



DIRECTORS' REPORT

To
The Members
Mishra Dhatu Nigam Limited,

Dear Members

1. Your Directors take pleasure in presenting the 31st Annual Report of your Company together with Audited Accounts for the year ended 31st March, 2005 and the report of Comptroller and Auditor General of India.

HIGHLIGHTS OF PERFORMANCE

2. The year 2004-'05 has witnessed commendable and impressive overall performance in several operational parameters, for the second year, in succession. The Company's achievements in major performance related indices have come under "EXCELLENT" rating as per evaluation criterion adopted in MoU with Govt, of India.

Some of the highlights achieved during the year were:

- A record sales turnover of Rs. 131 Crore, surpassing earlier highest record of Rs. 125 Crore in the previous year.
 - A record Order Booking to the tune of Rs. 225 Crore, highest ever achieved, registering a growth of 65% over the previous year. A major portion of the booking being executable during the current year.
 - Highest Gross Margin of Rs. 13.84 Crore and Profit Before Tax (PBT) of Rs.11.53 Crore when compared to Rs.9.08 Crore and Rs.7.57 Crore respectively in the previous year.
 - Signing of an MoU with DMRL for the Development of Supercast 247A for turbine blade/vane applications of Kaveri Engine Program.
3. The year 2004-'05 is being considered as an important mile stone in the history of the Company, in view of the fact that MIDHANI's long cherished desire to induce fresh investments to Upgrade & Modernise its age old Plant and Equipment, has been brought to a reality. Firm commitments to fund such programs have been received both from the Govt, of India and Major Customers of MIDHANI like

Dept. of Space, DRDO etc. It is also expected that other important customers may follow suit in the current financial year. It is felt that this keen interest shown by them in the Modernisation and Up-gradation programs of MIDHANI, is indeed a recognition to the core competency, technical expertise and utmost customer satisfaction ensured by MIDHANI over the years in all fields of its activity, and more particularly as an appreciation of its services and contributions to those sectors in particular and to other strategic sectors of the Country, in general.

4. The year 2004-'05, has been the 17th profit making year for MIDHANI, out of immediately preceding 18 years.
5. The Company achieved a sales turnover of Rs.131.35 Crore (1,337 MT) as compared to Rs. 125.31 Crore (1,088 MT) during the previous year, thus registering a growth of about 5%. The value of production (including ED) was Rs. 141.67 Crore as compared to Rs. 116.42 Crore in the previous year, registering an increase of about 22%. The Company has earned a gross margin of Rs. 13.84 Crore and a Profit Before Tax of Rs. 11.53 Crore as compared to Rs. 9.08 Crore and Rs. 7.57 Crore for the previous year respectively. The Profit After Tax for the year stands at Rs. 6.85 Crore as against Rs. 6.89 Crore, in the previous year.
6. The surplus available for appropriations would be Rs. 6.85 Crore, as against Rs. 4.19 Crore in the previous year which would enable the Company to declare a Dividend, for the second consecutive year, to the tune of Rs. 1.3734 Crore (excluding tax on dividend of Rs. 0.1795 Crore) being 1% of the Paid-up Share Capital of the company (i.e at the rate of Rs. 10/- per share on 13,73,400 shares, of Rs. 1000/- each) similar to that of the previous year.

HIGHLIGHTS OF PRODUCTION & SUPPLIES

7. Some of the highlights in the areas of Production, Technology & Supplies are:
 - Successful development through in-house technical expertise and R&D efforts:
 - a Nitride Steel 38XMUAW grade for MiG Engine Program,

- a new Stainless Steel grade 15-5 PH for LCA program;
- Successful development and supply, for the first time:
 - the fasteners made out of Special Steels and Superalloys for supply to Naval Dock Yard, wherein potential business opportunity exists to MIDHANI.
 - the Finished forgings and bars of 9Cr1Mo for industrial applications
- Implementation of Innovative initiations have resulted in:
 - building up of hydraulic continuous Band Saw Cutting Machine HA 450, using the internally available materials, at a cost of Rs. 2.50 Lakh which would have otherwise costed the Company Rs.40 Lakh;
 - fabrication of Gas collector has been initiated;
 - development of scale down version of HP Air bottle for Naval applications has been initiated;
 - development of TIG welding facility for Nb base alloy for Aerospace applications.
 - creation of melting facility of 1.5 MT Cast alloy with existing 2.5MT VIM furnace;
 - In-house repair of copper crucible for VAR furnace;
- Securing a valued order from Ordnance Factory, Medak valued at Rs.6 Crore for the initial supply of 15 Sets of Kanchan Armour for the Main Battle Tank Arjun paving way for future bulk orders.

