has been a Fellow of British Council and Commonwealth Secretariat. He has had research stints at London Business School and Maison Des Sciences De L' Hommes, Paris. He has taught at the University of Bradford, United Kingdom and was a visiting Professor at Maison Des Sciences De L' Hommes, Paris. He is a member of the UN Task Force on International Taskforce on Standards of Excellence in Public Administration and Education. He has been a Management Consultant to several organizations including PWC, DFID, Adam Smith Institute, ADB and Centre for Good Governance. He was associated with the UNDP project on Macro Economics of Poverty Reduction carried out by RBI Indira Gandhi Institute of Development Banking and Research. He was a team member of the State Fiscal Restructuring Project of the National Institute of Public Finance and Policy. He is Vice-President, International Association of Schools and Institutes in Administration (IASIA), Brussels. He is the Chairman of the Working Group II: Public-Private-Partnership and Enterprise Management constituted by IASIA. He is on the Steering Committee of Network of Asia-Pacific Schools and Institutes of Public Administration and

Governance supported by the Asian Development Bank. He is Honorary Member on the Board of Research, American Biographical Institute, USA. He has handled assignments for the Ministry of Finance, Ministry of Power, Ministry of Trade and Commerce, Ministry of Heavy Industry and Public Enterprises, and Ministry of Finance (Department of Disinvestment). He was also a member of the working group on privatization set up by the International Institute of Administrative Sciences, Belgium. He has also been a researcher for Planning Commission, Finance Commission, Prime Minister's Economic Advisory Council, OECD, United Nations University - World Institute for Economic Development Research, International Civil Service Consortium, State Bureaus of Public Enterprises, Financial Institutions and Banks. He is Chairman of the Research Committee on Management of the Academy of Social Sciences. He has been on the Board of Midhani, National Academy of Agricultural Research Management, Gol, Environment Protection Training and Research Institute, AP-Netherlands Biotechnology Programme. He is a member of Editorial Board of many international and national journals published. He has supervised Doctoral Research for several Universities in Public Administration, Management, Economics, Commerce and has taught at the National Management Programme, Gol-MDI, M.Phil and M.B.A programmes for more than three decades.

His current interests include E-governance, modernization of State, civil service systems, financial administration, human resource administration, environmental administration, privatization and restructuring, poverty management and good governance.

(iii) Dr(Mrs.) B. Kinnera Murthy, Part-time Non-Official Director

Dr Kinnera Murthy is Chief Mentor, Knowledge Solutions, Milagrow Business & Knowledge Solutions, and also heads the Hyderabad office. Milagrow partners with aspiring enterprises as a Venture Catalyst and builds 'best in class' managerial and organizational capabilities in them. Dr Kinnera Murthy is responsible for the entire gamut of activities in the Knowledge Solutions vertical, which focusses on Knowledge Creation & Research in MSMEs, Capacity Building, Corporate Training, Market/Industry Studies, Newsletters and Milagrow Blogs on various themes.

Prior to joining Milagrow, she was Dean at the Administrative Staff College of India. She is a BITS Pilani graduate, an MBA in Marketing from Osmania University, Advanced Training in Industrial Management from RVB, Delft, the Netherlands, and a PhD in Corporate Strategy from University of Poona. Her doctoral thesis was on "Corporate Strategy of Public Enterprises in a Competitive Environment". She has been visiting Fellow, Queen Elizabeth House, Oxford (1997-98), where she researched on Social Impacts of Privatisation of Public Transport, and a Distinguished Visiting Scholar, Texas A & M University (1992) in Strategic Management.

She provides Business Solutions to enterprises for Strategic Direction and Operational Excellence, offers Mentoring to CEOs and Entrepreneurs, and has a number of publications. She has conducted seminars and conferences, including an International Conference on Architecting the Global Village. She is on the Boards of Industry and academic institutions.

(iv) Shri K. Ramesh, Director (Production & Marketing)

Shri K Ramesh, was in service of MIDHANI when he was elevated to the post of Director (Production & Marketing) on the Board of MIDHANI effective from 26th April, 2007. He had his Masters Degree in Technology (M.Tech.) from IIT Bombay and holds Masters Degree in Business Administration from Osmania University, Hyderabad. Before being elevated to the present post, he was General Manager (Production) in the Company. He had rich experience of 30 years within the Company in various functional areas of MIDHANI such as Production, Quality Assurance, Marketing, Materials, Exports, Projects etc.

He also played a lead role in the ISO 9000 Certification programme of the Company and in obtaining approval of Midhani's Quality Systems by Boeing USA, GE (Air - Craft Engines, USA) etc.

Shri Ramesh as General Manager was also part of the successful Top Management Team which brought about a turn around in the Company in the year 2003.

(v) **Shri V.S. Krishna Murthy, Director (Finance)**

Shri V S Krishna Murthy joined Board of MIDHANI w.e.f. 18.07.2008. He is a commerce graduate from Sri Venkateswara University with 1st class and a ranker in University. He acquired his professional qualification as Chartered Accountant in the year 1978 and became a Fellow Member of the ICAI, New Delhi in the year 2001. He started his career with Bharat Heavy Plates & Vessels Limited, Visakhapatnam in the year 1978 and held various positions till 1997. He joined Bharat Earth Movers Limited as Asst. General Manager (Finance) and served till 1999. Thereafter he joined MIDHANI as Addl.General Manager (Finance) and served upto October 2004 before he was offered the post of General Manager (Finance) in BEML. After serving nearly about 4 years there, he was selected for the post of Director (Finance) in MIDHANI.

He has at his credit rich experience in almost all areas of Finance such as Project Finance where he had handled a mega project worth Rs. 96 Cr. for supply of Air Separation Plants to Visakhapatnam Steel Plant during the year 1982. He has good exposure to various aspects covering Income-tax, Appeals to Appellate Tribunals including those to Committee of Secretaries for settlement of Inter-Governmental disputes on various issues like Central Excise, Income Tax etc. He has rich experience in handling large purchase contracts and deals having higher financial stakes. He has experience in finalizing wage settlements with Unions and has exposure on various aspects concerning with service matters. He also handled Foreign collaboration contracts and finalised agreements with collaborators like Air Liquid, France, De La Ware, France etc., He has wide experience in commercial negotiations with customers like VSSC, ATVPL&T, Bosctch Rexroth. He was also instrumental in implementing ERP (SAP) in Earth Moving Division of BEML during '07-'08.

- 2.4 The Chairman & Managing Director and other functional directors manage the day to day administration of the Company with the active support, guidance and policy directions given by other Official and non-official members on the Board.
- 2.5 The strength of the non-official directors on the Board was considered reasonable and adequate commensurate with the size of the Board and the scale of operations of the Company at present.
- 2.6 The terms and conditions and tenure of appointment of all Board Members (i.e. functional, official and non-official) including Chairman & Managing Director are decided by the Government of India. The remuneration / compensation of functional directors is fixed by Govt. of India and will be paid on monthly basis. The non-official directors are paid sitting fees for attending each meeting of the Board, Audit Committee and other Committee meeting(s) thereof, at the rates which are within the overall ceilings prescribed under the provisions of the Companies Act. '56 and duly approved by Board. The Official Directors are not entitled to draw any remuneration from the Company including sitting fees. However, the actual expenditure incurred for attending the meetings of the Board or Committee Meeting(s) thereof by both Official and non-official Directors are either borne by the company or reimbursed to them.
- 2.7 The Board meets statutorily and as many times as warranted by the business to be transacted there at. During the year 07-'08, five (5) Board meetings were held as compared to statutory minimum requirement of four (4) meetings per year. The Meetings were held on 30.06.'07; 16.08.'07; 04.10.'07; 26.12.'07 and on 27.03.'08. The Board Meetings are ordinarily held at the Registered office of the Company but occasionally are held at New Delhi depending upon convenience of Directors.
- 2.8 The Company has the services of qualified Company Secretary who acts as Secretary to the Board and its Committee(s) thereof.
- 2.9 The attendance of the Directors at Board Meetings was near to 100% and the details are given below:

Sl. No	Name & Description of the Director	No. of Board Meetings ought to have been attended	No. of Meetings Attended	Attendance at last AGM
1	S/Shri M. Narayana Rao, C&MD	5	5	Yes
2	Dr. D. Banerjee, Part-time Official Director.	5	5	No
3.	S.N. Misra, Part-time Official Director.	5	4	No
4	Dr. Kota Harinarayana, Part-time - Non official Director	5	2	Yes
5	Prof. R.K. Mishra, Part-time - Non official Director	2	2	-NA-
6	Dr. (Mrs.) B. Kinnera Murthy, Part-time - Non official Director	2	2	-NA-
7	K. Ramesh, Director (Prodn. & Mktg.)	5	5	Yes
8	Late B.V. Krishna murthy, Ex - Director (Fin.)	2	2	-NA-

* Leave for absences were received from the Directors in case of their inability to attend the meeting due to unavoidable reasons.

2.10 Board Agenda and Notes on Agenda / Material papers for the Meetings

- 2.10.1 The Directors were provided comprehensive notes and agenda well in time to take informed decisions. The agenda is made flexible to accommodate any unexpected developments that require Board's attention. The Directors were kept informed about vital performance indicators of the Company not only as part of structured agenda at the meetings but also on regular intervals i.e. on quarterly/half yearly/annual basis. The Board members were kept informed periodically about the progress and status of major activities of the Company in addition to review at regular Board meetings. The Board Members, in consultation with Chairman, may bring up any relevant matter for the consideration of the Board.
- 2.11. Members of the Board do not have any directorships in other bodies corporate except Shri S.N. Misra and Shri R.K. Mishra, who hold one directorship each in other bodies corporate namely; Shri S.N. Misra in Hindustan Aeronautics Limited, Bangalore as Part-time Official Director & Shri R.K. Mishra in Canopus Shipping & Trading (P) Ltd, Bombay as Nominee Director.
- 2.12 No resolution was passed through circulation amongst Directors during the year under report.
- 2.13 Every year all the Board Members disclose to the Board about the personal and official interest held by them in any proprietary, partnership or Company, whether singly or together with their relatives. Such disclosures are made in the meeting of the Board for the benefit of other members.

3.0 Annual General Meetings:

- a) The last three Annual General Meetings were held as under:

Number of AGM	Financial Year	Date of the Meeting	Time of the Meeting	Venue of the Meeting
31	2004-2005	16.09.2005	1300 Hours	Registered Office of the Company at Hyderabad.
32	2005-2006	27.09.2006	1200 Hours	-do-
33	2006-2007	28.09.2007	1230 Hours	-do-

b) During the last 3 years, one Special Resolution was approved amending the provisions of Articles of Association of the company empowering the Board of Directors of the Company to create a post of Chief General Manager in the Company in Grade -IX i.e. below Board level.

4.0 BOARD'S COMMITTEES:

In fulfillment of company's specific objectives and to speed up the process of decision making to push the Company forward, Board's Committees were constituted involving independent Directors to have their professional knowledge, expertise and bring in good corporate practices available outside the Company. The Committees of the Board include the following.

4.1 AUDIT COMMITTEE:

4.1.1 This Committee had been functioning since 2001 in the Company. Its constitution, terms of reference have continuously been upgraded and professionalised over the period. As on date MIDHANI is in compliance with the existing rules and guidelines in force on the subject as on date of the report.

4.1.2 Wide range of issues and aspects governing the organization were brought under scope & terms of reference to the Committee to ensure that the Committee performs its role as envisaged by Govt. of India, Dept. of Public Enterprises under its guidelines. A copy of terms of reference to Audit Committee as on date is enclosed. The deliberations and recommendations of the Committee are discussed at the Board Meetings.

4.1.3 As on the date of the report the Composition of the Audit Committee consisted of 4 members and Prof. R.K. Mishra, Director Institute of Public Enterprises, Hyderabad, an Independent Director on the Board of MIDHANI has been acting as Chairman of the Committee.

