

## DIRECTORS' REPORT

To  
The Members  
Mishra Dhatu Nigam Limited,

Dear Members

Your Directors take pleasure in presenting the 32<sup>nd</sup> Annual Report of your Company together with Audited Accounts for the year ended 31<sup>st</sup> March, 2006 and the report of Comptroller and Auditor General of India.

### 1.0 HIGHLIGHTS OF PERFORMANCE:

1.1 The year 2005-'06 has been another eventful year witnessing an all round improvement in performance in all spheres of company's activity for the third year in succession. The Company has achieved "EXCELLENT" MoU rating, for third year in succession, in major performance related indices as per evaluation criterion adopted by Govt. of India.

1.2 The significant achievements made during the year were:

- A record sales turnover of Rs. 153 Crore (approx.), surpassing earlier highest record of Rs. 131 Crore (approx.) in the previous year.
- An impressive Order Book position to the tune of Rs. 294 Crore as on 1<sup>st</sup> April, 2006, with a record booking of orders to the extent of Rs. 223 Crore during the year, again surpassing the previous year's order booking record of Rs. 215 Crore.
- Highest Gross Margin of Rs. 20.81 Crore and Profit Before Tax (PBT) of Rs. 18.42 Crore when compared to Rs. 13.84 Crore and Rs. 11.53 Crore respectively in the previous year.
- Successful mustering of support from major customers in company's prestigious long cherished up-gradation and modernisation program.
- Setting up of dedicated major facilities for ISRO reaching an advanced stage in grounding such facilities.

- Receipt of award for Development of Technology & Innovation from Society of Defence Technologists for significant contribution in the area of extensive development of Titanium and its alloys for Aerospace in general and development of niobium based alloy (NIOBHAT -101) for satellite applications.

1.3 The year 2005-'06 has witnessed a leap forward in obtaining fresh investments to upgrade and modernise the company's age old plant and equipment. Dept. of Space had come forward and extended its active support by funding to the extent of Rs. 30 Crore in establishing facilities at MIDHANI, for dedicated use in their specific space programs and a further sum of Rs. 35 Crore for establishing new equipment and facilities towards up-gradation program of MIDHANI. The execution of these projects are at an advanced stage.

1.3.1 With the active persuasion, support and guidance from the Ministry of Defence, the Company could able to get suitable support in this regard from other customer organisations like Hindustan Aeronautics Limited (HAL), Defence Metallurgical & Research Laboratory (DMRL), Ordnance Factories (OFs), with whom the required documentation and modalities of funding are at an advanced stage. It is expected that these organisations would extend support in MIDHANI's Up-gradation program in the-current financial year.

1.4 The year 2005-'06, has been the 18<sup>th</sup> profit making year for MIDHANI, out of immediately preceding 19 years.

1.5 The Company achieved a sales turnover of Rs.152.97 Crore (1,215 MT) as compared to Rs. 131.35 Crore (1,337 MT) during the previous year, thus registering a growth of about 17%. The value of production (including ED) was Rs. 177.60 Crore as compared to Rs. 141.67 Crore in the previous year, registering an increase of about 25%. The Company has earned a gross margin of Rs. 20.81 Crore and a Profit Before Tax of Rs. 18.42 Crore as compared to Rs. 13.84 Crore and Rs. 11.53 Crore for the previous year respectively. The Profit After Tax for the year stands at Rs. 12.03 Crore as against Rs. 6.85 Crore, in the previous year.

1.6 The surplus available for appropriations would be Rs. 12.03 Crore, as against Rs. 6.85 Crore in the previous year which would enable the Company to declare a dividend, for the third consecutive year, to the tune of Rs. 2.41 Crore (excluding tax on Dividend of Rs. 0.34 Crore) being 1.751% of the Paid-up Share Capital i.e. at the rate of Rs. 17.51 per share on 13,73,400 shares, as against a Dividend of Rs. 10/- share (1% on paid up capital) in the previous year.

## 2.0 HIGHLIGHTS OF PRODUCTION & SUPPLIES

### 2.1 ♦ Successful development of :

- Trial heats of Supercast 247A (directionally solidified Super alloy) required for Kaveri Aero Engine Blade/vane application;
- Beta alloy (Titan - 42) required for future replacement of Titan -31 used by VSSC and supplied, for the first time, in form of forged slabs.
- MDN-155 grade Barrel required by Field Gun Factory, Kanpur, meeting all specification requirements.
- Superni - 718 Rotor forgings required by LPSC for critical applications and supplies effected for the first time meeting all specification requirements.
- Ti - 600 (Equivalent to IMI - 834) Titanium alloy developed for the first time meeting all specification requirements during type testing.

