

DIRECTORS' REPORT

To

The Members

Mishra Dhatu Nigam Limited,

Dear Members

Your Directors take pleasure in presenting the 33rd Annual Report of your Company together with Audited Accounts for the year ended 31st March, 2007 and the report of Comptroller and Auditor General of India.

1.0 HIGHLIGHTS OF PERFORMANCE

1.1 The year 2006-'07 has been the '**FOURTH**' successive eventful year registering unprecedented growth & excellence in all major operational areas and thus remained as 19th profit making year. The performance of the year under report also resulted in achieving an "**EXCELLENT**" rating as per evaluation criterion adopted by Govt. of India in the MoU for the year 2006-07.

1.2 SIGNIFICANT ACHIEVEMENTS DURING THE YEAR

- ◆ Highest sales turnover of Rs. 192.51 Cr surpassing all past records of the Company since inception. This represents 25% increase over the turnover of immediate previous year i.e. 2005-'06.
- ◆ Achieving a growth rate of around 110% by *doubling* the sales turnover in just *FOUR* years thereby demonstrating MIDHANI's inherent skills and capabilities.
- ◆ Record booking of fresh orders to the tune of around Rs. 500 Crore thereby reaching a comfortable level being equal to MIDHANI's annual production for another 2 years to come.
- ◆ Achieving an "**Excellent**" rating in minimizing customer complaints on quality related issues.
- ◆ Getting a largest single order for supply of Welding electrodes and Flux from ATVP amounting to **Rs. 156.27 Cr** covering supplies over 5 years.
- ◆ Successful mustering of support from major customers in company's prestigious long cherished Modernisation & Up-gradation program thereby enabling the Company to successfully march ahead in implementing the program by **achieving major mile stone events** set.
- ◆ **Three-fold** increase in a period of **three** years in Gross Margin by earning a sum of Rs. 37.69 Cr. *during the year*; and registering a growth rate of around 84% over the previous year.
- ◆ Achieving Profit Before tax (PBT) of Rs. 35.59 Cr, thus registering an increase of around 93% over the previous year.
- ◆ Achieving a Profit After Tax of Rs. 23.19 Crore, signifying an increase of around 93% over the previous year.

- ◆ Continued to be a Dividend paying Company for the 4th year in succession.
- ◆ Winning "Silver trophy" of SCOPE Award which was presented by Hon'ble Prime Minister of India for - **"Excellence and Outstanding Contribution to the Public Sector Management" - Special Institutional (Turnaround) Category for the year 2004-05"**.
- ◆ Bagging of Raksha Mantri's Award " **for Excellence for the years 2004-'05 and 2005-'06 under the category of Group/Individual awards for Innovation"**.

2.0 HIGHLIGHTS OF PRODUCTION & SUPPLIES

2.1 The Company achieved a sales turnover of Rs. 192.51 Crore (1262 MT) as compared to Rs. 152.97 Crore (1215 MT) during the previous year, thus registering a growth of about 25%. The value of production (including ED) was Rs. 223.88 Crore as compared to Rs. 177.60 Crore in the previous year, registering an increase of about 26%

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

- ◆ Major contributions to Defence and Space Sector accounting for 75% of total supplies comprising around 43% to Defence Sector valuing Rs. 81 Crore and around 32% to Space Sector valuing Rs. 61 Crore.
- ◆ Development & Supply of 9 Cr1 Mo "Dish-end" for Nuclear applications i.e Steam Generator Unit of Fast Breeder Reactor.
- ◆ Indeginising Production of Superni-80A rings obviating their import and supplied to BHEL (Haridwar).
- ◆ Supply of large sized rings of "Titan-31" to VSSC thus taking part in country's prestigious space programs, in addition to obtaining fresh order for 92 rings valued Rs. 21 Crore .
- ◆ Supply of MDN 59 trail tubes(precipitation Hardening Stainless steel) to Ordnance Factory (Kanpur) and Rings and plates of Cobalt based superalloy "Superco - 605" to VSSC.
- ◆ Successful development of the following critical alloys through in-house technical expertise and R&D efforts are:
 - Development of non-magnetic stainless steel plates containing Al, for Naval applications.
 - Development of premium quality bearing steel for Aeronautical applications.
 - Development of 13Cr-8Ni precipitation hardening stainless steel bars
 - Development of Ti-Alloy, for space applications.
 - Development of Gun Barrel forgings for T-90 tanks.

3.0 FINANCIAL HIGHLIGHTS

3.1 The Company has earned a gross margin of Rs. 37.69 Crore and a Profit Before Tax of Rs. 35.59 Crore as compared to Rs. 20.51 Crore and Rs. 18.42 Crore for the previous year respectively. The Profit After Tax for the year stands at Rs. 23.19 Crore as against Rs. 12.03 Crore, in the previous year.