UP-GRADATION & MODERNISATION OF THE COMPANY

8. The year 2004-'05 has been a land mark year in the history of MIDHANI as its much awaited proposal for Modernising and Up-grading the age old Plant, Equipment and facilities involving an investment of about Rs. 100.63 Crore, has been received due attention by the Ministry of Defence, Dept. of Defence Production during the year. The mode of funding was agreed to be that a sum of Rs. 66.63 Crore will be provided by way of grant by Govt, of India and the balance through the major customers of MIDHANI. Based on this understanding, VSSC has agreed to fund a sum of Rs. 30 Crore for procuring critical equipment and an advance of Rs. 5 Crore for revamping MIDHANI Forge Press. Funds have already been positioned by VSSC.

9. In addition to above, an additional funding of Rs. 30 Crore, was made by Dept. of Space (VSSC) in the year 2003-'04 towards setting up of certain critical facilities at MIDHANI meant for their dedicated and exclusive use. Placement of orders for such equipment has already been completed and it is expected that the facilities would become operational during 2006-'07.

FINANCIAL HIGHLIGHTS

10. During the year, the Issued, Subscribed and Paid-up Capital remained unchanged at Rs. 13,734 Lakh. Your company has achieved all the financial and operational targets set out for the year 2004-'05. The highlights are as under:

Particulars	2004-2005	2003-2004
Sales (Less returns)	13,135	12,531
Other Income	863	572
Value Of Production (Excluding ED)	13,396	10,760
Depreciation	222	130
Interest	11	13
Profit (before tax)	1,153	757
Profit (after tax)	685	689

(Rs. Lakh)

Particulars	2004-2005	2003-2004
Gross Block (including Capital WIP)	13,183	13,187
Net Block	2,652	2,838
Working Capital	11,778	11,036
Capital Employed	14,362	13,826
Net Worth	14,469	13,889

(Rs. Lakh)

Particulars	2004-2005	2003-2004
Profit Before Tax to Capital employed	8.03	5.48
Profit Before Tax to Sales	8.78	.6.50
Profit After Tax to Net Worth	4.74	4.96
Profit After Tax to Paid-up Capital	4.99	5.02
Sales to Capital Employed	91.46	90.63
Sales to Gross Block	99.64	95.03
Per Capita Sales (Rs. Lakh)	9.94	9.74

Ratios (Percentages)

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

Particulars	(Rs. Lakh)
Dividend	137.34
Tax on Dividend	17.95
General Reserves	530.20

12. Your Directors are pleased to recommend Dividend @ 1% of the paid up share capital of Rs. 137.34 Crore amounting to Rs. 1.3734 Crore. Further an amount of Rs. 17.95 Lakh will be paid as Dividend Tax including surcharge.

• MIDHANI**PERFORMANCE AGAINST MoU**

13. As per the performance evaluation criteria laid down under MoU with Govt, of India, for the year 2004-'05, your company has achieved "EXCELLENT" rating.
14. The company has signed MoU for the year 2005-'06 with Govt, of India, Ministry of Defence, Dept. of Defence Production with an Annual Sales target Rs. 135 Crore, under "Excellent" criteria.

LABOUR PRODUCTIVITY

15. The direct labour productivity, in terms of value added per direct employee, stood at Rs. 24.37 Lakh as compared to Rs. 21.57 Lakh during the previous year. The value added per employee was Rs. 7.34 Lakh as compared to Rs. 7.06 Lakh in the previous year. The capacity utilisation for the year 2004-'05 was 49 % as against 67% in the previous year 2003-'04.