### 2 ♦ Successful development through in-house technical expertise and R&D efforts:

- Ultra High Strength Low alloy Steel for Naval application;
- Tungsten containing creep resistant ferrite weld consumables for power plants;
- Iron base superalloy for strategic application;
- Large forgings of Cr-Mo alloy steel in the form of weld neck flanges, blind flanges and Tube sheets for Fast breeder Reactors;
- Rare earth oxide doped molybdenum component for high temperature applications;

- Receipt of Hon'ble Raksh Mantri's "Award for Excellence" in "Group Design Effort Category" for Bio-medical division of MIDHANI on 15\* April, 2005.
- Receipt of prestigious orders worth Rs. 51.35 Crore from Dept. of Space, Rs. 20.56 Crore from Hindustan Aeronautics Limited, Rs. 19.20 Crore from Ordnance Factories which include order for supply of 94 sets of "Kanchan Armour".
- Effecting major supplies worth Rs. 47 Crore to Dept of Space, Rs. 15.36 Crore to ATVP, Rs. 11.19 to Dept. of Atomic Energy.

## 3.0 FINANCIAL HIGHLIGHTS :

3.1 During the year the Authorised, Issued, Subscribed and Paid-up Capital remained unchanged. Your company has achieved all the financial and operational targets set out for the year 2005-'06. The highlights are as under:

(Rs. Lakh)

Particulars	2005-2006	2004-2005
Sales (Less returns)	15,297	13,135
Other Income	1,128	863
Value of Production (Excluding ED)	17,140	13,396
Depreciation	209	222
Interest	8	11
Profit (before tax)	1,842	1,153
Profit (after tax)	1,203	685

(Rs. Lakh)

GrOSS Block (including Capital WIP)	13,291	13,183
Net Block	2,575	2,652
Working Capital	12,826	11,778
Capital Employed	15,381	14,362
Net Worth	15,429	14,469
Paid-up Capital	13,734	13,734

Ratios (Percentages)

Profit Before Tax to Capital employed	11.98	8.03
Profit Before Tax to Sales	12.04	8.78
Profit After Tax to Net Worth	7.80	4.74
Profit After Tax to Paid-up Capital	8.76	4.99
Sales to Capital Employed	99.45	91.46
Sales to Gross Block	115.09	99.64
Per Capita Sales (Rs. Lakh)	11.60	9.94

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

Particulars	(Rs. Lakh)
Dividend	<b>240.53</b>
Tax on Dividend	<b>33.73</b>
General Reserves	<b>928.37</b>

3.3 Your Directors are pleased to recommend Dividend @ 1.751% of the paid up share capital of Rs. 137.34 crores amounting to Rs. 2.41 Crore. Further an amount of Rs.33.73 Lakh will be paid as Dividend Tax including surcharge.

#### 3.4 PERFORMANCE AGAINST MoU:

3.4.1 As per the performance evaluation criteria laid down under MoU with Govt, of India, for the year 2005-'06, your company has achieved "EXCELLENT" rating in 28 parameters, out of 29 parameters in all, with a composite score of 1.09 points.

3.4.2 The company has signed MoU for the year 2006-'07 with Govt, of India, Ministry of Defence, Dept. of Defence Production with an Annual Sales target of Rs. 148 Crores, under "EXCELLENT" criteria. The company is confident of achieving the same in the current Financial Year.

#### 4.0 UP-GRADATION & MODERNISATION PROGRAM OF THE COMPANY:

4.1 The year 2005-'06 is a "LAND MARK" year in the history of the Company. For the first time since commencing its commercial production in 1983, the Company could able to inject fresh funds for up-grading and modernising its plant & equipment. This mega event was possible only with the active co-operation, assistance and guidance from Ministry of Defence and major customers of MIDHANI like Dept of Space, Defence Research & Development Organisation (DRDO), Ordnance Factories (OFs), Hindustan Aeronautics Limited (HAL) etc., who have supported the cause for development of MIDHANI and reposed confidence in valuable contributions made by MIDHANI in the field of supply of critical materials for requirements of strategic sectors of our economy.