3.2 The surplus available for appropriations would be Rs. 23.19 Crore, as against Rs. 12.03 Crore in the previous year which would enable the Company to declare an Interim Dividend and a final dividend aggregating to Rs. 4.64 Crore, for the fourth year in succession as against Rs. 2.41 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 2006-'07. The highlights are as under:

Particulars	(Rs. Lakh)	
	2006-2007	2005-2006
Sales (Less returns)	19,251	15,297
Other Income	1,196	1,128
Value of Production (Excluding ED)	21,575	17,140
Depreciation	210	209
Interest	36	8
Profit (before tax)	3,559	1,842
Profit (after tax)	2,319	1,203

Particulars	(Rs. Lakh)	
	2006-2007	2005-2006
Gross Block (including Capital WIP)	13,467	13,291
Net Block	2,566	2,575
Working Capital	14,603	12,826
Capital Employed	17,041	15,381
Net Worth	17,208	15,429
Paid-up Capital	13,734	13,734

Particulars	Ratios (Percentages)	
	2006-2007	2005-2006
Profit Before Tax to Capital employed	20.88	11.98
Profit Before Tax to Sales	18.49	12.04
Profit After Tax to Net Worth	13.48	7.80
Profit After Tax to Paid-up Capital	16.89	8.76
Sales to Capital Employed	112.97	99.45
Sales to Gross Block	142.95	115.09
Per Capita Sales (Rs. Lakh)	15.03	11.60

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

Particulars	(Rs. Lakh)
Dividend	463.75
Tax on Dividend	75.85
General Reserves	1779.05

4.0 DIVIDEND AND TRANSFER TO GENERAL RESERVE

4.1 Your Directors are pleased to recommend Dividend @ 3.377% of the paid up share capital of Rs. 137.34 Crore amounting to Rs. 4.64 Crore as against 1.751% in the previous year. Further an amount of Rs. 75.85 Lakh will be paid as Dividend Tax including surcharge as against 33.73 Lakhs in the previous year. The rate of Dividend works out to Rs. 33.77 per equity share of Rs. 1000/- on 13,73,400 equity shares, as against a Dividend of Rs. 17.51/- per equity share in the previous year.

4.2 Your Directors are happy to inform that a sum of Rs.1779.05 Lakh have been transferred to General Reserves of the Company thereby accumulating the reserve to the tune of Rs. 3,474.21 Lakh.

5.0 PERFORMANCE AGAINST MoU:

5.1 MIDHANI's performance as per MoU with Govt. of India for the year 2006-'07 was rated as "EXCELLENT" as per the criteria laid down by Govt. The Company has achieved excellent in 32 parameters, out of 34 parameters, with a composite score of 1.39 points under "Excellent" criteria.

5.2 The company has signed MoU for the year 2007-'08 with Govt. of India, Ministry of Defence, Dept. of Defence Production with an Annual Sales target Rs. 190 Crore with a gross margin of Rs. 17.44 Crore 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 2006-'07 is an eventful year since the long cherished Modernisation and Up-gradation program has been taken up for effective implementation which desired thrust and focus. Major mile stone events for accomplishing the project and the targeted time frames were achieved in spite of some setbacks due to perils of nature. The time and cost overruns were kept as minimum as possible. This land mark development in the history of MIDHANI, is possible due to active co-operation and guidance from Ministry of Defence and pro-active assistance from major customers of MIDHANI like Dept of Space, Defence Research & Development Organisation (DRDO), Ordnance Factories (OFs), Hindustan Aeronautics Limited (HAL) etc., This is in fact an appreciation and recognition of contributions and services rendered by MIDHANI to those sectors and also demonstrates the value addition being made by MIDHANI to those sectors.

6.2 The major equipments envisaged for setting up in the said program along with estimated costs would be 10T VAR furnace at Rs. 25.00 Crore; Up-gradation of 1500T forge press at Rs. 5.00 Crore; 600 kg Vacuum Induction Melting furnace (VIM) at Rs. 15 crore; Electric Arc Furnace (VOD) at Rs. 15 Crore; Construction of Melt Shop -III and electrode conditioning shop at Rs. 9 Crore. These are in addition to Rs. 31 Crore being funded by MIDHANI from its internal resources for various other auxiliary equipment and funding of Rs. 25 Crore by HAL towards setting up of facilities for dedicated use by it for their programs. DRDO funding will include 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.