16. OPERATIONAL EFFICIENCY

- MIDHANI developed Nitride Steel 38XMUAW for MIG Engine Programme and Stainless Steel 15-5 PH for LCA Programme by in-house Research & Development during the year 2004-'05.
- MIDHANI executed for the first time the orders for fasteners, made out of Special Steels and Superalloys to Naval Dockyard on development basis to enlarge the business in the coming years.
- MIDHANI, for the first time, supplied finished forgings of 9Cr1Mo to L&T, Mumbai and 9Cr1MO forged bars to Sandvik Asia and the total value of the order executed was Rs.8 Crore.
- The total import content in the value of production was 29.7% as compared to 30% in the previous year thereby increasing the indigenous content in the value of production.
- Recycling of Scrap obviating the purchase of virgin raw materials worth Rs.13.54 Crore as compared to Rs. 10.78 Crore in the previous year.
- LPG consumption was 254G.Cal per Crore of Value of Production as against MoU target of 340G/Cal.

- Power consumption was 176G.Cal per Crore of value of production as against MoU target of 250 G.Cal.

MARKETING & BUSINESS DEVELOPMENT

17. The year 2004-'05 has witnessed a cultural change in MIDHANI's approach towards Customers and Customer related issues. The continuous efforts put in by MIDHANI, with accent on quick response for customers' requirements, personalised approach, adherence to quality & timely deliveries, the thrust being given to value addition etc., have resulted in greater Customer satisfaction, which has manifested into a comfortable Order Booking position during the year 2004-'05. This is despite MIDHANI's prices not being attractive on account of steep increase in prices of critical imported input raw materials like Titanium Sponge, Cobalt and Nickel.
18. The total order Book on hand at the beginning of the year 2005-'06 was of the order of Rs. 263 Crore. The significance of such high Order Book position is that it not only enabled MIDHANI to meet its "Order Booking" target but also the "Sales Target" for the current year. This means that the composition of Order Book is such that it has executable orders to the full extent of "Sales Target" for the year 2005-'06.
19. The sectors in which there have been significant improvement in the Order Booking as compared to last year include: Defence, Atomic Energy, Space, Power, Electronics & Communications and General Engineering. MIDHANI was able to improve its market share in various grades like Commercial steel, Maraging steel, Superalloys and Softmagnetic alloys as compared to 2003-'04. The long term strategy adopted by MIDHANI to opt for Long Term Business Agreements (LTBA) and tie-ups is expected to result in improved Order Book position during the years to come.

Bio-Medical Implants

20. MIDHANI was able to march ahead in using advanced metallurgical expertise and Defence technologies in pursuit of benefits to common man. The bio-medical division of MIDHANI continued its efforts to constantly upgrade and develop new grades of several medical and ortho implants suitable for human anatomy.

21. The range of these implants cover over 145 items in 1300 different variants. The total orders secured and executed for these implants during the year 2004-'05, were of the order of Rs. 94 Lakh. Efforts made by MIDHANI to improve dealer network, ensuring off-the shelf supplies etc, are expected to bring in further improvements in Order Book position for these products in the years to come.

Export Performance

22. During the year the performance of the Company on Export front is not quite encouraging due to lack of competitive edge over the global players. This is on account of MIDHANI's prices being uncompetitive due to lack of facilities to reap scale economies, steep increase in the prices of critical input raw materials etc. However, focused efforts are being made to bring in improvement in this area by exporting products like Molybdenum wires, Titanium products, Armour grade materials, Bio-medical implants and also by catering to the requirements of deemed export orders from 100% EOUs/ other exporters. The exports increased to Rs. 81 Lakh in the year 2004-'05 as compared to Rs.15 Lakh in the previous year.
23. As a part of Sales Promotion and Business Development activity, MIDHANI participated in the Africa Aerospace & Defence Expo. 2004 held at Pretoria, Africa during September, 2004, the IOACON, an Orthopedic exhibition organized by Indian Orthopedic Association at Agra during December, 2004, in India International Trade Fair held at New Delhi during Nov, 2004, the Aero India 2005 held at Bangalore during Feb, 2005 wherein MIDHANI's specialized products were exhibited to enable to capture orders and market related information with special emphasis on several international organisations / customers.
24. As a step towards building up better customer relations, MIDHANI started an innovative practice of organising "Customers' Meet" with participation of representatives from wide cross sections of industries across the country having business relations with MIDHANI. The second of such meet was arranged during May, '05. They provided a common platform or fora wherein an opportunity existed for MIDHANI to have close interaction with customers in eliciting their opinions, suggestions, perceptions about MIDHANI, present and future requirements and host of other matters pertaining to price, quality and service.