The composition of the Audit Committee as on date is as under:

Sl. No.	Name of the Director	Status	Date of Appointment on the Committee
1.	Shri R.K. Mishra	Chairman	01.01.2008
2.	Dr. K. Harinarayana	Member	01.01.2008
3.	Dr. (Mrs.) B. Kinnera Murthy	Member	01.01.2008
4.	Shri K. Ramesh	Member	26.04.2007
5.	Rep. of Statutory Auditor]	
6.	Director (Finance)]	As Permanent Invitees
7.	Rep. of External Chartered Accountant firms doing Internal Audit work.]	On Invitation
8.	The Company Secretary acts as Secretary of the Audit Committee.		

4.1.4 The Statutory Auditors and the Director (Finance) are permanent invitees to the Meeting. The presence of Director (Finance) / Head of Finance of MIDHANI is ensured at all Meetings to provide answers to various issues raised in the Meetings. The internal Audit Reports were discussed in the presence of representatives of external firms of Chartered Accountants carrying out internal audit work of MIDHANI. Introduction of systems, their adherence, constant review for making them effective are the main areas of concentration of the Committee, in addition to other financial / managerial issues like review of accounting policies, introducing procedures for materials, plant reverts, Inventory control, Investment of Surplus Funds, Collection of Debts and other Cost Saving/ Cost Reduction measures and monitoring of periodical financial results.

During the year 07-'08, four (4) meetings of the Audit Committee were held and the details of attendance of members in such Meetings are as follows:

Sl.	Name of the Director	Meetings ought to have been attended	Meetings attended
1.	Dr. Dipankar Banerjee	2	2
2.	Shri S.N. Misra	2	2
3.	Prof. R.K. Mishra	2	2
4.	Dr. (Mrs.) B. Kinnera Murthy	2	2
5.	Shri K. Ramesh	4	4

4.2 PROCUREMENT COMMITTEE OF DIRECTORS:

In order to speed up the process of procurement of critical imported raw materials and equipment and in order to avoid stock outs due to procedural delays, where the prices of some of them are highly volatile and their supply to India is highly critical, the Company has constituted a Procurement Committee of the Directors on 22nd January, 2008, with C&MD of the Company as its Chairman, whole time directors of the company and other Part-time Non-official Directors (independent Directors) locally available as members. The function of the Committee is to consider and take decisions in respect of procurement matters which are beyond the delegated powers of C&MD.

4.2.1 The composition of the Committee was as follows:

1. Chairman & Managing Director (Ex-Officio basis)
2. Prof. R.K. Mishra, Non-Official Part-time Director
3. Dr. (Mrs.) B. Kinnera Murthy, Non-Official Part-time Director
4. Director (Production & Marketing) (Ex-Officio basis)
5. Director (Finance) (Ex-Officio basis)

The quorum of the Committee shall be minimum of three (3) members personally present one of whom shall be a part-time non-Official Director. The proposals approved by the Committee will be brought before the Board at its next Meeting for information.

4.3. CORPORATE MANAGEMENT COMMITTEE

4.3.1 In order to have effective planning, organizing, coordinating and controlling the day-to-day operations, a "Corporate Management Committee" (CMC) has been functioning since July, 2003, the constitution of which consisted of all functional Directors and Heads of Divisions at the level of Additional General Managers and the Company Secretary as Secretary of the Committee. It holds its meetings every fortnightly and record notes / minutes / action points of the deliberations in such meetings are circulated to all members which enables the concerned executives to take necessary actions besides providing base for future reference.

4.3.2 The subjects for deliberations / discussions at the meeting, inter-alia include : a) Review of Production and Financial performance and Marketing Operations; b) employee relations resolving personnel grievances c) Systems improvements d) improving inter-departmental, inter-functional co-ordination and resolving inter-departmental and intra-departmental bottlenecks, if any.

4.4 CODE OF CONDUCT FOR DIRECTORS AND SENIOR EXECUTIVES

The company adopted a Code of Conduct for its Directors and Senior Executives in accordance with the guidelines circulated by Department of Public Enterprises. The Code has also been posted on the company's web-site. The Directors and the Senior Executives have given declarations affirming the compliance with the code of conduct.

5.0 DISCLOSURES

- i. During the year there were no transactions of material and significant nature with the Shareholders, Directors or Senior Management personnel or their relatives that had potential conflict with the interest of the Company at large and attracting the provisions of Section 297 of the Companies Act, '56, except salaries, fees, perquisites allowed as per extant rules of the Company.
- ii. Disclosure of related party transactions as per Accounting Standard - 18, issued by the Institute of Chartered Accountants of India, is given in note nos. 10 & 15.1 of Schedule 20 of the notes forming part of Annual Accounts. All the transactions covered under related party transactions were fair, transparent and at arms' length.
- iii. No penalties and strictures were imposed on the Company by any Statutory Authority on any matter related to any guidelines issued by Government during last 3 years.
- iv. A formal whistle blower policy will be brought into operation during the current year. However, during the year under report no personnel has been denied access to the Audit Committee.
- v. No Presidential Directives have been received by the Company during last 3 years.
- vi. There were no items of expenditure included in the Financial Statements which are personal in nature to any Member of the Board or Senior Management of the company except as permitted by the extant rules in force in the Company.
- vii. There were no items of expenditure included in the Financial Statements which are incurred not for purposes of the business.
- viii. The Administrative and Office Expenses as a percentage of total expenses was 1.75% during the year '07-'08 as compared to 1.73% in the previous year and such percentage in respect of financial expenses was 0.14% when compared to 0.19% in the previous year.
- ix. A compliance report by a practicing Company Secretary regarding compliance of the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007 issued by Dept of Pubic Enterprises was made part of this Report. **[Annx: IV]**
- x. Management Discussion and Analysis Report is presented as a part of this report. **[Annx: V]**

6.0 COMMUNICATION:

- 6.1 The company's communication system with its Shareholders, Directors and other stakeholders is through all means of communication channels including correspondence and the official web-site of the Company. Keeping the nature and size and the number of stakeholders, it is felt that the communication system adopted is adequate, faster and reliable.

The MIDHANI's WEBSITE is : www.midhani.com

- 6.2 The means of communication is friendly between the company and its Shareholders, Directors, Customers, Suppliers, other Associates and Stakeholders.

THE ROLE/TERMS/FUNCTIONS OF THE AUDIT COMMITTEE

Role of Audit Committee: The role of the Audit Committee shall include the following:-

- 1 Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2 Recommending to the Board the fixation of audit fees.
- 3 Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- 4 Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgement by Management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and
 - g. Qualifications in the audit report.
- 5 Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- 6 Reviewing, with the management, performance of internal auditors and adequacy of the internal control systems.
- 7 Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- 8 Discussion with internal auditors and/or auditors any significant findings and follow up there on.
- 9 Reviewing the findings of any internal investigations by the internal auditors/ auditors/ agencies into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 10 Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 11 To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders(in case of non payment of declared dividends) and creditors.
- 12 To review the functioning of the Whistle Blower Mechanism.
- 13 Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- 14 To review the follow up action on the audit observations of the C&AG audit.
- 15 To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.

- 16 Provide an open avenue of communication between the independent auditor, internal auditor and the Board of Directors
- 17 Review and pre-approve all related party transactions in the company. For this purpose, the Audit Committee may designate a member who shall be responsible for pre-approving related party transactions.
- 18 Review with the independent auditors the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
- 19 Consider and review the following with the independent auditor and the management;
 - The adequacy of internal controls including computerized information system controls and security, and
 - Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.
- 20 Consider and review the following with the management, internal auditor and the independent auditor:
 - Significant findings during the year, including the status of previous audit recommendations
 - Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.

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

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

ANNEXURE-IV

CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Mishra Dhatu Nigam Limited

We have examined all the relevant records of Mishra Dhatu Nigam Limited for the purpose of certifying compliance of the conditions of Corporate Governance under "Guidelines on Corporate Governance for Public Sector Enterprises, 2007" for the financial year ended 31st March 2008. We have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of certification.

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

In our opinion and to the best of our knowledge and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Guidelines.

Place : Hyderabad
Date : 10th July 2008

For **PUTTAPARTHI JAGANNATHAM & CO.**,
Company Secretaries

K. Anupama
Partner
C P No. 7738

CERTIFICATE ON COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

To

The Members of Mishra Dhatu Nigam Limited

We hereby certify that:

1. M/s Mishra Dhatu Nigam Limited, a Public sector undertaking having its Registered office at Kanchanbagh, Hyderabad - 500058 has adopted a Code of Business Conduct and Ethics as per the "Guidelines on Corporate Governance for Public Sector Enterprises, 2007" as per which it is the responsibility of all Directors and Senior Management Personnel to familiarize themselves with the code and comply with its standards; and
2. the Board members and Senior Management personnel of Mishra Dhatu Nigam Limited have affirmed compliance with the code of the Company for the financial year ended 31st March 2008.

Place : Hyderabad
Date : 10th July 2008

For **PUTTAPARTHI JAGANNATHAM & CO.**,
Company Secretaries

K. Anupama
Partner
CP No. 7738

MANAGEMENT DISCUSSION AND ANALYSIS

1.0. INDUSTRY STRUCTURE AND DEVELOPMENTS

1.1 The Company is a Public Sector Undertaking under the Administrative control of Dept. of Defence Production, Ministry of Defence, Govt. of India, incorporated in the year 1973. The main object of the company is to manufacture and process all grades, types, sizes of superalloys in particular and other special metals and their alloys in the form of ingots, billets, forgings, rolled and extruded sections, strips, foils, wires, tubes, and other wrought, cast, sintered, fabricated shapes and forms required for aircraft, rockets, missiles, electronics, instruments, and allied industries in India or elsewhere either independently or in collaboration with others.

1.2 The company has single manufacturing unit with Registered Office situated in Hyderabad in the State of Andhra Pradesh. It possesses wide range of facilities recognised in metallurgical industry and produces wide variety of products applying varied state-of-art technologies and processes under one roof. It is unique of its kind in the whole of Asia. The mission of the Company is to achieve self-reliance in the research, development, production and supply of strategic materials and products for critical and hi-tech engineering applications.

1.3 The Company mainly caters to the needs of critical materials and alloys required by strategic sectors of our country like Defence, Space, Atomic Energy, Aeronautics etc. The products produced by MIDHANI are basically import substitutes which were denied to India by western world and their non-availability would have effected various prestigious National programs of the country. The Company had fully absorbed the technologies offered by collaborators during its initial stages and fully reaped the benefits associated with such technologies. With the constant developments made over the years in various operational areas, by utilising in-house R&D capabilities; the company indigenised various critical technologies, alloys and products which reduced dependence on imports of these critical materials.

2.0 ORGANISATION

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

2.2 NATURE OF OPERATIONS

2.2.1 MIDHANI continues to focus on carrying out improvements in operational processes and product improvements by putting in place, a robust monitoring model to achieve repeatable and predictable results. The necessity to fulfill the stringent specificational requirements of the Strategic customers of the Company and to meet their ever increasing demands is a challenge that the company has been facing on day to day basis which broadly act as thrust and driving force for the organization to suitably frame its policies and procedures in every sphere of organizational activity to discharge its goal.

3.0 STRENGTH AND OPPORTUNITIES

3.1 STRENGTHS

- ✓ Company's capability to manufacture a wide range of advanced metals and alloys in various mill forms viz. forgings, sheets, strips, bars, rods, wires, etc.

- ✓ World-class experience and expertise gained over 30 years in operating and maintenance of various high technology equipment and processes.
- ✓ Skilled and experienced manpower resource in manufacture of special metals and alloys.
- ✓ MIDHANI's systems and procedures are time tested, quality consistent and adheres to ISO-9001:2000 certification.
- ✓ Status of self certification was accredited by prestigious inspection agencies and major customers of the company for its supplies.