7.0 ENTERPRISE RESOURCE PLANNING (ERP)

7.1 The initiatives shown by MIDHANI during the previous year in implementing suitable ERP package has been taken as thrust area during the year under review. Major contracts have been finalised with ECIL for providing campus wide net working and with ASCI for providing consultancy services in finalising RFP (Request for Proposal) in selecting suitable ERP package & implementation vender. The execution of contract with ECIL is in full swing and campus wide net working would be in place by end July, 2007. All the activities namely creation of basic IT infrastructure providing hard ware, soft ware, creation of required databases, selection of suitable ERP package and implementation partner are progressing satisfactory.

7.2 A Steering Committee has been constituted under the Chairmanship of Director (Finance) to oversee the implementation of the project. The Committee has taken several initiatives to expedite the implementation of the project.

7.3 The ERP is planned to cover core areas like Materials Management, Finance and Control, Marketing and Production Planning. It ensures availability of real time information for better management of cash flow, inventory, quick order fulfillment asset management etc., for improving the productivity.

8.0 LABOUR PRODUCTIVITY

8.1 The Direct labour productivity, in terms of value added per direct employee, stood at Rs. 33.60 Lakh as compared to Rs. 25.30 Lakh during the previous year. The value added per employee was 10.09 Lakh as compared to Rs. 7.67 Lakh in the previous year. The capacity utilisation for the year 2006-'07 was 46.24% as against 44.52% in the previous year 2005-'06.

9.0 OPERATIONAL EFFICIENCY

- ◆ The total import content in the value of production remained same as in the previous year i.e. 30%.
- ◆ Recycling of 39% of materials (1398 MT) reclaimed from production processes resulted in saving of purchase of virgin raw materials worth Rs. 21 Cr, as against saving of Rs. 16.3 crore in the previous year.
- ◆ The innovative strategies adopted in "Waste Material Management" enabled the Company to generate additional resources to the tune of Rs. 6.12 Crore through e-auctions.
- ◆ Achieved "Excellent" rating during the year both in Power and LPG consumptions which were 225 G.Cal per a crore of Value of Production (VoP) and 323 G.Cal / per Crore of VOP respectively as envisaged under MoU with Govt.
- ◆ Development of new Products like Beta Alloys for VSSC; Ti-Ta-Nb for IGCAR; N 35 Brazing Alloy for VSSC; Ni-Ti Shape Memory Alloy; U3 Steel for Navy; 80 CDV 40 (M50) Bearing Steel for CVRDE; T 90 Barrel.

10. MARKETING & BUSINESS DEVELOPMENT

10.1 The year ended with an un-precedented fresh Order Booking of around Rs. 500 Crores surpassing all its past records thereby taking the cumulative orders on hand at the beginning of the year 2007-2008 to the extent of Rs. 619 Crores. This placed MIDHANI in a comfortable position for formulating well planned production schedules over a period of 2 years to come.

10.2 However, this was despite several adverse factors like heavy pressure on selling prices in international market on account of tough competition from overseas suppliers and also steep raise in prices of critical raw materials and other inputs, particularly imported materials like Titanium Sponge, Cobalt and Nickel etc.

10.3 During the year under report the Order Booking from sectors like Defence, Space, Atomic Energy were quite encouraging. Long term tie ups and business agreements, joint production with world leaders to supply high value and value added products are under contemplation and likely to be finalised in the years to come which are expected to improve our order booking during the year to come.

10.4 Among total orders booked, a major portion constituting 82% was from Defence and Space Sectors accounting for 52% and 30% respectively. Orders from Defence Sector were of the value of Rs.261 Crores for supply of MDN-172, STA-59, STA-60, PT-IM, PT-7M, AB2PK, 08X18H IOT Forgings, welding electrodes etc., Order from Space Sector were of the value of Rs. 150 Crores for supply of Maraging Steel Plates, Rings, Bars, Wires, Titanium Alloys, Rings and various special steels. Orders from Atomic Energy Sector account for Rs. 20 Cr. for supply of Superni-718, Superni-693, Superni-690, MDN-321, MDN-350, MDN-316LN, MDN-316Ti and various other special steels.

10.5 The sectors in which there have been significant improvements in the order booking when compared to last year include Defence, Atomic Energy, Space, Power, Electronics & Communications and General Engineering. Efforts were made to develop new markets and new customers continued during the year. Prominent among them include Ashok Leyland for Moly Products; Prabhkar Products for 15 CDV6 & 8CD12 nozzles, and 15 CDV6 nozzles for Ordnance Factory Ambajhari.