4.2 Under the up-gradation program, the facilities planned to be set up include equipments meant for dedicated use by Dept of Space like, Roller Hearth Furnace with hot/cold leveling facility, NDT/Inspection

Equipments, Electric Discharge Sawing machine, 6.5 T Vacuum Inducting Melting Furnace. The other facilities proposed to be set up with the help of funding from VSSC include 10T Vacuum Arc Re-melting Furnace, Heat Treatment Furnace with Creep annealing facility, Universal Testing Machine, Atomic Absorption Spectrometer, Material recycling facilities, up-gradation of 1500T Forge press.

4.3 Facilities proposed to be set up under financing from OFs include, 15T Arc Furnace, VOD, Laddie Refining Furnace. Discussions with HAL are at advanced stage for setting up of certain facilities at MIDHANI at a cost of Rs. 25 Crore. Proposals were also forwarded to DRDO for financing around Rs. 15 Crore for establishing certain important equipments for Kaveri engine project like Plasma Welding Machine, Water jet cutting machine, Re-heating furnace for Forge shop & HT shops and certain quality control equipment.

4.4 The fact that major customers showed keen interest in funding company's up-gradation & modernisation program itself speaks of appreciation and recognition of MIDHANI's efforts in building customer care and satisfaction.

#### 5.0 ENTERPRISE RESOURCE PLANNING:

5.1 Drawing the spirit and persuasion from the deliberations of Audit Committee Meetings regularly held during the year, a need has been felt strongly to achieve integration and standardization of various business processes in MIDHANI across the functions on real time basis to bring in substantial improvements in productivity so as to improve bottom-line of the company. To achieve this goal, it has been decided to go in for implementation of suitable Enterprise Resource Planning (ERP) package in MIDHANI. All preliminary ground work has been completed.

5.2 Creation of basic infrastructure facilities like campus wide net-working, appointment of consultants, identifying training requirements, providing hard-ware and software support for building up required data-bases etc., are among the important activities undertaken during the year towards ERP implementation.

5.3 A full time project team was constituted and road map was prepared to make MIDHANI ERP enabled by 2007. Administrative Staff College of India (ASCI), Hyderabad, has been appointed as consultants for holding MIDHANI's hand during implementation and also audit after implementation. ASCI has also conducted an ERP awareness workshop in January '06 for the Senior

Management members and also imparted required training to "Core Team" members on various aspects of ERP implementation.

5.4 It is strongly felt that ERP, once implemented, will standardize and strengthen the systems and procedures in the matters of material accounting, vendor payments, sales realization, real time activity based costing, material procurement, order processing, asset management etc., and result in several tangible and intangible benefits which will finally help the company to improve its bottom line.

## 6.0 LABOUR PRODUCTIVITY:

6.1 The Direct labour productivity, in terms of value added per direct employee, stood at Rs. 25.30 Lakh as compared to Rs. 24.37 Lakh during the previous year. The value added per employee was Rs. 7.67 Lakh as compared to Rs. 7.34 Lakh in the previous year. The capacity utilisation for the year 2005-'06 was 44.52% as against 49 % in the previous year 2004-'05.

## 7.0 OPERATIONAL EFFICIENCY:

- The total import content in the value of production was 30% as compared to 29.7% 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. 16.34 Crore as compared to Rs. 13.54 Crore in the previous year.
- LPG consumption was 205 G.Cal per a crore of Value of Production as against excellent MoU target of 323 G.Cal.
- Power consumption was 138 G.Cal per a crore of value of Production as against excellent MoU target of 225 G.Cal.

## 8.0 MARKETING & BUSINESS DEVELOPMENT:

8.1 MIDHANI had a comfortable Order Book position during 2005-'06 despite several adverse factors like heavy pressure on selling prices on account of tough competition from overseas suppliers and also steep increase in raw material prices like Titanium Sponge, Cobalt and Nickel etc. The cumulative orders on hand at the beginning of the year 2006-'07 was of the order of Rs. 286 Crore. This ensures MIDHANI an executable order book equal to its entire annual production for the year 2006-'07.