3.2 WEAKNESSES

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

3.3 OPPORTUNITIES

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

3.4 THREATS

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

4.0 PRODUCT WISE PERFORMANCE

4.1. Presently about 85 % of MIDHANI's products cater to strategic sectors viz Ordnance Factories, Defence Research and Development Organization, Indian Space Research Organization , Hindustan Aeronautics Limited, Department of Atomic Energy etc. In addition MIDHANI also supplies special alloys to commercial sector including Larsen & Toubro, BHEL, SANDVIK Asia, Crompton Greaves etc. During the year 2007-'08 percentage of MIDHANI's supplies accounted for 40% to Defence, 30% to Space, 8% to Aeronautics, 6% to Atomic Energy and the balance to other commercial sectors.

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

Grade	2007-'08		2006-'07	
	Qty. (MT)	Value (Rs. Lakh)	Qty. (MT)	Value (Rs. Lakh)
Super alloys, Titanium Alloys & Special Stainless Steels etc.	1919	255.01	1262	192.51

4.3 The order book position standing at Rs. 703 Cr. as on the last day of the accounting year '07-'08 manifests the confidence reposed by MIDHANI's major customers.

5.0 **OUTLOOK:**

The performance of existing plant and equipment were reviewed with respect to future requirements. It was felt necessary to procure 6000 T forge press in order to improve quality & productivity. Also since there has been increasing demands for heavier forgings, a 10T ESR unit is to be augmented for secondary melting. In addition to above, the whole plant & equipment which was established 25 years back needs systematic Up-gradation and Modernization. A Corporate Plan upto 2020 aims at improving the quality and yields of various products and in turn improve the sales turnover in the years to come is under contemplation . The list of major equipment & facilities that require augmentation is under finalization. Steps are also being taken to find resources for a quantum investment in those areas.

5.1 The company is set to move forward on a path of rapid growth with a further investment of Rs. 200 Cr. to attain a sales turnover of Rs. 1000 Cr. by 2016.

6.0 **RISKS AND CONCERNS**

6.1 **Volatility in prices of critical imported raw materials:**

6.1.1 The volatile nature of prices of critical imported raw material in the International market play adversely on the competitive advantage of the Company. The company was able to successfully manage wide price fluctuations in International market in respect of its critical imported raw materials through various cost reduction measures, yield improvements, efficient utilization of plant reverts, close monitoring of power & employee costs.

6.2 **Power & Fuel Costs**

6.2.1 Fuel: The steep increase in LPG, Furnace Oil, Diesel etc., prices have led to an additional expenditure during the year to the tune of around Rs. 2.30 Cr.

6.3 Meeting Customers stringent and dynamic technical specifications

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

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

6.5 Timely Deliveries

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

6.6 Modernisation & Upgradation of MIDHANI

6.6.1 The year can be taken as a land mark year in the Corporate journey of the company since its long cherished Modernization & Up-gradation Program that aim at creating better facilities to the company's customers has reached final stage of erection.

6.6.2 In recognition of invaluable services and contributions made by MIDHANI to various customers in strategic sectors; major customers of MIDHANI came forward to extend financial support for creation of additional critical facilities to be located at MIDHANI for dedicated use to meet their requirements and also to enable MIDHANI to boost its services and contributions to those sectors further.

7.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has put in place all required internal controls and systems to meet all the canons of financial propriety. External Audit firms have been appointed to ensure their adequacy and report thereon. A detailed analysis of the reports of internal audit firms as well as reports of internal audit department of MIDHANI was made a standard term of reference to Audit Committee which reviews these reports periodically.

8.0 FINANCIAL PERFORMANCE

8.1 The financial position and results during the year '07-'08 were quite encouraging. As against the MoU target of Rs. 190 Cr. for sales turnover under excellent criteria, the actual sales for the year were Rs. 255.01 Cr. consisting of Rs.229.93 Cr. being the Sales to Customers, Rs 23.89 Cr. being the income recognized on dispatches to sub-contractors and Rs. 1.19 Cr towards Export Sales.

8.2 The Value of Production (including Excise duty) for the year is Rs. 296.40 Cr. as compared to target of Rs.221.31 Cr. Value of Production (excluding Excise Duty) for the year is Rs.289.00 Cr. as compared to target of Rs.213.11 Cr.

8.3 **DIVIDEND:** The company has been paying a Dividend to Govt. consistently at 20% of post tax profits as per extant guidelines issued by Govt. The year 2007-'08 remained as a 20th Profit making year and 5th Dividend paying year.

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

		Rs Crore		
Sl.No	Particulars	2007-2008	2006-2007	2005-2006
I	LIABILITIES			
a) (i)	Paid Up Capital	137.34	137.34	137.34
a) (ii)	Reserves and Surplus	61.97	34.74	16.95
b)	Loan Funds	-	0.05	-
c)	Deferred Taxes	0.90	1.57	1.75
d) (i)	Current Liabilities & Provisions	353.20	262.76	158.41
d) (ii)	Gratuity Provision	0.09	0.08	0.07
	TOTAL	553.50	436.54	314.52
II	ASSETS			
e)	Net Block	26.68	24.38	25.55
f)	Capital Work in Progress	3.85	1.27	0.19
g)	Investments	2.10	2.10	2.10
h)	Current Assets, Loans & Adv	520.87	408.79	286.68
i)	Misc. Expenses not written off	-	-	-
	TOTAL	553.50	436.54	314.52
j)	Working Capital	167.67	146.03	128.26
k)	Capital Employed	194.35	170.42	153.81
l)	Net Worth	199.31	172.08	154.29
m)	Net worth per rupee of paid up capita (Rupees)	1.45	1.25	1.12

8.4.1 WORKING RESULTS

8.4.2 The company for the fifth time in succession achieved "EXCELLENT" MoU rating for all round growth and overall financial and operational performance in the year 2007-'08. The significant highlights of the performance for the year 2007-'08 and a comparison for the previous two years are as under:

		Rs Crore		
Sl.No	Particulars	2007-2008	2006-2007	2005-2006
1	Sales - To Customers	229.93	171.02	138.43
	Sales – Export	1.19	1.55	0.83
	Sales - Dispatches to Sub- Contractors	23.89	19.93	13.63
2	Value of Production (Incl ED)	296.40	223.88	177.60
3	Cash Profit (Excl prior period items)	57.38	37.68	20.37
4	Profit Before Tax	54.95	35.59	18.42
5	Net Profit (PAT)	35.54	23.19	12.03
6	Value Added	176.53	130.16	101.13
7	Value added per employee	0.1397	0.1013	0.0767
8	Value Added per Direct Worker	0.457	0.337	0.253
9	Productivity per employee	0.234	0.174	0.135
10	Paid up Capital	137.34	137.34	137.34
11	Capital Employed	194.35	170.42	153.81
12	Net Worth	199.31	172.08	154.29
13	Working Capital	167.67	146.03	128.26
14	Contribution to Exchequer	54.83	44.05	26.71
15	No of Employees-	1264	1285	1319

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

		Rs Crore		
Sl.No	Particulars	2007-2008	2006-2007	2005-2006
A.	Liquidity RatioCurrent Ratio (Current Assets to Current Liabilities and Provisions, Interest accrued due but excluding provision for Gratuity) in Percentages	147.47	155.58	180.97
B	Profitability Ratios			
a)	Profit Before Tax to			
	i) Capital Employed (%)	28.27	20.88	11.97
	ii) Net worth (%)	27.57	20.68	11.94
	iii) Sales (%)	21.55	18.49	12.04
b)	Profit After Tax to Equity (%)	25.88	16.88	8.76
c)	Earnings Per Share (in Rupees)	258.79	168.83	87.57

8.4.4 **Profit Before Tax for the year (PBT):** The Company has made a PBT of Rs.54.95 Cr. for the year as compared to Rs.35.59 Cr. in the previous year.

8.4.5 **Profit After Tax (PAT):** The Company made a Profit after Tax (PAT), of Rs. 35.54 Cr. (Previous year Rs.23.19 Cr.)

8.4.6 **Amount available for Appropriation:** The amount available for appropriation is Rs.35.54 Cr.

8.4.7 The Earning Per Share (EPS) of face value of Rs. 1000/- was Rs. 259/- during the year 2007-'08 as against Rs. 169/- in the previous year.

9.0 HUMAN RESOURCE DEVELOPMENT

9.1 The total manpower strength of MIDHANI as on 31.3.2008 is 1,264 consisting of 249 Executives, 153 Non-unionized supervisory category, 862 Non-executives as tabulated below:

	Non-Executives	Non-Unionised Supervisory cadre	Executives	Total
Male	835	146	*237	1218
Female	27	7	12	46
Total	862	153	249	1264
Previous Year year	905	126	*253	1284

* Including functional Directors and deputationists (3 nos)

9.2. Employee related cost continues to be a larger component in total cost of company's products. Rationalisation of Man Power was taken up as focus area, where efforts are being made to achieve an optimum percentage of distribution of man power both in production and non-production areas ; optimum ratio between non-executives and executives, optimum degree of automation in operations wherever feasible. Steps are also on anvil to achieve an optimum "average age" of employees through well chalked out recruitment practices and natural separations.

9.3 Employees Remuneration

9.3.1 The total expenditure incurred on the Employees remuneration for the year '07-'08 was Rs.64.34 Cr. as against previous year expenditure of Rs. 46.07 Cr. The details are :

Sl.No	Particulars	Rs. Lakh	
		2007-2008	2006-2007
1	Salaries and Wages	4962.16	3385.04
2	Cont. to Provident Fund & EPS	349.63	348.45
3	Gratuity	280.28	234.46
4	Leave Encashment	283.61	106.65
5	Staff Welfare Expenditure (Net)	556.76	532.96
6	Leave Salary & Pension Contribution	1.08	0.20
	TOTAL	6433.52	4607.76

10.0 CORPORATE SOCIAL RESPONSIBILITY

10.1 MIDHANI as a Corporate citizen has been discharging its social responsibilities by undertaking various welfare measures like community development, pollution control and eco-friendly measures. A social welfare trust was also established to achieve this object. As a part of this exercise MIDHANI became a member of UN Global Compact and took initiatives to support its principles. A detailed report on MIDHANI's commitment towards Global Compact was made part of the Directors' Report for the year '07-'08. **(Annexure - VI)**

ANNEXURE-VI

MIDHANI RENEWS COMMITMENT TO UN GLOBAL COMPACT

MIDHANI, as a member of UN Global Compact, reiterates its commitment to the ten principles of UN GC Program. Midhani will continue its support to the UN initiative on protection of human rights and environmental standards.

Midhani had made a modest beginning through creation of a Trust in December 2007 for the purpose of making available resources for activities aimed at discharging its corporate social responsibility. Presently Midhani is looking into ways and means of integrating corporate social responsibility philosophy into management processes so as to further strengthen the trust and confidence of its stakeholders.

Midhani recognizes that business strategies and effective HR systems are the key elements for sustained growth of business in the emerging competitive scenario and is therefore fully focused on development of its human resource in order to building strategic capabilities and developing core competencies. Retention of talent also posed a challenge and to meet this challenge, remuneration of employees were hiked. In order to infuse young blood and to meet the succession needs of the Organization, recruiting talent from various University campuses was undertaken.

Efforts are directed to spread Midhani sphere of influence, which at the moment is focused on the most important stake holder, the human resource, progressively moving towards the other stake holders – the customer, the owner, the environment, the surrounding society. Engagement with other relevant business partners like Suppliers, Contractors, Vendors is constantly taking place through face-to-face dialogue.

A Customer Meet was organized on 15 June 2007 aimed towards **customer satisfaction and customer delight**, as a part of sustainable business development. 100 delegates from 46 organizations representing various sectors of Indian Industry participated in this annual event.

The First Vendors' Meet was organized on 4th January 2008 to understand and appreciate the concerns of vendors and to impress upon them the needs of Midhani. Over 75 vendors dealing in various services and products participated in this open meeting that took place in a transparent environment.

Accounting manual, Internal Audit Manual, Costing Manual were updated and published in 2008. These are available to stakeholders on request.

Focus is placed on procuring techno-economically viable and environmentally friendly equipment for modernization program of Midhani, which is in progress.