QUALITY CONTROL & ASSURANCE

25. MIDHANI has ISO: 9001: 2000, certified "Quality Management System". An important mile stone achieved during the year '04-'05, was the receipt of "Self Certification Status" from Director General Quality Assurance (DGQA) in respect of supplies to Defence. Also the renewal of approval was obtained, during the year, for manufacture of Titanium stabilized MDN 321A Stainless steel locking wire for use in civil aircraft. In addition to getting all the existing type approvals renewed; MIDHANI has obtained provisional clearances in respect of type approvals for five new Aeronautical Grades: like MDN-127A; AE-962W; ZS6Y-VI; MDN-132A; MDN15-5PH. It is expected that type approvals for another four aeronautical grades: E16NCD13; TITAN-29A; MDN-300A; AE-69 are in the pipe line for completion during the current financial year.
26. "Quality Control" and "Quality Assurance" were taken up as top-most priority areas during the year under report with a view to percolate these concepts to the grass root levels for better appreciation and adherence. Quality Circles have been constituted and various quality related problems were found solutions. Building up of quality consciousness or awareness among work force at all shop floors, have been taken up in addition to organising required training programs.

AERONAUTICAL MATERIALS TESTING LABORATORY

27. The Aeronautical Materials Testing Laboratory (AMTL), under the administrative control of MIDHANI continued to support the testing and evaluation of Aero Engine Materials and Components for Kaveri Engine Programme of GTRE. During the financial year 2004-'05, low and high cycle fatigue tests and tensile tests were regularly conducted over a wide range of temperature on the components. Testing services have also been rendered to DMRL, LPSC, etc. The value of tests conducted, during the year under report, was Rs. 256.97 Lakh as compared to Rs. 230.55 Lakh in the previous year.

HUMAN RESOURCE DEVELOPMENT

28. During the year 2004-'05, the Human Resource Development (HRD) has been considered as a strategic function and given utmost importance. Aligning the HR initiatives with business strategies has been recognised as prime concern of the

• MIDHANI

organisation. Efforts have been taken to motivate and direct the entire work force to achieve the organisational goals like business development, improving viability or profitability, ensuring value addition in all the spheres of company's activities.

29. Imparting training with special emphasis on multi-skilling, creativity development, encouraging innovative approaches etc., has been given greater emphasis during the year 2004-'05. Special training programmes have been introduced with an aim to transform the work culture and to improve work ethics within the organisation. The initiatives taken in the previous year in the matter of creating greater employee involvement, encouraging participative management, through holding of or conducting brain storming session, have been continued during the current year. A brainstorming session was conducted for drawing a road map for quantum jump in Turnover of the Company in the next 2 to 3 years to around Rs. 250 Crore. About 40 middle level executives attended this and suggestions/ideas generated have been taken up for implementation.

MAN POWER

30. The manpower strength of MIDHANI as on 31.03.2005 is 1321 (inclusive of 63 non-unionised supervisors and 265 Executives) as against 1286 (inclusive of 256 executives) as on 31.03.2004. The details are as follows:

	Executives	Non-Unionised Supervisory cadre	Non-Executives	Total
Male	256	62	961	1279
Female	9	1	32	42
Total	265	63	993	1321

31. The details of SC/ST/ OBC/ Ex-Servicemen/ Physically handicapped are furnished in the Annexure I & II enclosed.

INDUSTRIAL RELATIONS

32. Efforts are being made to provide proactive, compassionate human relations by creating an atmosphere of mutual trust, peaceful, harmonious and productive IR climate, Up-gradation of competency levels in tune with strategic thinking of the organisation and improving employees' performance potential, were some of the steps taken towards this direction.