8.2 Some of the major orders bagged by MIDHANI during the year 2005-'06 include orders from Defence Organisations like OFs. ATVP, FGF, GCF, NHQ etc., worth Rs. 91.20 Crore for supply of Kanchan Armour Panels, MDN 172, STA59, STA60, PTIM, PT7MAB2PK Forgings etc.; orders received from Space Sector like VSSC, LPSC, ISRO, worth Rs. 52.12 Crores for supply of Maraging Steel Plates, rings, bars and wires, Ti & Ti Alloys and various Special Steels and Orders received from Aero Sector - HAL, PO(M) etc., worth Rs. 30.06 Crores for supply of various Aeronautical Steels.

8.3 During the year under report, the Order Booking from sectors like Space, Atomic Energy, and Defence was quite encouraging. The other sectors in which there has been significant improvement in the order booking compared to last year include Power, Electronics & Communications and General Engineering.

8.4 Long term tie ups and business agreements to supply high value and value added products were also made during the year. These efforts are expected to improve order book position in the years to come.

8.5 As a part of Sales Promotion and business development activity MIDHANI participated in various exhibitions/trade fairs/seminars etc. The prominent among them were: Latin America Aero/Defence 2005 at Brazil during April, '05, SME Expo 2005 held at HITEX, Hyderabad during Aug, '05; National Aerospace Manufacturing Seminar organised by Society of Aerospace Manufacturing Engineers at Trivandrum during Sept., '05, Sponsored and participated in a two day conference on "An Indian Century-Science, Technology & Policy" organised by Defence Metallurgical Laboratory, Hyderabad during Oct., '05, India International Trade Fair held at Pragati Maidan, New Delhi during Nov., '05, 5<sup>th</sup> International High Energy Materials Conference & Exhibition organised by High Energy Materials Society of India at DRDL, Hyderabad during Nov., '05, International Conference "Conquest 2006" on Quality and Reliability in Aerospace Systems & Exhibition organised by RCI, DRDO and SAQR at HITEX, Hyderabad during Jan., '06 DEFEXPO 2006 held at Pragati Maidan, New Delhi during Jan/Feb, '06 and Asian Aerospace Exhibition 2006 held at Singapore during Feb., '06.

8.6 The 2<sup>nd</sup> Annual one-day Customer Meet of MIDHANI was held during May, 2005 about 128 participants representing the wide cross sections of industries across the country participated. These include Power, Ordnance, Navy, Space and General Engineering Industries covering Government, Public and Private sectors. Impressive

*(Directors' lie-port*

presentations were made by MIDHANI Engineers and customers, which were highly appreciated. Interactive session with customers in small groups, helped in eliciting opinions and suggestions from customers about their present and future requirements and their perceptions of MIDHANI's price, quality and service.

8.7 The cultural change brought out in the previous year 2004-'05 by giving thrust to the concepts like "Customer-in-focus" "Customer Satisfaction", "Value addition" "personalized approach", "adherence to quality & timely deliveries" etc., continued during the year.

**8.8 Bio-Medical Implants :**

8.8.1 The use of Defence / Space Technologies for production of medical implants for a "human cause" continued during the year 2005-'06. MIDHANI was able to secure orders from various corporate hospitals and dealers of these products to the extent of Rs. 45 Lakh. The highlight of the year 2005-'06 is the introduction of Maxillo Facial Implants made out of Titanium and Titanium Alloys.

8.8.2 During the year under review, 34 custom made prosthesis were supplied, thereby, avoiding limb amputations. The efforts towards market development included participation in various exhibitions including IOACON Exhibition held at Mumbai, SME Exhibition held at Hyderabad and AP state level Conference of Orthopedicians and Exhibition held at Guntur, wherein Company's products were exhibited.

**8.9 Export Performance:**

8.9.1 The company's performance on Exports front during the year is not quite encouraging due to lack of competitive edge over the global players. In spite of steep increase in input raw material prices like titanium sponge, molybdenum powder, MIDHANI has focused on competitive prices for molybdenum wires and titanium products to increase exports to various overseas markets. Exports increased to Rs. 83 Lakh in the year 2005-'06 compared to Rs. 81 Lakh in the year 2004-'05. MIDHANI has started focusing on new products - maraging steel, armour grade and biomedical implants with the expectation that these grades would further increase MIDHANI exports for the year 2006-'07.