M. Narayana Rao
Chairman & Managing Director

ON UNITED NATIONS GLOBAL COMPACT

In order to promote corporate citizenship and social responsibility to meet the challenges of globalization, UN Global Compact was launched at UN Headquarters in New York on 26.7.2000. Global Compact had been successfully engaging the business leaders in this direction through annual disclosure to their stakeholders on implementation actions related to the 10 principles in the areas of human rights, labor standards, environmental stewardship and anti-corruption. More information on United Nations Global Compact can be had through their website <http://www.ungc.org>.

U N G C – 10 PRINCIPLES

Human rights

1. Business should support and respect the protection of internationally proclaimed human rights.
2. Business should ensure that they are not complicit in human rights abuses.

Labor

3. Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Business should support the elimination of all forms of forced and compulsory labor.
5. Business should support the effective abolition of child labor.
6. Business should support the elimination of discrimination in respect of employment and occupation.

Environment

7. Business should support a precautionary approach to environmental challenges.
8. Business should undertake initiatives to promote greater environmental responsibility.
9. Business should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Business should work against corruption in all its forms, including extortion and bribery.

Participation by MIDHANI

In a letter addressed to UNGC, C&MD MIDHANI committed support to these universally accepted principles on 16th November 2001. MIDHANI reiterates its support and commitment to the UNGC principles every year.

UNGC – COMMUNICATION ON PROGRESS (2007-08)

MIDHANI posted a brief on Global Compact and its commitment to the principles of GC on its website www.midhani.com. This Communication of progress (COP) also forms part of the 34th Annual Report.

Principle 1&2 Human Rights

No case of human right violations was reported during the year.

No fatal accidents took place during the year.

MIDHANI, a model employer and a company owned by the Government of India, owing allegiance to the Constitution of India, supports and respects the protection of human rights. The Constitution of India not only supports the Universal Declaration of Human Rights but also guarantees to all its citizens fundamental human rights. The Constitution of India is known throughout the world to be a document based on democratic principles of justice, liberty, equality and fraternity. All the stakeholders of MIDHANI receive support and protection whenever dealing with the Company. Every citizen of India has a right to information under the Right to Information Act and majority of the stakeholders are first citizens and then stakeholders in the form of employees, suppliers, contractors, vendors, customers.

Elaborate manuals on procurement, accounting practices, personnel are available with detailed transparent procedures for vendor evaluation, method of payments, mode of supplies, delegation of powers etc. Relations with Suppliers, Contractors are regulated by conditions of Tender, Enquiries, Purchase Orders and Contracts.

Sale Order and Contracts regulate relations with Customers. Information is shared to interested parties and various stakeholders.

Relations with employees are regulated through various laws of the land such as Factories Act, Industrial Disputes Act, and Minimum Wages Act. Employees' code of conduct is regulated through MIDHANI Conduct, Discipline and Appeal Rules and MIDHANI Certified Standing Orders. These are made available to all the employees of the Company. Personnel Manual of the Company is available on the Intranet of the Company and can be easily accessed by employees. Certain relevant features are reiterated through circulars time and again.

MIDHANI supervisory staff monitors payment of wages, Medicare, provident fund to contract employees whenever engaged on non-core activities in the capacity as Principal Employer.

Fire-fighting Manual and Disaster Management Manual are in place and regular mock drills are carried out to expose employees to familiarize with the fire fighting system.

Principles 3,4,5 & 6: Labor

Freedom of association & right to collective bargaining

All the 1260 employees have the freedom of association. 855 employees in the non-executive category have the right to collective bargaining. Elaborate Government machinery and statutory systems exist for implementation of provisions under Industrial Disputes Act, Factories Act and other labor legislation. Majority union for recognition is decided through election by the Government machinery. Collective bargaining on issues of common interest and long term settlements are reached with the recognized Union. Code of Conduct for the Recognized Union exists under the laws of the land.

Employees in the Junior Executive Category numbering 136 have their own Association and employees in the Executive Category numbering 240 have Midhani Officer's Association. Frequent meetings are held with these Associations.

Apart from the above, there are other participatory forums such as Joint Council, Shop Council, Welfare

Committee, and Safety Committee, Canteen Managing Committee etc. where issues concerning the employees are discussed and decided upon in a transparent manner.

Forced and Compulsory Labor

MIDHANI stands committed to voluntary labor. During more than three decades of existence of MIDHANI, no incidence of forced or compulsory labor was reported.

Child Labor

MIDHANI had prescribed the minimum age limit of 18 years for employment. Even Contractors are forbidden to engage child labor. At the time of employment, age verification is done.

Discrimination in respect of employment:

Article 15 of Constitution of India prohibits discrimination on grounds of religion, race, caste, creed, sex or place of birth. As already stated earlier, MIDHANI being Government of India Enterprise, respects the law of the land.

MIDHANI is an equal opportunity employer.

Government instructions on Scheduled Caste, Scheduled Tribe, other Backward Classes and Physically Challenged persons are followed scrupulously.

Equal opportunity is provided in matters of career advancement, training and development to all employees irrespective of caste, color, gender, religion or region.

Well documented Recruitment and Promotion Rules exists in the Personnel Manual and is circulated widely amongst all sections of employees. Information is shared with others on request.

Well-documented grievance redress mechanism exists.

Principles 7,8 & 9: Environment

Precautionary approach to environmental challenges:

MIDHANI stands committed to prevention and control of environmental pollution due to its activities in a sustained manner. Midhani endeavour had been and will continue to be:

- To ensure upkeep of equipment and machinery at all times in fit condition so as not to affect environment.
- Promote environmental awareness amongst employees and interested parties through proactive communication.
- Remain prepared and alert to respond effectively to all foreseeable emergency situations.
- Meet all the norms stipulated by the State and Central Pollution Control Boards.
- Constantly monitor parameters like ambient air quality, water quality and ambient noise levels.

MIDHANI operations are environmentally friendly and do not release any pollutants in the atmosphere. A thick canopy of greenery with thousands of trees of over 50 different species constituting the green belt has been developed to promote and maintain ecological balance in and around the Company and within factory premises.

Promote Greater environmental responsibility

- Company does not generate or store hazardous solid waste.

- Oxygen Pond was built for handling domestic sewage.
- Pickling effluents are treated for dilution and neutralizing before sending them to drain, which go into a lake, owned by the Company.
- Spent acids are separately pumped into lagoons where lining is provided for avoiding percolation into ground.
- Fume extraction systems have been installed at Pickling Shop and Chimney at Electric Art Furnace, Hot Rolling Mill furnace and Forge Shop Furnace.
- Open drains service MIDHANI plant.

Development and diffusion of environmentally friendly technologies

MIDHANI endeavour has been to adopt safe, scientific and environmentally friendly methods of melting, rolling, forging operations, complying with all applicable environmental laws. Maintain the furnaces, rolling, machinery and equipment in excellent conditions to ensure minimum impact of their operation on environment.

Back filters are attached to Arc Furnace to trap and filter dust particles.

Oxidation pond provided for disposal of sanitary and domestic waste.

Acid proof, RCC, brick lined neutralizing tanks provided to dilute and neutralize the acid rinse water.

Presently modernization and up-gradation of certain facilities is in progress and state-of-the-art equipments are being installed.

Principle 10: Work against corruption

- Required checks and balances are in-built in the organizational systems that help in preventing corruption.
- Surprise and regular checks are carried out at all sensitive function of the work.
- Regular and surprise monitoring of sensitive areas, sensitive payments, delays in payments to vendors/ contractors etc. is done.
- Vendors, Suppliers, Contractors can make complaints on cases of bribery and corruption.
- An Integrity Pact forms part of the Conduct, Discipline and Appeal Rules meant for Junior Executive cadre and Executive cadre employees. These rules bar acceptance of bribes and describe it as misconduct.
- Also these employees are required to file movable and immovable property returns annually. These are scrutinized with reference to disproportionate assets, if any.
- Employees violating code of conduct and ethics are subjected to investigation and appropriate disciplinary action taken, if required.
- Tenders are opened in the presence of all the tenderers present.
- Once the proposed ERP system is implemented throughout MIDHANI, e-payments would be considered.
- Disposal of unserviceable items, scrap is done through a transparent reverse auction method electronically.

AUDITORS' REPORT

To
The Members,
Mishra Dhatu Nigam Ltd.,
Hyderabad.

1. We have audited the attached Balance Sheet of **Mishra Dhatu Nigam Ltd.**, as at March 31st 2008, the Profit and Loss Account and also Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 as amended by the Companies (Auditors' / Report) (Amendment) Order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion proper books of account as

required by law have been kept by the Company, so far as appears from our examination of those books.

- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the attached Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred in sub-section (3C) of section 211 of the Companies Act, 1956, except.

Non-compliance of AS-17 - segment reporting as referred in Note No.22 in Schedule 20 to the financial statements. However, this has no effect on the profit for the current year.

- e) In terms of Ministry of Law, Justice and Company Affairs, Department of Company Affairs General Circular No. 8/2002, dated March 22,2002, Government Companies are exempt from the applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956. Hence, no comments are offered.
- f) In our Opinion and to the best of our information and according to the explanations given to us, the said accounts subject to Para 4(d) above and read together with the Significant Accounting Policies and other notes thereon particularly regarding:
 - Non-receipt of confirmation of balances, in respect of customer finance projects, pending settlement of accounts (Note-4(ii) in Schedule 20).
 - Balances in Sundry Debtors, Loans & Advances, Claims Receivable, Deposits, Sundry Creditors, Materials with contractors/sub-contractors and others which are subject to confirmation and/or reconciliation (Note No.6 in Schedule 20).

the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view, in conformity with the accounting principles generally accepted in India.

- i) In the Case of Balance Sheet, of the state of affairs of the Company as at March 31, 2008.
- ii) In the case of Profit and Loss Account, of the Profit of the Company for the year ended on that date; and

- iii) In the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Nataraja Iyer & Co.
CHARTERED ACCOUNTANTS

(E.S. Ranganath)

Partner

Membership No. 13924.

Hyderabad

Dated : 10th July 2008.

ANNEXURE TO THE AUDITORS' REPORT

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

Re : Mishra Dhatu Nigam Limited

- | | |
|---|--|
| <p>(i) a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, on the basis of available information.</p> <p>b. As explained to us, the fixed assets have been physically verified by the management during the year, in a phased manner which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. As per the information made available to us, no material discrepancies were reported on such physical verification. In our opinion the findings of the physical verification process need to be documented and summary of the findings to be recorded.</p> <p>c) In our opinion, the Company has not disposed off any substantial part of fixed assets during the year.</p> | <p>(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit we have not observed any major weaknesses in internal control system</p> |
| <p>ii) a) As explained to us inventories have been physically verified by the management at the year end. In our opinion, the frequency of verification is to be improved.</p> <p>b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>c) The Company has maintained proper records of inventories. As explained to us, the discrepancies noticed on physical verification by the management valuing Rs.34.66 lacs pertaining to earlier years are brought into account and we are of the opinion that the same have been properly dealt with in the books of account.</p> | <p>v) According to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under Section 301 of the Companies Act, 1956.</p> <p>vi) The Company has not accepted any deposits from the public.</p> <p>vii) In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.</p> <p>viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.</p> |
| <p>(iii) The Company has not granted or taken any loans to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.</p> | <p>ix) a) According to the records, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection fund. Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess, Service Tax and other statutory dues with the appropriate authorities.</p> <p>b) The disputed statutory dues aggregating to Rs.42.56 lakhs, that have not been deposited on account of matters pending before appropriate authorities are as under:</p> |

Name of the Statute	Nature of the Dues	Forum where dispute is pending	Amount (Rs.)
Finance Act, 1994 (Service Tax)	Service Tax	Customs, Central Excise & Service Tax Appellate Tribunal, Bangalore.	42,56,261

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

given to us, we are of the opinion that the terms and conditions thereof are not prima-facie prejudicial to the interests of the Company.