Director's Report

33. 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, Unions and Associations as in the past.

TRAINING & DEVELOPMENT

34. During the year 2004-'05, 697 employees (212 Executives and 485 Non-Executives) were trained in both in-house and external programs. Five technical papers at International symposium and nine technical papers at National level were presented by MIDHANI in various seminars.
35. During the year under report "Industry - Institute interaction" has been given due importance and about 157 Graduate and Post Graduate students from different reputed Engineering Colleges/ Universities/ Management Institutes in India were extended the facilities of Industrial Training and were given opportunity to do Project Works in different fields as part of their curriculum benefiting both Industry and the Institute.
36. In due compliance with MIDHANI's statutory obligations under the provisions of Apprentices Act, 1961, various Industrial Training Programs for Trade Apprentices, Graduate Apprentice Trainees, Diploma Holders and retired Defence Service Personnel have been taken up. All India Trade Tests at the National level were conducted for 80 apprentices during April and November, 2004.

VISITS

37. The details are as under:
- Under the Bharath Darshan Tour, Defence Attache (Designates) of Embassies in Berlin, Dhaka, Beijing, Egypt, Kazakhstan, Katmandu, Moscow, Afghanistan, Italy, Russia, Ukraine, London, UK, Paris, France have visited MIDHANI Plant. The product range of MIDHANI vis-a-vis the specific requirements of these countries have been exchanged.
 - * Padmabhushan Dr. G. Madhavan Nair, Chairman ISRO visited your company during Dec. '04, wherein several bilateral issues came up for discussion and solutions found.

- Shri Sekhar Dutt, SM, Secretary, and Shri HC Gupta, Addl. Secretary, of Deptt. of Defence Production, Ministry of Defence have visited MIDHANI during Nov.'04 and May '04 respectively, to review the performance and/or production facilities existing in the Company.
- Shri V. Devender, Hon'ble Member, for National Commission for Schedule Castes (NCSC), Govt. of India, visited MIDHANI during Jan. '05, to review the Statutory service safeguards being provided in MIDHANI to Scheduled Caste employees.

STATUTORY & SOCIAL OBLIGATIONS CONTRIBUTION TO EXCHEQUER

38. Your Company contributed an amount of Rs. 2,418 Lakh in the form of Duties, Sales Tax and Income Tax and surcharge during the year 2004-'05 as compared to Rs. 2,031 Lakh in the previous year.

EMPLOYEE WELFARE

39. Your company has spent an amount of Rs. 478.57 Lakh during the year 2004-'05, as compared to Rs. 363.76 Lakh in the previous year, towards employee welfare like subsidised canteen, transport, medical reimbursement, LTC, interest subsidy on house building loans etc., with a view to have motivated and satisfied work force to achieve the organisational goals. Among other welfare measures that are continued during the year, the prominent was providing loans to employees to procure personal computer for use at home. Extra curricular activities like sports etc., were given due encouragement during the year 2004-'05. The performance of the company run school " Brahm Prakash DAV" school, excelled in all its activities during the year. Education for the employee's children is subsidised.

ENCOURAGING SMALL FAMILY NORMS

40. MIDHANI continues its commitment to encourage small family norms amongst its employees as a part of Government policy.

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

41. The Company continued its efforts for the development of Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Class (OBC) employees during the year 2004-'05. The Schemes of providing

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 in the Company. The representation of SC, ST, OBCs, Ex- servicemen and Physically Handicapped on the rolls of the Company is given in Annex: I & II.

ENVIRONMENT MANAGEMENT

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

ENCOURAGEMENT TO SMALL SCALE/ANCILLARY INDUSTRIES

43. The Company has no ancillary. The Company continued its practice of outsourcing technical jobs involving low and medium technologies to small sector industries and tiny units wherever feasible. The value of such outsourcing during the year 2004-'05 was to 141 units amounting to around Rs. 300 Lakh. Small scale industrial units were encouraged to take up prestigious works including jobs relating to Space Dept.