**9.0 QUALITY CONTROL & ASSURANCE :**

9.1 ISO 9001-2000, Surveillance Audit was organised in the month of December, 2005, which re-confirmed that the procedures followed by MIDHANI are quality conforming. After such audit, MIDHANI has taken up,

on priority, a continuous review of quality management system with particular attention to Process Improvement & Control. Several facilities like Atomic Absorption Spectrometer with Graphite furnace facility in Analytical laboratory for carrying out trace and ultra trace elements analysis in critical grades like Superni 718, Supercast 247, IMI 834, etc. and Image Analyser for detailed analysis on microstructure, have been procured and commissioned during the year. Knowledge Up-gradation efforts were given importance during the year and it has been upgraded in respect of 28 inspectors in UT, DPT & MPI levels and 2 officers in UT level.

9.2 Among efforts made during the year to make improvements in the quality of products, the noteworthy features are with respect to preparation and testing of combined smooth and notch stress rupture samples pertaining to the grade of Superni 718 bars supplied to HAL and completion of type testing of IMI 834 alloy supplied to DMRL. It is worth mentioning that the Company could achieve an "Excellent" rating in respect of customer complaints on quality related issues.

**10.0 AERONAUTICAL MATERIALS TESTING LABORATORY**

10.1 During the financial year 2005-'06, low and high cycle fatigue tests and tensile tests were regularly conducted over a wide range of temperature on the components of Kaveri Engine Forging cut-up segments, Testing services have also been rendered to DMRL, BARC.DRDL & SIFL etc., The value of tests conducted during the year 2005-'06 was Rs. 241.45 Lakh as against the target of Rs. 222.16 Lakh.

**11.0 HUMAN RESOURCE DEVELOPMENT**

11.1 "Human Resource" was considered as an important asset of organisation and several measures have been taken to achieve this goal. The HR function is being viewed more as "strategic function" rather than as a "support" function.

11.2 In tune with globalisation, the need to have a viable business, value addition and profitability has been strongly felt and towards this end the HR function in MIDHANI has been streamlined to recognise that it is a major differentiator in measuring performance particularly when MIDHANI has been facing competition from world over. Aligning the HR initiatives with business strategies have continued to receive prime concern of the organisation during the year.

11.3 MIDHANI possess highly skilled and qualified manpower. Retention and continuous up-gradation of their knowledge and skill with appropriate training &

## 5 MIDHANI

development interventions have been taken as prime objectives of our Company during the year. The Company has focused its attention and determined efforts are being made for transforming the work culture and overall discipline in order to achieve higher level of production, productivity, ensuring zero rejections, customer satisfaction and consequently improvement in profitability.

### 11.4 MAN POWER:

11.4.1 The manpower strength of MIDHANI as on 31.03.2006 is 985 Non-Executives, 64 Non-unionised supervisors and 270 Executives as against 993 Non-executives, 63 Non-unionized supervisors and 265 Executives as on 31.3.2005. The details are as follows:

	Non-Executives	Non-Unionised Supervisory cadre	Executives	Total
Male	953	63	259	1275
Female	32	1	11	44
<b>Total</b>	<b>985</b>	<b>64</b>	<b>270</b>	<b>1319</b>
Previous Year	993	63	265	1321

### 11.5 INDUSTRIAL RELATIONS:

11.5.1 Several measures were taken during the year to improve human relations in an atmosphere of mutual trust. The Industrial climate during the year was peaceful, harmonious and productive. No man-days were lost during the year due to labour unrest.

### 11.6 TRAINING & DEVELOPMENT:

11.6.1 During the year 2005-'06, 700 employees (i.e. 277 Executives and 423 Non-executives) were covered under various in-house Training programs as well as sponsored to various External programs, Seminars, Symposiums, Workshops etc., utilizing 2,366 Man days. The performance achieved by Training & Development Department during the year was 53% as against MoU excellent rating of 23%.

11.6.2 During the year under report the "Industry - Institution Interaction" has been continued and was given due importance. About 156 Graduate and Post-graduate students from different reputed Engineering Colleges / Universities/ Management institutes of India were extended the facilities of Industrial Training and given the opportunity to do Project Work in fields beneficial to both Industry and the Institute(s).