- (xvi) The Company has not raised any new term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilized any funds raised on short term basis for long-term investment.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not raised any money by way of issue of debentures.
- (xx) The Company has not raised any money by way of public issue. Therefore, Paragraph-4(xx) is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **NATARAJA IYER & CO.**
CHARTERED ACCOUNTANTS

(E.S. RANGANATH)

Partner

Membership No. 13924

Hyderabad,
10th July, 2008

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956 ON THE ACCOUNTS OF MISHRA DHATU NIGAM LIMITED, HYDERABAD FOR THE YEAR ENDED 31 MARCH 2008.

The preparation of financial statements of Mishra Dhatu Nigam Limited, Hyderabad for the year ended 31 March 2008 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 10 July 2008.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619(3) (b) of the Companies Act 1956 of the financial statements of Mishra Dhatu Nigam Limited, Hyderabad for the year ended 31 March 2008. This supplementary audit has been carried out independently and is limited primarily to inquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to statutory auditor's report under Section 619(4) of the Companies Act, 1956.

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

Place : Hyderabad,
Date : 11 August 2008.

Sd/-
(Roy Mathrani)

SIGNIFICANT ACCOUNTING POLICIES

1.0 Accounting Method :

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

2.0 Fixed Assets :

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

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

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

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

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

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

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

2.7 Depreciation on fixed assets is charged on straight-line method at the rates and in the manner laid down in Schedule-XIV to the Companies Act, 1956, as amended from time to time.

2.8 In respect of certain fixed assets, depreciation has been provided for on the basis of technical evaluation at the rates higher than the rates laid down in Schedule - XIV to the Companies Act.

2.9 In respect of Plant and Machinery, rate prescribed for continuous process plant is adopted based on technical evaluation.

3.0 Impairment of Assets :

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

4.0 Inventories and Valuation :

Inventories are valued on the following basis:

4.1 Raw materials, consumables, spares and Tools and Instruments in Central Stores :

- At weighted average Cost.

4.2 Raw materials in Shop floor/Sub-stores in the shops

- At weighted average rate of Central Stores, at the end of the year.

4.3 **Consumables in Shop floor/Sub-stores**

All consumables drawn from the Central Stores are charged off to expense. Only in respect of 'A' and 'B' class consumables indentified by Management from time to time, the stock at the Shop floor/Shop sub-stores are brought to inventory at the close of the year at the weighted average rate. However, moulds, rolls, dies etc., in use at the close of the year, are valued at issue rates with reference to the balance life, technically estimated.

4.4 **Re-usable process scrap, process rejections and sales rejections with customers for return** - At estimated realizable value for scrap.

4.5 **Tools and Gauges :**

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

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

4.7 **Finished Goods** - At cost or net realizable value (at shop finished stage) whichever is less.

4.8 Goods in transit are valued at cost.

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

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

Raw materials : 85% of the book value

Consumables and spares : 50% of the book value

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

5.0 **Claims by / against the Company :**

5.1 Claims on underwriters/carriers towards loss/damage are accounted when monetary claims are preferred.

5.2 Claims for refund of customs duty including project imports/port trust charge/excise duty are accounted on acceptance/receipt.

5.3 Liquidated Damages on suppliers are accounted on recovery. Liquidated damages levied by the customers are charged off on recovery/advise from the customers.

5.4 Disputed/Time barred debts from Govt. Depts. & PSUs are not treated as Doubtful Debts, however, on a review appropriate provisions/write offs are made in the books of accounts on a case to case basis.

5.5 Provision for Doubtful Debts is made on the amounts due from other than Govt. Depts. & PSUs at the rates determined by the Board. (Less than one year - Nil, One to Two years 10%, Two to Three years 25%, Three to Four years 50%, Four to Five years 80% and above Five years 100%).

6.0 **Employee Benefits:**

6.1 Gratuity payable to eligible employees is administered by a separate Trust, which has taken a policy with LICGGF. Demands made by the trust on account of annual renewal premium of the LIC policy are charged to Profit and Loss Account.

6.2 Provision for leave encashment liability to employees is made on the basis of actuarial valuation as at the year end.

6.3 Settlement Allowance : Employees are paid eligible amount at the time of retirement for their settlement.

7.0 **Sales :**

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

7.2 Claims for price escalation on sales are accounted on settlement of claim. In the case of sale contracts/orders where specific escalation clause is provided, escalation is accounted on the basis of the claims made.

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

8.0 **Despatches to Sub-contractors :**

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

- a) Where prices are available for each stage of completion:- The price appropriate to the stage of completion.
- b) Where prices are not available for each stage of completion - 90%/95%, as the case may be, of the final contract value for the item less estimated cost to be incurred for completing the item.

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

9.0 Physical verification of Fixed Assets and Inventory:

- 9.1 Fixed Assets under the heads Land & Development, Roads & Bridges, Drainage, Sewerage and water system and Buildings & Internal Services are verified once in 3 years. All other Fixed Assets are verified once in the Financial Year. Reconciliation is made for all items except minor value items like miscellaneous shop equipment, furniture, office equipment etc., individually valued Rs. 2000/- and less.
- 9.2 Inventories of work-in-process, finished goods, raw materials and consumables in the Company premises are verified at the end of the financial year.
- 9.3 Inventories of raw materials, stores and spares in the Central Stores are verified on perpetual basis as per norms fixed from time to time and reconciled. Provisional adjustments are made to revenue, in respect of discrepancies pending reconciliation.

10.0 Accounting for Foreign Currency transactions :

- 10.1 Foreign currency transactions are recorded in the reporting currency by applying the exchange rate between the reporting currency and the foreign currency at the date of transaction.

- 10.2 Monetary items denominated in foreign currencies at the year end are restated at year end rates and Non-monetary items are carried at cost.
- 10.3 Exchange differences arising on settlement/ restatement at rates different from those at which were initially recorded are recognized as income or as expenses in the year in which they arise.

11.0 Accounting on Cash basis:

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

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

12.0 Investments :

- 12.1 Investments that are readily realizable and intended to be held for not more than a year are classified as current investments and are carried at lower of cost or fair value determined on an individual investment basis.
- 12.2 All other investments are classified as long term investments and are carried at cost after providing for any diminution in value, if such diminution in value is of a permanent nature.

13.0 Borrowing Costs :

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

14.0 Deferred Tax :

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

15. Prior Period & Extra - Ordinary Items :

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

16 Provisions :

A provision is recognized when the company has a present obligation as a result of past event, and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are

determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

17. Classification of Expenditure :

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

As per our Report attached
to the Balance Sheet
For **Nataraja Iyer & Company**
Chartered Accountants

(E.S. Ranganath)
Partner

Place : Hyderabad.
Date : 10-07-2008.

For and on behalf of Board of Directors

M. Narayana Rao, Chairman & Managing Director
K. Ramesh, Director (Prodn. & Mktg.)
P.V. Subba Rao, Company Secretary

Place : Hyderabad.
Date : 10-07-2008.

BALANCE SHEET AS AT 31st MARCH, 2008

SOURCES OF FUNDS	Schedule Ref.	As at 31 st March, 2008 (Rs. in Lakhs)	As at 31 st March, 2007 (Rs. in Lakhs)
Shareholders' Funds			
Equity Capital	1	13,734.00	13,734.00
Reserves and Surplus	2	<u>6,196.54</u>	3,474.21
		19,930.54	17,208.21
Loan Funds			
Secured Loans	3	-	5.06
		<u>-</u>	5.06
Deferred Tax Liabilities	4	<u>90.31</u>	<u>157.16</u>
TOTAL		<u><u>20,020.85</u></u>	<u><u>17,370.43</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block			
Less : Depreciation	5	13,810.98	13,340.11
		<u>11,143.08</u>	<u>10,901.64</u>
Net Block		<u>2,667.90</u>	<u>2,438.47</u>
Capital Work-in Progress	6	<u>385.33</u>	<u>126.75</u>
Investments	7	<u>210.11</u>	<u>210.11</u>
Current Assets, Loans and Advances			
Inventories		18,843.56	14,823.27
Sundry Debtors		7,486.85	5,711.86
Cash and Bank Balances		20,959.74	16,595.11
Other Current Assets		598.67	964.53
Loans and Advances		<u>4,198.60</u>	<u>2,784.65</u>
		<u>52,087.42</u>	<u>40,879.42</u>
Less : Current Liabilities and Provisions			
Liabilities	9	29,903.44	22,969.21
Provisions		<u>5,426.47</u>	<u>3,315.11</u>
		<u>35,329.91</u>	<u>26,284.32</u>
Net Current Assets		16,757.51	14,595.10
TOTAL		<u><u>20,020.85</u></u>	<u><u>17,370.43</u></u>

Notes to Accounts
20

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

As per our Report attached
For **Nataraja Iyer & Company**
Chartered Accountants

(E.S. Ranganath)
Partner

Place : Hyderabad.
Date : 10-07-2008.

For and on behalf of Board of Directors

M. Narayana Rao, Chairman & Managing Director
K. Ramesh, Director (Prodn. & Mktg.)
P.V. Subba Rao, Company Secretary

Place : Hyderabad.
Date : 10-07-2008.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule Ref.	Year ended 31 st March, 2008 (Rs. in Lakhs)	Year ended 31 st March, 2007 (Rs. in Lakhs)
INCOME			
Sales (Gross)		23,114.87	17,259.50
Less : Returns		(3.16)	(2.92)
Less : Excise Duty		(740.40)	(813.84)
Add : Income from Despatches to Sub-contractors		<u>2,389.30</u>	<u>1,993.18</u>
Sales (Net)		24,760.61	18,435.92
Accretion / (Decretion) to Work-in-Process & Finished Goods	10	4,139.16	3,137.79
Other Income	11	<u>1,504.01</u>	<u>1,196.18</u>
TOTAL INCOME		<u>30,403.78</u>	<u>22,769.89</u>
EXPENDITURE			
Consumption of Materials and Consumables	12	12,936.67	10,434.72
Power and Fuel	13	1,969.50	1,643.00
Employee's remuneration and benefits	14	6,433.52	4,607.76
Repairs and Maintenance	15	609.95	455.63
Off-loading of jobs and semis		1,808.00	1,099.39
Other expenses	16	868.57	720.75
Provisions	17	6.06	4.42
Interest	18	33.84	36.06
Depreciation	5	<u>248.23</u>	<u>209.76</u>
TOTAL EXPENDITURE		24,914.34	19,211.49
Profit before prior period adjustments		5,489.44	3,558.40
Prior Period adjustments (Net)	19	(5.24)	(0.64)
PROFIT BEFORE TAX		<u>5,494.68</u>	<u>3,559.04</u>
Provision for Tax - For the year		1,960.55	1,228.00
- Previous Year		12.79	
Provision for Fringe Benefit Tax		34.02	30.00
Provision for Deferred Tax		<u>(66.85)</u>	<u>(17.61)</u>
PROFIT AFTER TAX		<u>3,554.17</u>	<u>2,318.65</u>
Profit available for appropriations		<u>3,554.17</u>	<u>2,318.65</u>
APPROPRIATIONS			
Interim Dividend		100.00	100.00
Proposed Final Dividend		611.00	363.75
Tax on Dividend		120.84	75.85
General Reserves		<u>2,722.33</u>	<u>1,779.05</u>
Total of Appropriations		<u>3,554.17</u>	<u>2,318.65</u>
Earning Per Share (Face Value Rs. 1000/- each) in Rupee - Basic & Diluted		<u>258.79</u>	<u>168.83</u>

Notes to Accounts

20

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

 As per our Report attached to the Balance Sheet
 For **Nataraja Iyer & Company**
 Chartered Accountants

(E.S. Ranganath)
 Partner

 Place : Hyderabad.
 Date : 10-07-2008.

For and on behalf of Board of Directors
M. Narayana Rao, Chairman & Managing Director
K. Ramesh, Director (Prodn. & Mktg.)
P.V. Subba Rao, Company Secretary

 Place : Hyderabad.
 Date : 10-07-2008.