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

44. MIDHANI continues to encourage the use of Hindi as the Official Language. During the year under report, a total of 48 employees were trained in Praveen and Pragma courses and have passed the examinations successfully. In order to help MIDHANI Employees in carrying out day to day official work in Hindi, two Hindi Awareness Workshops were organized for about 42 employees (Executives & Non-executives).

45. As a part of the directives received from Ministry of Home Affairs, Govt. of India, " Hindi Week" celebrations were conducted during September, 2004. Several competitions were organised for improving awareness of the use of Official Language. On the occasion of " Hindi Diwas" on 14th September, 2004, the second edition of the Techno-Commercial Annual Hindi House Magazine " SANKALP" was released not only to all employees of MIDHANI but also to various organizations in and around Hyderabad, Major customers of MIDHANI and Ministry Officials.

EMPOWERMENT OF WOMEN

46. Our company is providing necessary platform for women employees to realize their potential, take personal responsibility for performing the job with commitment and take pride in what they do and contribute to achieve the organizational goals. MIDHANI is extending all facilities as per the statutes for welfare of women employees.
47. A program on International Women's day was organized on 8th March, 2005 in MIDHANI. Women employees, both executives and non-executives are nominated for "in-house" as well as external training programs. They have also been encouraged and sponsored for being trained as worker-teachers by the Central Board of Workers' Education.
48. The strength of women employees was 42 as on 31.03.2005.

VIGILANCE

49. During the year under review, effective measures were taken to improve Vigilance Administration in the company. For the first time, a Vigilance handbook was released on the occasion of Vigilance Awareness Week aimed at transparency in the work of Vigilance Administration. Effective communication with CBI is maintained. Towards ensuring transparency in tendering, open tenders of MIDHANI are placed on the web site. Greater focus is laid on preventive vigilance work through simplification of systems and procedures.

GENERAL EXEMPTION FROM DISCLOSURES

50. 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.

FOREIGN TRAVEL

51. An amount of Rs. 8.77 Lakh was spent towards foreign travel (previous year Rs. 6.52 Lakh) undertaken by the Directors and employees of the Company for development of Technology, Market,

Company's business and also for pre-inspection c Materials/ Equipments.

ENTERTAINMENT EXPENDITURE

52. An amount of Rs.0.38 Lakh was spent during the year towards entertainment expenditure (previous year Rs. 0.36 Lakh) which represents 0.003 % of the sales turnover.

CORPORATE GOVERNANCE

53. The Board of Directors headed by an executive Chairman & Managing Director and consisting of Directors with wide range of experience and competencies, manage the affairs of the Company. There are three whole time Directors including the Chairman & Managing Director, two part time Official Directors from the Administrative Ministry and three part time Directors on the Board.
54. The Board met on four occasions during the year. All Directors receive regular information on the operational performance of the Company in each Board Meeting. The Board, inter-alia, reviewed and approved the Annual Capital & Revenue Budgets as well as long term Corporate Plan of the Company. The 30th Annual General Meeting of the Company was held on 28th August, 2004, which was attended by majority of the Directors of the Company.

AUDIT COMMITTEE

55. An Audit Committee has been functioning in the Company since December, 2001 under the Administrative instructions from the Ministry of Defence. As per the terms of its reference by the Board of MIDHANI, regular meetings are being held wherein detailed discussions with Statutory Auditors, representatives of external firms of Chartered Accountants who have been entrusted with the work of internal audit of MIDHANI, are taking place on various issues relating to Finance & Accounts. The main thrust being given to issues related to system improvements in areas of Material Accounting including Scrap Management, Inventory control, Investment of Surplus Funds, Collection of Debts and other Cost Saving/ Cost Reduction measures.
56. The Audit Committee met on three occasions during the year under review and majority of the members of the Committee, were present at all meetings. The Committee is presently chaired by Shri Mohd. Haleem Khan, Addl. Financial Advisor & Joint Secretary, Ministry of Defence (Finance).