11.6.3 MIDHANI continued to fulfill its statutory obligations under provisions of Apprentices Act, 1961 by offering various Industrial Training Programs for Trade

## Directors' Keyort

Apprentices, Retiring Defence Service Personnel, Graduates Apprentice Training, Diploma Holders etc. All India Trade Tests at the National Level were conducted for about 82 apprentices during May and November, 2005. Productivity, Fire and Safety, Vigilance Awareness Week celebrations were organized by conducting a series of programs and competitions during Feb, March, April & October, 2005.

### 11.7 VISIT OF VVIPs:

11.7.1 The details are as under:

- Parliamentary Standing committee on Labour under the Chairmanship of Shri Suravaram Sudhakar Reddy, Member of Parliament visited MIDHANI during Nov. '05, to study Welfare, Safety and Health conditions of Labour in MIDHANI.
- A high level team from M/s Boeing visited MIDHANI during December, '05 to explore business prospects with MIDHANI for supply of Titanium and Aeronautical materials.
- His Excellency Vyachesiave L Truvnikov, Ambassador of Russian Federation visited MIDHANI during Sept. '05 to discuss business prospects.
- Shri K.P. Singh, Secretary, Def. Prodn., Min. of Defence, along with Shri Ranjan Chatterjee, Joint Secretary(HAL), Shri Alok Perthi, Joint Secy. (Supplies) visited MIDHANI during Feb. '06 to review the performance of the Company.

### 12.0 STATUTORY & SOCIAL OBLIGATIONS: CONTRIBUTION TO EXCHEQUER :

12.1 Your Company contributed an amount of Rs. 2,671.30 Lakh in the form of Duties, Sales Tax and Income Tax and surcharge during the year 2005-'06 as compared to Rs.2,418 Lakh in the previous year.

### 13.0 EMPLOYEE WELFARE:

13.1 Your company has spent an amount of Rs.494.91 Lakh during the year 2005-'06, as compared to Rs. 478.57 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. Schemes like providing finance to procure personal computers to employees for use at home, conducting various sports activities., granting of subsidies to employees children for education are some of the welfare activities under taken by the Company during the year. The company run school "Brahm Prakash DAV" school, continued to excel in all its activities during the year.

13.2 In order to create awareness among the employees towards occupational Health & Safety, a two day program on "First Aid for Injured & Needy" was organised during December, '05. A lecture meet on "Diabetes and You" was organised during November, '05 utilizing the services of doctors from KIMS, Hyderabad.

#### 14.0 Social Obligations / Welfare Programs:

14.1 As a token of citizens' responsibility, MIDHANIANS, have contributed "one- day's" salary amounting to Rs. 6.96 Lakh to Prime minister's National Relief Fund for helping the victims of the earthquake in Jammu & Kashmir.

#### 15.0 SCHOOL:

15.1 The Brahm Prakash DAV school run by the company at MIDHANI Township for the benefit of children of its employees excelled in performance of all its activities. Emphasis on extra-curricular activities encouraging participation in various inter school competitions and games have been continued during the year as per past practice.

#### 16.0 TOWNSHIP

16.1 MIDHANI continues to discharge its social obligations by maintaining a small township consisting 87 quarters to cater to the housing needs of the employees especially those working in essential services of the Company. The rent for the quarters is highly subsidised.

#### 17.0 ENCOURAGING SMALL FAMILY NORMS:

17.1 The Policy of Government issued in the matter has been given due recognition and implementation in MIDHANI during the year.

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

18.1 The Company continued its efforts for the development of Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Class (OBC) employees during the year 2005-'06. 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 in the Company. The representation of SC, ST, OBCs, Ex- servicemen and Physically Handicapped on the rolls of the Company are given in Annex: I & II.

#### 19.0 ENVIRONMENT MANAGEMENT

19.1 MIDHANI continued its efforts to maintain and promote ecological balance in and around factory premises by developing and maintaining extensive plantation. A thick canopy of greenery with thousands of

plants of more than 50 species constitutes the green belt in and around MIDHANI. This not only controls air / dust pollution but also attracts birds of different species.

#### 20.0 ENCOURAGEMENT TO SMALL SCALE/ ANCILLARY INDUSTRIES.

20.1 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 2005-'06 was to 90 units amounting to Rs. 308 Lakh as against 141 units amounting to Rs. 300 Lakh in the previous year. Small scale industrial units were encouraged to take up prestigious works including jobs relating to Space Dept.