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31st MARCH, 2008

	As at 31 st March, 2008 (Rs. in Lakhs)	As at 31 st March, 2007 (Rs. in Lakhs)
SCHEDULE - 1		
EQUITY CAPITAL		
Authorised		
14,00,000 Equity Shares of Rs. 1,000/- each	<u>14,000.00</u>	<u>14,000.00</u>
Issued, Subscribed and Paid Up		
13,73,400 Equity Shares of Rs. 1,000/- each, fully paid.	<u>13,734.00</u>	<u>13,734.00</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
RESERVES		
General Reserve		
Balance as per last account	3,474.21	1,695.16
Add: Transfer from Profit and Loss account	<u>2,722.33</u>	<u>1,779.05</u>
Total	<u>6,196.54</u>	<u>3,474.21</u>
SCHEDULE - 3		
LOAN FUNDS		
SECURED *		
Cash Credit from a Bank	-	5.06
Total	<u>-</u>	<u>5.06</u>
* Secured by hypothecation of all tangible movable property of every description, movable machinery and Plant, Marketable securities, goods including book debts (both present and future)		
SCHEDULE - 4		
DEFERRED TAX LIABILITY (NET)		
Deferred Tax Liabilities		
- on Depreciation	543.72	552.32
	<u>543.72</u>	<u>552.32</u>
Deferred Tax Assets		
- on Provisions	223.22	222.50
- on Disallowances as per IT Act	230.19	172.66
	<u>453.41</u>	<u>395.16</u>
Net Deferred Tax Liabilities	<u>90.31</u>	<u>157.16</u>

SCHEDULE - 5 FIXED ASSETS		(Rs. in Lakhs)										
		Land and Develop- ment	Roads and Bridges	Drainage, Sewarage and Water systems	Electrical installa- tions etc.,	Buildings & Internal services	Plant and Machi- nery	Vehicles	Office Eqpt. Furniture etc.,	Unser- viceable Assets #	Total	Previous Year
Gross Block												
as at 31 st March, 2007*	128.82	70.32	188.31	317.45	1,652.96	10,542.81	69.46	322.38	47.60	13,340.11	13,270.84	
Additions	-	-	-	1.42	17.61	276.38	0.11	192.13	-	487.65	136.66	
Deletions/Sales/Adjustment	-	-	-	0.09	-	8.63	8.06	-	-	16.78	67.39	
As at 31st March, 2008	128.82	70.32	188.31	318.78	1,670.57	10,810.56	61.51	514.51	47.60	13,810.98	13,340.11	
Depreciation												
Up to 31 st March, 2007	-	28.38	175.75	262.43	1,262.81	8,832.53	51.95	240.51	47.28	10,901.64	10,715.74	
For the year	-	1.15	0.46	4.00	42.34	166.84	4.19	29.25	-	248.23	209.76	
Deletions / Sales / Adjustment	-	-	-	0.01	-	-	6.78	-	-	6.79	23.86	
As at 31st March, 2008	-	29.53	176.21	266.42	1,305.15	8,999.37	49.36	269.76	47.28	11,143.08	10,901.64	
Net Block												
As at 31st March, 2008	128.82	40.79	12.10	52.36	365.42	1,811.19	12.15	244.75	0.32	2,667.90	2,438.47	
As at 31 st March, 2007	128.82	41.94	12.56	55.02	390.15	1,710.28	17.51	81.87	0.32	2,438.47	2,555.10	

* Titanium Tube Facilities (Jointly owned with DMRL) has been brought into books at net cost to company (Rs. 525.88 Lakh)

Represents the value of Assets and Depreciation thereon for unserviceable assets. Depreciation provided in terms of Para 14.2 of Accounting Standard - 10 Rs. Nil for Current year (Previous year Rs. Nil)

SCHEDULE - 6

CAPITAL WORK-IN-PROGRESS

	As at 31 st March, 2008 (Rs. in Lakhs)	As at 31 st March, 2007 (Rs. in Lakhs)
Capital Work-in-Progress - Civil	99.06	-
Expenditure Pending Allocation - ERP	-	3.50
Capital Work-in-Progress- Plant & Machinery under Erection	246.33	91.06
Plant, Machinery & Equipment under Inspection and in Transit	30.56	18.95
Advances to Suppliers on Capital account		
- Considered good*	9.38	13.24
- Considered doubtful	35.46	35.46
Total	44.84	48.70
- Less Provision for doubtful advances	(35.46)	(35.46)
	9.38	13.24
	<u>385.33</u>	<u>126.75</u>

* Secured by Bank Guarantee Rs. 2.70 Lakh, (Prev. Year Rs. 10.94 Lakh) Unsecured Rs. 6.68 lakh, (Prev Year Rs. 2.30 lakh)

SCHEDULE - 7 INVESTMENTS

(Non-Trade, Unquoted) - LONG TERM - (AT COST)

AP Gas Power Corporation Limited, 36,87,697 fully paid-up Equity Shares of Rs. 10/- each, including 15,43,687 fully paid-up Bonus Shares of face value of Rs. 10/- each	214.40	214.40
Less : 18,43,840 fully paid-up Equity Shares of Rs. 10/- each held on behalf of DRDO including 7,71,840 fully paid-up Bonus Shares of face value of Rs. 10/- each	(107.20)	(107.20)
	<u>107.20</u>	<u>107.20</u>
15,00,800 fully paid-up Equity Shares of face value of Rs. 10/- each subscribed at Rs. 24/- each and paid-up Rs. 24/- (Previous year Rs. 24/-)	360.19	360.19
Less: Out of the above 10,72,000 fully paid-up Equity Shares held on behalf of DRDO	(257.28)	(257.28)
	<u>102.91</u>	<u>102.91</u>
Total	<u>210.11</u>	<u>210.11</u>

SCHEDULE - 8

CURRENT ASSETS, LOANS AND ADVANCES

8.1 Inventories (as certified by Management)

Raw Materials (in stock) @ Net after provision of Rs.0.40 Lakh for Non-moving (Previous Year Rs. 5.18 Lakh)	2,322.93	2,743.17
Internally Generated process scrap/rejected materials	1,291.90	1,230.93
Consumables (in stock) (Net after provision Rs. 20.49 lakh for non-moving) (Previous year Rs. 28.39 Lakh)	515.39	464.29
Instruments, Loose Tools etc., in use (net)	-	0.05
Spares (in stock) (Net after provision of Rs. 126.63 Lakh for non-moving) (Previous year Rs. 124.27 Lakh)	368.17	348.32
Raw Materials, Stores & Spares under inspection and Transit	715.37	545.87
Work-in-Process \$	13,376.44	9,264.19
Finished Goods	253.36	226.45
Total	<u>18,843.56</u>	<u>14,823.27</u>

@ Does not include Raw Materials worth Rs. 1736.33 Lakh (Previous Year Rs. 756.40 Lakh) held on behalf of Customers

\$ Include materials lying with outsiders Rs. 896.66 Lakh (Previous Year Rs. 394.66 Lakh), and also include items valuing Rs.34.66 Lakh (Previous Year Rs.24.89 Lakh) pertaining to earlier years, brought into account, during the year, on reconciliation

8.2 SUNDRY DEBTORS (Unsecured)

	As at 31 st March, 2008 (Rs. in Lakhs)	As at 31 st March, 2007 (Rs. in Lakhs)
(a) Debts Outstanding for a period exceeding Six Months		
- Considered Good	1,996.63	1,969.90
- Considered Doubtful	157.68	156.88
 (b) Other Debts		
- Considered Good	5,490.22	3,741.96
- Considered Doubtful	0.41	0.60
	<u>7,644.94</u>	<u>5,869.34</u>
 Less : Provision for Doubtful Debts	 (158.09)	 (157.48)
Total	<u><u>7,486.85</u></u>	<u><u>5,711.86</u></u>

8.3 CASH & BANK BALANCES

(a) With Scheduled Banks			
- in Current Accounts	849.40	1,684.36	
- in Fixed Deposits *	20,006.31	14,906.31	
- Interim Dividend Account	<u>100.00</u>	-	
	20,955.71		16,590.67
 (b) With Post Office Savings Bank Account @	 1.40		 1.43
 (c) Cash on Hand	 2.63		 3.01
	<u><u>20,959.74</u></u>		<u><u>16,595.11</u></u>

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

@ Pledged with Excise Authorities Rs. 1.40 lakh (Previous Year Rs. 1.40 Lakh).

Maximum balance during the year Rs. 1.43 lakh (Previous Year Rs. 1.43 Lakh).

8.4 Other Current Assets

Despatches with Subcontractors (at estimated realisable Value)	1,376.70		1,271.91
Less : Provision for DA Adjustment	(5.40)		-
Less : Relatable Advances (as per contra)	<u>(1,042.83)</u>	<u>(1,048.23)</u>	<u>(744.50)</u>
		328.47	<u>527.41</u>
 Interest Accrued - Considered good	 270.20		 437.12
- Considered doubtful	286.58	286.58	
- Less Provision	<u>286.58</u>	<u>286.58</u>	
	<u><u>598.67</u></u>		<u><u>964.53</u></u>

8.5 LOANS & ADVANCES

(Unsecured considered good, unless otherwise stated)	As at 31 st March, 2008 (Rs. in Lakhs)	As at 31 st March, 2007 (Rs. in Lakhs)
(a) Advances recoverable in cash or in kind or for value to be received		
Secured		
- Advances to Employees	2.07	4.49
- Advances to Employees	43.45	58.42
- Advances to Suppliers (Purchase)	79.31	93.25
- Advances Considered Doubtful	23.66	23.66
	<u>102.97</u>	<u>116.91</u>
Less : Provision for Doubtful Advances	<u>(23.66)</u>	<u>(23.66)</u>
- Claims / Account Receivables	34.84	35.00
- Accounts receivable-Customer Fin.Projects	190.40	-
- Income Tax Deductions at Source	5.97	6.06
- Advance Tax paid	3,462.80	2,073.62
- Pre-paid expenses	19.47	12.26
Total (a)	<u><u>3,838.31</u></u>	<u><u>2,283.10</u></u>
(b) Balances with Customs, Excise		
- Others	280.86	302.52
	<u>79.43</u>	<u>199.03</u>
Total (b)	<u>360.29</u>	<u>501.55</u>
Total (a + b)	<u><u>4,198.60</u></u>	<u><u>2,784.65</u></u>
Dues from the Officers of the Company	0.17	0.27
Maximum amount due at any time during the year	0.28	0.44

SCHEDULE - 9 CURRENT LIABILITIES AND PROVISIONS

9.1 CURRENT LIABILITIES

	As at 31 st March, 2008 (Rs. in Lakhs)		As at 31 st March, 2007 (Rs. in Lakhs)	
Accounts payable for Equipment and Works				
(a) SSI Units	0.27		0.27	
(b) Others	<u>117.58</u>	117.85	<u>87.07</u>	87.34
Sundry Creditors				
(a) SSI Units	24.29		152.62	
(b) Others	<u>640.37</u>	664.66	<u>342.67</u>	495.29
Other Expenses				
(a) SSI Units	55.37		22.64	
(b) Others	<u>1,004.32</u>	1,059.69	<u>619.23</u>	641.87
Accounts payable for Employees		2,505.68		1,076.29
Taxes and Duties		155.80		196.00
Customer Financed Projects		613.62		842.01
Advances from Customers	24,230.76		18,365.46	
Less : Amount Set-off against (per Contra)				
- Despatches with Sub-contractors	<u>(1,042.83)</u>		<u>(744.50)</u>	
- Sundry Debtors		23,187.93		17,620.96
Advances and Deposits - Others		1,270.02		881.94
Other Liabilities				
- Advances for Customer Financed Projects - Capital		-		975.01
- Other Liabilities		328.19		152.50
Total		<u><u>29,903.44</u></u>		<u><u>22,969.21</u></u>

9.2 PROVISIONS

(Rs. in Lakhs)