DIRECTORS

57. During the year 2004-'05 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 received for the appointment of Shri R.K.M. Bhattacharya, Joint Secretary (Co-ord.), Dept. of Defence Production, Ministry of Defence, as Part-time Official Director w.e.f 14th May, 2004 vice Shri Tapan Ray, Joint Secretary (Exports).
 - Shri S.K. Ray, ex- Member Personnel, OFB, ceased to be Part- time Director on the Board of MIDHANI w.e.f. 31.03.2005, on account of superannuation.

DIRECTORS' RESPONSIBILITY STATEMENT

58. Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is confirmed:
- that in the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable Accounting Standards have been followed along with proper explanations on the material departures, if any;
 - that the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are 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, 2005 and of the Profit or Loss of the Company for the year ending on that date;
 - that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - that the Directors have prepared the accounts for the financial year ended on 31st March, 2005, on a 'going concern' basis.

AUDITORS & AUDITORS' REPORT

- 59.1 C&AG of India has renewed the appointment of M/s. Venugopal & Chenoy, Chartered Accountants, Hyderabad, as Statutory Auditors for auditing the accounts of the Company for the year ended 31st March, 2005.

59.2 With reference to Para 3(d) (i) and 3(d) (ii) of the Auditors' Report, attention is invited to Note No. 19 and Note No.11, respectively of the Schedule 21-Notes forming part of the accounts, which are self explanatory.

REVIEW OF ACCOUNTS BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

60. The comments and the review of Accounts by the Comptroller & Auditor General of India for the year ended 31st March, 2005 are enclosed to this report at Annex.- III & IV respectively.

PARTICULARS OF EMPLOYEES

61. As far as information required under Sec.217(2A) of the Companies Act, 1956, read with the Rules made there under, is concerned, none of the employees were in receipt of emoluments of more than Rs. 2 Lakh per month or Rs. 24 Lakh per annum, during the year under review.

ACKNOWLEDGEMENT

62. Your Directors wish to place on record their sincere appreciation for the invaluable support and timely guidance given by the Ministry of Defence, Dept. of Defence Production. The Company is also indebted to all its Customers, and looks forward to the continued total support for the growth of the Company. The Directors would also like to express their grateful thanks to the various State and Central Govt. Departments, Suppliers, Collaborators, Bankers, Auditors for their support. Last but not the least, your Directors compliment all the Employees, their Unions and Associations who stood together and put their untiring efforts to ensure this excellent performance. Your company is confident to achieve sizable improvement in its operations in the year to come with the expected infusion of fresh investment during the current financial year.

For and on behalf of the Board of Directors

(DEVASIS CHOWDHURY)
Chairman & Managing Director

Place : Hyderabad,
Date : 16th August, 2005.

ANNEXURE - I
REPRESENTATIONS OF SCs, STs, OBCs, PHCs & Ex-Sn AS ON 31.3.2005

Pay Scale & Group	Total No of Employees	Strength of Employees				
		SC	ST	OBC	PHC	Ex-sn
Executives						
Group 'A' Rs.8600-14600 & above	249	26	5	35	1	
Group 'B' From Rs. 6400-To-11350	79	5	2	29	-	2
Non-Executives						
Group 'C' From Rs.3200-6235 To Rs.6100-10560	922	166	39	360	18	43
Group 'D' From Rs.2300 - 3600 To Rs.3000- 5750	71	16	2	28	1	

ANNEXURE • II
RECRUITMENT OF SCs, STs DURING THE YEAR 2004

Pay Scale & Group	Total recruited during the year	No. of posts reserved		No. of candidates appointed	
		SC	ST	SC	ST
Executives					
Group 'A' Rs.8600-14600& above	-	-	-	-	-
Group 'B' Rs.6400-To-11350	-	-	-	-	-
Non-Executives					
Group 'C' From Rs.3200-6235 To Rs. 6100-10560	2	-	-	-	-
Group 'D' From Rs.2300 - 3600 To Rs.3000 - 5750	49	"	—	—	