#### 21.0 IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY :

21.1 In line with the Government of India directives, MIDHANI continues to encourage the use of Hindi as the Official Language. During the year under report, a total of 80 employees were trained in Praveen and Pragya courses and have passed the Examinations successfully.

21.2 In order to help MIDHANI employees in carrying out of day-to-day Official work in Hindi, four (4) Hindi Awareness Workshops were organised for about 88 employees (Executives and Non-Executives)

21.3 A lecture on " Effective Implementation of Official Language (Hindi) - problem being faced in day to day implementation and its solutions" was arranged which was participated by about 45 employees ( both Executives & Non- Executives)

21.4 Under the directives received from the Ministry of Home Affairs, "Hindi Day" celebrations were conducted during September, '05.

21.5 The release of 3<sup>rd</sup> edition of Techno Commercial Annual Hindi House magazine "SANKALP", conducting several competitions on "HINDI DIVAS" are some of the activities undertaken by the Dept of Official Languages of MIDHANI during the year.

#### 22.0 EMPOWERMENT OF WOMEN:

22.1 A program on International Women's Day was organized on 8<sup>th</sup> March, 2006. Necessary platform for women employees to work with pride and dignity has been created. Nomination to various training programs both internal & external and as well as training programs like " Worker-Teacher" etc was done to enable them to realise their potential in performing their duties. The Govt, of India guidelines for their safety, welfare and health have been given due importance and were implemented during the year.

22.2 The strength of women employees is 44 as on 31.3.2006.

### 23.0 VIGILANCE

23.1 During the year under review, effective measures were taken to improve vigilance administration in the Company. Vigilance Awareness Week was conducted wherein a work shop was organised on "Annual property Returns" for the newly promoted employees. Apart from preventive vigilance advices and system improvements; several circulars / guidelines of CVC were circulated from time to time for the benefit of Managers at the functional level. Newly inducted officers of Vigilance department were deputed for advanced training to reputed institutions to enrich their knowledge in vigilance matters. A website was formatted exclusively for Vigilance Department and e-mail address was circulated to all the employees to facilitate them to forward their complaints to Vigilance Department. Effective communication with CBI was maintained from time to time.

### 24.0 GENERAL EXEMPTION FROM DISCLOSURES:

24.1 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.

### 25.0 FOREIGN TRAVEL:

25.1 An amount of Rs.28.88 Lakh was spent towards foreign travel (previous year Rs. 8.77 Lakh) undertaken by the Directors and employees of the Company for technology development and market/ business development/ pre-inspection of Materials/ Equipments.

### 26.0 ENTERTAINMENT EXPENDITURE:

26.1 An amount of Rs.0.36 Lakh was spent during the year towards entertainment expenditure (previous year Rs. 0.38 Lakh) which represents 0.002 % of the sales turnover.

### 27.0 CORPORATE GOVERNANCE:

27.1 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 as on the last day of the year under report.

27.2 Comprehensive proposals to professionalise the Board of MIDHANI by inducting part-time non-official Directors are underactive consideration of Administrative Ministry.

27.3 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 31<sup>st</sup> Annual General Meeting of the Company was held on 16<sup>th</sup> September, 2005, which was attended by the Chairman of the Audit Committee and majority of the Directors of the Company.

### 28.0 AUDIT COMMITTEE:

28.1 An Audit Committee has been functioning in the Company since December, 2001 under the Administrative instructions received from 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.

28.2 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 has been chaired by Shri Mohd. Haleem Khan, Addl. Financial Advisor & Joint Secretary, Ministry of Defence (Finance) till 14<sup>th</sup> March, 2006. Reconstitution of the Audit Committee will be taken up after orders for broad basing the Board of MIDHANI are conveyed by Administrative Ministry.

### 29.0 DIRECTORS:

29.1 During the year 2005-'06 and till the date of this report, the following changes have taken place in the composition of Board of Directors of MIDHANI.