	Balance as at 1 st Apr. 2007	Additions during the year	Amounts used/Adj. during the year	Unused amount reversed during the year	Balance as at 31 st Mar, 2008
Provision for Gratuity	8.27	1.22	-	-	9.49
Provision for Leave Encashment	504.69	172.57	-	-	677.26
Provision for Income Tax	2,286.75	1,973.34	476.06	-	3,784.03
Provision for Dividend	363.75	711.00	363.75	-	711.00
Provision for Tax on Dividend	61.82	120.84	61.82	-	120.84
Provision for FBT	78.79	34.02	-	-	112.81
Provision-Others	11.04	-	-	-	11.04
TOTAL	3,315.11	3,012.99	901.63	-	5,426.47

**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2008**

SCHEDULE - 10

ACCRETION / (DECRETION) TO WORK-IN-PROCESS AND FINISHED GOODS

		Year ended 31 st March, 2008 (Rs. in Lakhs)	Year ended 31 st March, 2007 (Rs. in Lakhs)
(i) Work-in-Process			
Closing Balance		13,376.44	9,264.19
Opening Balance		<u>9,264.19</u>	<u>6,290.22</u>
	Total (i)	4,112.25	2,973.97
(ii) Finished Goods			
Closing Balance		253.36	226.45
Opening Balance		<u>226.45</u>	<u>62.63</u>
	Total (ii)	26.91	163.82
	Total (i + ii)	<u>4,139.16</u>	<u>3,137.79</u>

**SCHEDULE - 11
OTHER INCOME**

Interest Earned			
- Bank Deposits		1,290.46	907.24
- Others		9.72	31.37
Export Incentives		3.20	-
Income from disposal of Scrap		42.15	49.87
Liquidated Damages / Penalties		22.78	13.33
Profit on Sale of Fixed Assets (Net)		0.11	-
Write Back of Provisions		73.25	54.19
Other Miscellaneous Income		62.34	140.18
	Total	<u>1,504.01</u>	<u>1,196.18</u>

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

Raw Materials		11,987.55	9,371.99
Consumables		949.12	1,062.73
	Total	<u>12,936.67</u>	<u>10,434.72</u>

**SCHEDULE - 13
POWER AND FUEL**

Power		768.87	671.70
Liquified Petroleum Gas		1,123.42	930.72
Furnace Oil, Diesel etc.,		77.21	40.58
	Total	<u>1,969.50</u>	<u>1,643.00</u>

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

Salaries and Wages		4,962.16	3,385.04
Contribution to Provident Fund and EPS		349.63	348.45
Gratuity		280.28	234.46
Leave Encashment		283.61	106.65
Staff Welfare Expenses (Net)		556.76	532.96
Leave Salary and Pension Contribution		1.08	0.20
	Total	<u>6,433.52</u>	<u>4,607.76</u>

SCHEDULE - 15

REPAIRS AND MAINTENANCE *

(Excluding Salaries and Wages)

Repairs to

- Buildings
- Plant and Machinery
- Others

Total

Year ended
31st March, 2008
(Rs. in Lakhs)

Year ended
31st March, 2007
(Rs. in Lakhs)

69.98	50.57
520.07	385.59
19.90	19.47
<u>609.95</u>	<u>455.63</u>

* Includes Consumables and Spares Rs.412.71 Lakh (Previous year Rs.313.37 Lakh)

SCHEDULE - 16 : OTHER EXPENSES

Water Charges	36.68	28.95
Rates and Taxes	13.94	10.10
Insurance	27.91	33.01
Amortisation of Tools etc.,	0.05	0.05
Miscellaneous - Factory	15.02	7.44
Rent and Service Charges	10.99	10.42
Postage, Telephone, Telegram and Telex	30.68	29.31
Printing and Stationery	30.85	16.39
Travel Expenses (Incl. Directors' Travel Rs.23.83 Lakh Previous Year Rs. 14.87 Lakh)	115.50	76.44
Directors sitting fees	1.20	0.10
Bank Charges	15.39	15.59
Advertisement (Tenders / Notification)	19.04	6.41
Auditors Remuneration		
- Audit Fees	1.25	0.75
- Tax Audit Fees	<u>0.55</u>	<u>0.25</u>
Legal Expenses	1.58	1.52
Miscellaneous - Administration (Incl. Entertainment expenses Rs. 0.38 Lakh - Previous Year Rs. 0.28 Lakh)	208.19	172.97
Internal Audit Fees, PF audit and other audit fees	1.67	1.50
Commission to selling agents	13.72	18.12
Publicity expenses	23.74	19.57
Miscellaneous Selling expenses	56.20	22.04
Write off-Adv/Misc Exp/Claims/Interest/Liquidated Damages	241.72	248.96
Exchange Rate Variance	2.64	0.03
Loss on sale of Asset (Net)	0.06	0.83
Total	<u>868.57</u>	<u>720.75</u>

SCHEDULE - 17: PROVISIONS

Provisions for

- Doubtful Debts
- Non-moving stores / Spares / Stock Discrepancies
- DA adjustment and Others

Total

 Year ended
 31st March, 2008
 (Rs. in Lakhs)

 Year ended
 31st March, 2007
 (Rs. in Lakhs)

0.61	-
0.05	4.42
5.40	-

<u>6.06</u>	<u>4.42</u>
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SCHEDULE - 18: INTEREST

Cash Credit

Interest - Others

Total

1.64	0.34
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<u>32.20</u>	<u>35.72</u>
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<u>33.84</u>	<u>36.06</u>
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SCHEDULE - 19: PRIOR PERIOD ADJUSTMENT

Consumption of Materials etc.,

Manufacturing Expenses

Other Administrative Expenses

Depreciation

Total
Net

	Debit	Credit	Debit	Credit
-	2.15	-	-	-
-	-	-	0.72	-
1.54	4.63	0.05	-	-
-	-	0.03	-	-
<u>1.54</u>	<u>6.78</u>	<u>0.08</u>	<u>0.72</u>	<u>0.64</u>
Net	<u>5.24</u>	<u>0.64</u>	<u>0.72</u>	<u>0.64</u>

SCHEDULE -20

NOTES ON ACCOUNTS ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008.

A. BALANCE SHEET

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

	Rs.Lakhs	
	Current Year	Previous Year
- Own Projects	728.05	425.13
- Customer Projects	1053.65	203.51

2. Contingent Liabilities not provided for:

Rs.Lakhs			
Sl. No.		Current Year	Previous Year
(i)	Bank Guarantee	63.90	76.42
(ii)	Letters of Credit Outstanding	108.90	771.05
(iii)	Claims not acknowledged as debt	2591.69	2377.22
(iv)	Others	50.00	50.00

- 3.1 Conveyance deeds for 275 acres and 35 guntas of Land acquired are yet to be executed. Out of above, the extent of land leased to the following parties: DRDO - 35 acres and 39 guntas, AP State Govt.-1 acre BDL-1 acre, and 1.5 acres is under dispute on account of Unauthorized possession by a third party.
- 3.2 Claims for reimbursement of cost for 70 acres and 23 guntas of Land transferred by DRDO not acknowledged, as various claims were made by them at different times and no final settlement has been reached.
- 3.3 Pending registration/receipt of claims no provision has been made towards stamp duty on conveyance deeds/ conversion of land use/property taxes/service charges (amount not ascertainable)
- 4.(i) As at the end of the year, Midhani is holding assets worth Rs.10519.65 Lakh (Previous year 7976.58 Lakh(including advances and Goods-in Transit)procured under Customer Financed Projects. The above includes Rs. 249.38 lakhs representing claims made on insurer for the equipment missing/damaged in transit.
- 4.(ii) Final adjustments have not been made to the balances against Customer Financed Projects and confirmations of balances have not been obtained, pending settlement of accounts.
5. In the absence of information from the Company's creditors with regard to submission of Memorandum with the specific authority, as required under Micro, Small &

Medium Enterprises Development Act, 2006, the Company is unable to furnish the information under the said Act.

6. Balances in Sundry Debtors, Loans and Advances, Claims Receivables, Deposits, Sundry Creditors, Materials with contractors/sub-contractors and others are subject to confirmation and/or reconciliation
7. Advances and Deposits – Others(Schedule- 9.1) include Rs.26.30 lakh(Previous year Rs.26.30 lakh) received as "Funding under PATSER" scheme from Department of Scientific and Industrial Research(DSIR). As the project was unsuccessful the Company has sought for waiver of the refund.
8. The net deferred tax liability as at 31st March 2008 comprise of the following:

(Rs. Lakhs)			
Particulars	As at 31 st March, 2007	Charge / Credit for the period	As at 31 st March, 2008
(a) Deferred Tax Liability			
- Depreciation	552.32	(8.60)	543.72
Total	552.32	(8.60)	543.72

8 (b) Deferred Tax Assets

(Rs. Lakhs)			
Provisions	222.50	0.72	223.22
Disallowances as per IT Act	172.66	57.53	230.19
Total	395.16	58.25	453.41
Net Assets/ (Liabilities)	(157.16)	66.85	(90.31)

B.PROFIT AND LOSS ACCOUNT

9. Sales include an amount of Rs. Nil(Previous year Rs. 59.98 Lakhs) being the sale value on account of price escalation, as per the contractual terms, for the supplies made to ATPV.
10. Remuneration paid by the Company to the Chairman and Managing Director and whole time Directors:

	(Rs. Lakhs)	
	2007-08	2006-07
Salary & Allowances	17.97	22.96
Contribution to Provident fund	1.78	1.50
Gratuity	2.61	3.50
Total	22.36	27.96
Sitting Fees paid to Independent Directors	1.20	0.10

11. On a review, an amount of Rs.15.27 Lakhs (Previous year Rs.27.62 Lakhs) has been written off as bad debts and an amount of Rs. 0.61 Lakhs (Previous Year Rs. Nil) as provision for Bad and doubtful Debt in respect of a PSU has been accounted for in the books for the year.

12. Details of Research and Development expenditure included in the natural heads of accounts are as follows:

(Rs. Lakhs)

Sl. No.		Current Year	Previous Year
(i)	Consumption of materials	91.55	116.36
(ii)	Conversion costs	132.40	103.80
	TOTAL	223.95	220.16

13. Consequent on the Supreme Court judgment that no PF deduction is required to be made on leave encashment, no provision for PF on leave encashment liability has been made in the year 07-08 amounting to Rs. 20.72 lakhs and the provision of Rs. 60.47 lakhs made in the previous year has been withdrawn in the current year. Consequent to the change in the Accounting Policy, the profit for the year 2007-08 is higher by Rs. 81.19 lakhs.

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

Particulars	31 st March, 2008	31 st March, 2007
Net Profit After Tax (Rs. Lakh)	3,554.17	2,318.65
No. of Shares	13,73,400	13,73,400
Basic and Diluted Earnings Per Share of face value of Rs.1000/- each (in Rupees)	258.79	168.83

There is no dilutive potential Equity Shares.

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

Key Management Personnel:

- Shri Devasis Chowdhury
Chairman & Managing Director (Up to 30.06.06)
- Shri M Narayana Rao
Chairman & Managing Director
(From 27.07.06)
- Shri B V Krishnamurthy
Director (Finance)
(Upto 5.9.2007)
- Shri S.R. Venkata Subramanian
Director (Prodn.&Mktg.)
(Up to 17.08.06)
- Shri K Ramesh
Director (Prodn.&Mktg.)
(From 26.04.07)

15.2 Nature of Transaction

(Rs. Lakhs)

Managerial Remuneration

S/Shri	<u>07-08</u>	<u>06-07</u>
Devasis Chowdhury	-	12.86
M Narayana Rao	7.78	5.00
B.V. Krishnamurthy	8.45	6.51
S.R. Venkata Subramanian	-	3.59
K. Ramesh	6.14	-

16. The indications listed in paragraph 8 to 10 of Accounting Standard 28 -Impairment of Assets, have been examined and on such examination, it has been found that none of the indications are present in the case of the Company and hence no provision for a potential impairment loss is required. In respect of Titanium Tube Plant, a comparison of the estimated recoverable amount vis a vis the carrying cost indicates that there is no potential impairment loss and hence no provision is required.

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

(Rs. Lakhs)

	As on 31.3.2008	As on 31.3.2007
Not later than one year	1.72	Nil
Later than one year and not later than five years	1.72	Nil
Later than five years	-	Nil
Total	3.44	Nil

18. No provision has been made in respect of Cess payable under Section 441A of the Companies Act 1956, since no notification has been issued by the Central Government in terms of Section 441A of the Companies Act 1956.

19. The Company has been exempted by the Company Law Board from disclosing the information under provisions of Para 3 (i) (a), (3)(ii) (a) (1) and (2), 4C and 4D of Part II of Schedule VI of the Companies Act 1956 (as amended).

20. As per the provision of the Revised Accounting Standard-15, the following information is disclosed in respect of gratuity as per actuarial valuation as on 31.3.2008 provided by LICGGF with whom the Company has taken policy through its Gratuity Trust:

1	ASSUMPTION	31 MAR 2008
a)	Discount rate (per annum)	8%
b)	Salary Escalation (per annum)	4%
2	Table showing the changes in the present value of the Obligation as on 31 MAR 2008	(Rs. Lakhs)
a)	Present value of obligation at the beginning of the year	1888.89
b)	Interest cost	151.11
c)	Current service cost	51.29
d)	Benefits paid-Actuals	94.49
e)	Present value of obligation at the end of the year	2372.35
f)	Actuarial gain/loss	(375.56)
3	Changes in fair value of the Plan Assets	
a)	Fair value of plan assets at the beginning of the year	1826.43
b)	Expected return on plan assets	180.97
c)	Contributions	234.34
d)	Benefits paid	94.49
e)	Actuarial gain/loss on plan assets	NIL
f)	Fair value of plan assets at the end of the year	2147.26
4	Table showing fair value of plan assets	
a)	Fair value of plan assets at the beginning of the year	1826.43
b)	Actual return on plan assets	180.97
c)	Contributions	234.34
d)	Benefits paid	94.49
e)	Fair value of plan assets at the end of the year	2147.26
f)	Funded Status	(225.09)
g)	Excess of Actual over estimated return on plan assets.	NIL
5	Actuarial Loss or Gain recognized	
a)	Actuarial Loss for the year -Obligation	(375.56)
b)	Actuarial Loss for the year- Plan Assets	NIL
c)	Total Loss for the year	(375.56)
d)	Actuarial Loss recognized	(375.56)
6	Amount to be recognized in the Balance Sheet and Statements of P&L	
a)	Present value of the obligations at the end of the year	2372.35
b)	Fair value of plan assets at the end of the year	2147.26
c)	Funded Status	(225.09)
d)	Net Liability/Asset recognized in the balance sheet	225.09
7	Expenses recognized in the statement of P&L account for the year ended on 31 MAR 2008	
a)	Current service cost	51.29
b)	Interest Cost	151.11
c)	Expected return on plan assets	180.97
d)	Net actuarial gain/loss recognized in the year	375.56
e)	Expenses recognized in P&L a/c	396.98

C. GENERAL

21. Work-in-process has been valued as per the Accounting Policy No. 4.6. However, Work-in-Process carried over from earlier years is valued on the basis of value as on 1st April 2007 or realizable market value during 2007-08, whichever is lower.
22. In accordance with Section 211 (3B) of the Companies Act, 1956, it is to state that in view of the confidential nature of the information pertaining to defence products, Segment Reporting (AS-17) as required under Section 211(3A) of the Companies Act, 1956, is not made. There is no effect on the Accounts, due to such deviation.
23. Previous year's figures have been regrouped/recast, wherever necessary, to conform to current year's classification.

As per our Report attached to the Balance Sheet
For **Nataraja Iyer & Company**
Chartered Accountants

(E.S. Ranganath)
Partner

Place : Hyderabad.
Date : 10-07-2008.

For and on behalf of Board of Directors

M. Narayana Rao, Chairman & Managing Director
K. Ramesh, Director (Prodn. & Mktg.)
P.V. Subba Rao, Company Secretary

Place : Hyderabad.
Date : 10-07-2008.

STATEMENT OF CASH FLOW

	Year ended 31 st Mar 2008 (Rs. in Lakh)	Year ended 31 st Mar 2007 (Rs.in Lakh)
I CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	5,494.68	3,559.04
Adjustment to reconcile net income to net cash providing by operating activities:		
Depreciation	248.23	209.79
Profit / Loss on Sale of Fixed Assets	(0.05)	0.83
Interest Paid	33.84	36.06
Interest Received	(1,430.39)	(582.27)
Write back of provisions	(73.25)	(54.19)
Write Offs	241.72	248.96
Exchange Rate Variation	2.64	0.03
Provision for Doubtful debts/Advances / Modvat / Non-moving stores / spares	179.85	(0.68)
Sub-Total	(797.41)	(141.47)
Operating Profit before Working Capital Changes	<u>4,697.27</u>	<u>3,417.57</u>
Adjustment for Changes in Assets and Liabilities		
(Increase) / Decrease in Sundry Debtors	(1,774.99)	(447.69)
(Increase) / (Decrease) in Inventories	(4,020.29)	(3,118.63)
(Increase) / Decrease in Other Current Assets	577.46	(740.11)
(Increase) / Decrease in Sundry Creditors	6,934.23	7,301.75
(Increase) / Decrease in Bank Borrowings	(5.06)	5.06
(Increase) / Decrease in Prov. For Tax	(476.06)	
Sub-Total	1,235.29	3,000.38
Cash Generated from Operations before adjustment from Other Assets	<u>5,932.56</u>	<u>6,417.95</u>
Adjustment for Other Assets	-	-
Sub-Total	-	-
Cash Generated from Operations	<u>5,932.56</u>	<u>6,417.95</u>
Direct Tax Paid	(1,800.89)	(1,176.00)
Sub-Total	<u>(1,800.89)</u>	<u>(1,176.00)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES (a)	<u>4,131.67</u>	<u>5,241.95</u>
II. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(739.43)	(201.35)
Proceeds from Sale of Fixed Assets	1.41	-
Interest Received	1,430.39	582.27
NET CASH PROVIDED (USED IN) BY INVESTING ACTIVITIES (b)	<u>692.37</u>	<u>380.92</u>
III. CASH FLOW FROM FINANCING ACTIVITIES		
Interest Paid	(33.84)	(36.06)
Dividend Paid	(363.75)	(340.53)
Tax on Dividend Paid	(61.82)	(47.76)
NET CASH PROVIDED BY FINANCING ACTIVITIES (c)	<u>(459.41)</u>	<u>(424.35)</u>

STATEMENT OF CASH FLOW (Contd.,)

	Year ended 31 st Mar 2008 (Rs. in Lakh)	Year ended 31 st Mar 2007 (Rs. in Lakh)
Abstract		
Net Cash provided by Operating Activities (a)	4,131.67	5,241.95
Net Cash provided (used in) by Investing Activities (b)	692.37	380.92
Net Cash provided by Financing Activities (c)	<u>(459.41)</u>	<u>(424.35)</u>
Net Increase / (decrease) in cash & cash equivalent during the year	<u>4,364.63</u>	<u>5,198.52</u>
Cash and Cash equivalent at the beginning of the year	16,595.11	11,396.59
Cash and Cash equivalent at the end of the year	<u>20,959.74</u>	<u>16,595.11</u>
	<u>4,364.63</u>	<u>5,198.52</u>
Components of Cash and Cash equivalents as at		
	31st Mar, 2008	31st Mar, 2007
	(Rs. in Lakh)	(Rs. in Lakh)
Cash on Hand	2.63	3.01
With Post Office Savings Bank Account	1.40	1.43
With Scheduled Banks		
- in Current Account	849.40	1,684.36
- in Fixed Deposit	20,006.31	14,906.31
- in Interim Dividend A/c	100.00	-
TOTAL	<u>20,959.74</u>	<u>16,595.11</u>

As per our Report attached to the Balance Sheet
For **Nataraja Iyer & Company**
Chartered Accountants

(E.S. Ranganath)
Partner

Place : Hyderabad.
Date : 10-07-2008.

For and on behalf of Board of Directors

M. Narayana Rao, Chairman & Managing Director
K. Ramesh, Director (Prodn. & Mktg.)
P.V. Subba Rao, Company Secretary

Place : Hyderabad.
Date : 10-07-2008.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

Registration Number	1660	State Code	01
Balance Sheet Date	31 st March, 2008		

II CAPITAL RAISED DURING THE YEAR (Amounts in Rupees Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amounts in Rupees Thousands)

Total Liabilities	5,535,076	Total Assets	5,535,076
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SOURCES OF FUNDS

Paid Up Capital	1,373,400	Reserves and Surplus	619,654
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Deferred Taxes	9,031	Current Liabilities & Provisions	3,532,991
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APPLICATION OF FUNDS

Net Fixed Assets	305,323	Investments	21,011
Current Assets, Loans & Advances	5,208,742		

IV PERFORMANCE OF THE COMPANY (Amounts in Rupees Thousands)

Turnover (Gross earnings)	3,040,378	Total Expenditure	2,490,910
Profit / (-) Loss Before Tax	549,468	Profit / (-) Loss After Tax	355,417
Earnings Per Share in Rupees	258.79	Dividend Rate %	5.177%

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY

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

For and on behalf of Board of Directors

M. Narayana Rao, Chairman & Managing Director
K. Ramesh, Director (Prodn. & Mktg.)
P.V. Subba Rao, Company Secretary

Place : Hyderabad.
 Date : 10-07-2008.

A. EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR 2007-08 - CAPITAL

(Rs. in Lakhs)

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2007	Additions during the year	Adj/Ded during the year	As at 31.3.2008	As at 31.3.2007	Adj/Ded during the year	Depreciation for the year	As at 31.3.2008	As at 31.3.2008	As at 31.3.2007
Land	28.66	--	--	28.66	--	--	--	--	28.66	28.66
Township Buildings: - Residential	100.69	--	--	100.69	36.09	--	1.65	37.74	62.95	64.60
Township Buildings: - Non-Residential										
(a) School	44.74	--	--	44.74	11.04	--	0.73	11.77	32.97	33.70
(b) Hospital	1.77	--	--	1.77	0.65	--	0.03	0.68	1.09	1.12
(c) Sub-station buildings	1.92	--	--	1.92	0.67	--	0.03	0.70	1.22	1.25
Township External Services:										
(a) Water	2.44	--	--	2.44	2.36	--	-	2.36	0.08	0.08
(b) Electrical	7.45	-	--	7.45	7.13	--	-	7.13	0.32	0.32
(c) School Furniture	7.66	--	--	7.66	7.63	--	-	7.63	0.03	0.03
Township Roads	8.24	--	--	8.24	2.73	-	0.13	2.86	5.38	5.51
TOTAL	203.57	--	--	203.57	68.30	--	2.57	70.87	132.70	135.27
Previous Year	203.57	--	--	203.57	65.71	--	2.59	68.30	135.27	137.86

B. EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR 2007-08- REVENUE

(Rs. in Lakhs)

Description	Township	School	Medical facilities Over & above those which are statutorily required	Subsidised transport	Other subsidies	Other items of welfare expenditure	Total
Salaries & Wages (including P.F. Contribution)	9.97	--	--	--	--	--	9.97
Electricity	10.50	--	--	--	--	--	10.50
Repair & Maintenance	6.18	--	--	--	--	--	6.18
Payment to Transport Co.	--	--	--	132.30	--	--	132.30
Subsidies (Net)	--	31.13	--	--	--	--	31.13
Reimbursement of Tuition Fee	--	--	--	--	6.85	--	6.85
Interest Subsidy on H.B. Loans	--	--	--	--	2.96	--	2.96
Misc. expenses	--	--	--	--	--	4.42	4.42
Township Dispensary	--	--	1.27	--	--	--	1.27
Depreciation	2.57	--	--	--	--	--	2.57
Total Expenditure	29.22	31.13	1.27	132.30	9.81	4.42	208.15
Previous year	27.65	31.47	0.87	127.63	11.27	3.22	202.11
Income for Current Year	3.34	-	-	5.51	-	-	8.85
Income for Previous Year	2.46	--	--	5.95	--	--	8.41