(i) Presidential Sanction has been received

- for the appointment of Shri Ranjan Chatterjee, Joint Secretary (HAL.), Dept. of Defence

Production, Ministry of Defence, as Part-time Official Director w.e.f 23<sup>rd</sup> January, 2006 vice Shri R.K.M. Bhattacharya, Joint Secretary (Co-ord.).

for extending the services of Shir B.V. Krishnamurthy, as Director (Finance) of MIDHANI beyond 18.02.2006, for a further period of 5 years after expiry of the initial appointment upto the said date for the said term.

for withdrawing the nomination of Shri K.P. Puri. as Part-time Director and Shri Mohd. Haleem Khan as Part-time Official Director on the Board of MIDHANI w.e.f. 14<sup>th</sup> March, 2006.

for the appointment of Shri M. Narayana Rao, as Chairman & Managing Director of MIDHANI who assumed charge from 22.07.2006 vice Shri Devasis Chowdhury, who attained the age of superannuation on 30.06.2006.

for relieving Shri S.R. Venkatasubramanian, from the post of Director (Prodn. & Mktg.) at the close of working hours on 17.08.2006.

- (ii) Orders from Administrative Ministry have been received :
- appointing Shri Mohd Haleem Khan as Permanent Special Invitee on the Board of MIDHANI w.e.f. 30<sup>th</sup> March, 2006.

### 30.0 DIRECTORS' RESPONSIBILITY STATEMENT

30.1 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, 2006, the applicable Accounting Standards have been followed along with proper explanations on the material departure, if any;
- b) that the Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ie". 31st March, 2006 and of the Profit or Loss of the Company for the year ending on that date;
- c) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, as amended from time to time, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the Directors have prepared the accounts for the financial year ended on 31st March, 2006, on a 'going concern' basis.

### 31.0 AUDITORS & AUDITORS' REPORT:

31.1 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 31 st March, 2006.

31.2 With reference to para 3(d)(i) and 3(d)(ii) of the Auditors' Report, attention is invited to Note Nos.20 and 12 respectively of Schedule-21 i.e. Notes forming part of Accounts, which are self explanatory.

### 32.0 REVIEW OF ACCOUNTS BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA:

32.1 The comments and the review of Accounts by the Comptroller & Auditor General of India for the year ended 31st March, 2006 are enclosed to this report at Annex.- III & IV respectively.

### 33.0 PARTICULARS OF EMPLOYEES:

33.1 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 was in receipt of emoluments of more than Rs. 2 Lakh per month or. Rs. 24 Lakh per annum, during the year under review.

### 34.0 ACKNOWLEDGEMENT:

34.1 Your Directors place on record their deep appreciation for the guidance and invaluable support provided to the Company by the Govt, of India in general and particularly by the Ministry of Defence, Dept. of Defence Production. Your Directors also convey their gratitude to the customers, bankers, auditors, business associates, the concerned depts and agencies of various State and Central Govt, for their cop-operation and assistance extended to your Company, during the year.

34.2 Your company's employees are instrumental in scaling new heights year after year. Your Directors place on record their appreciation of the commitment and contribution of your Company's employees.

34.3 Your company is confident to propel to new heights in the years to come with the expected infusion of fresh investment during the current financial year.

**For and on behalf of the Board of Directors**

**(M. NARAYANA RAO)**

CHAIRMAN & MANAGING DIRECTOR

Place : Hyderabad,  
Date : 28.08.2006.

**ANNEXURE - I**
**REPRESENTATIONS OF SCs, STs, OBCs, PHCs & Ex-Sn AS ON 31.3.2006**

Pay Scale & Group	Total No of Employees	Strength of Employees				
		SC	ST	OBC	PHC	Ex-sn
Group 'A' Executives Rs.8,600 -14,600 & above	255	28	7	38	1	-
Group 'B' Rs. 6,400-180-10,000 Rs. 6,550-200-11,350	64 15	3	1 1	22 7	-	2 1
Group 'C' Non-Executives: From Rs. 3,200 - 6,235 To Rs. 6,100-10,560	913	166	39	360	18	43
Group 'D' From Rs. 2,300 -3,600 To Rs. 3,000-5,750	72	15	5	27	1	-

**ANNEXURE - II**
**RECRUITMENT OF SCs, STs DURING THE YEAR 2005**

Pay Scale & Group	Total recruited during the year	No. of posts reserved		No. of candidates appointed	
		SC	ST	SC	ST
Group 'A' Executives Rs.8,600 -14,600 & above	15	3	1	3	1
Group 'B' Rs. 6,400-180-10,000 Rs. 6,550-200-11,350	1	-	-	-	-
Group 'C' Non-Executives: 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	3	-	3	"	3