10.6 As a part of sales promotion and business development activity MIDHANI participated in various exhibitions, seminars, trade fairs etc. The Prominent participations include in Aero India 2007 show held at Bangalore during Feb. 2007; in India International Trade Fair 2006 held at Delhi during Nov. 2006; in Africa Aerospace Defence 2006 held at South Africa during Sep. 2006; in 10th Expo at Kolkata held in Sep. 2006; International Trade Fair at New Delhi during Sep. 2006; Defence services Asia exhibition at Malaysia during April, 2006, in ST KISHKIN International conference at Mosow during Apr. 2006.

10.7 In order to improve customer satisfaction by having face to face dialogue, to assess their future requirements and to explore the future prospects of business with them; a Customer Meet has been conducted for the third year in succession during Sep. 2006, wherein 86 delegates from 36 organisations participated. .

10.8 The concepts like "Customer-in-focus", "Customer Satisfaction", "Value Addition", "Personalised Approach" "Quality Deliveries-on-time" were given due importance in all the dealings with customers which has manifested in having a large order book in the year 2006-07.

10.9 Export Performance

10.9.1 MIDHANI's exports over the years has 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 scale production facilities, MIDHANI is offering competitive prices for molybdenum wires and titanium products to increase exports to traditional markets.

10.9.2 During the financial year 2006-2007, MIDHANI's bagged a major prestigious export order worth around Rs.188 Lakh from new customer M/s Bibus Metals, Poland for supply of 6.52 MT of Ti-6Al-4V material, against which MIDHANI had already supplied 2.84 MT valued at Rs. 78.53 Lakh.

10.10 Bio-Medical Implants

10.10.1 The Production of Bio-Implants for trauma care, Osteosarcoma cases and Maxillofacial implants continued during the year 2006-2007 as a social obligation under the National theme of Corporate Social Responsibility. The services were extended to several needy people through various hospitals and dealer network across the country. During the current year, MIDHANI had executed orders to the extent of Rs. 58.7 lakhs, an increase in sales by 30% over previous year. Also, 11 custom made Knee prostheses were supplied to various hospitals and rescued the patients from limb amputation due to Osteosarcoma diseases (Tumor cases).

10.10.2 Towards business promotion, MIDHANI had participated in two National conferences organised by Orthopedic fraternity viz., OASIS-2006 and National Symposium on recent trends in Arthro-scopic knee ligament surgery and displayed the Bio-implant products which were well received by the participants. The contribution towards making titanium implants available for common man at affordable prices were well appreciated by the Orthopedic fraternity at large.

10.11. Fasteners

10.11.1 MIDHANI has ventured into the area of manufacturing Aerospace quality fasteners for Space Sector, Navy and DRDO by indigenising several of them. Development of fasteners for Indian Navy for use in Gas turbines and Generators; Mass productionisation of 30 items of Eastern Naval Command and 159 items for INS Eksila; supply of Titanium fasteners to ISRO satellite centres, Special steel fasteners for DRDO are some of the steps towards this direction. The sales during the current year amounted to around Rs. 81 lakh as compared to Rs. 61 Lakh of previous year, showing an increase of 33%.

10.12 Business Visits

10.12.1 Several important customers, suppliers, and technocrats both from domestic/ overseas and also from Govt./ Non Govt. organisations visited MIDHANI to explore business opportunities with MIDHANI. Prominent among them include:

- ❖ Visit of team led by Prof. Vladislav Tetyukhin, Chairman of VSMPO, AVISMA group Russia, visited MIDHANI during Feb., '07;
- ❖ Visit of team led by Mr. Emmanuel Karm , from Global Sourcing Net work, EADS, France during Feb., '07;
- ❖ Visit of Mr. Lukaz Sobota, Managing Director, Bibus Metals, Poland, during the month of Nov., '07 which resulted in MIDHANI bagging a single export order worth Rs. 1.88 Cr. for supply of Ti. alloy round/ flat bars.
- ❖ Visit of M/s GE Aviation and GE (Aerospace) USA during Oct., '06; and during May., '06 respectively.
- ❖ Visit of team from Argentina led by Mr. Robert Cirimello, Senior Advisor, Atomic Energy Commission, during Oct., '06, who reviewed the business prospects in the area Titanium / Super Alloys / Seamless tubes;
- ❖ Visit of Maj. Gen. B.S. Ghotra, AVSM, SM, VSM, ADG procurement / MGO, Indian Army during Nov., '06 to get familiarised with the capabilities of MIDHANI to meet the requirements of Army;

11.0 QUALITY CONTROL & ASSURANCE

11.1 Surveillance Audit of ISO 9001-2000 was conducted by Bureau of Indian Standards in December, 2006. The quality systems and procedures followed in MIDHANI are certified to be confirming to quality standards. A team of high ranking officials from VSSC conducted surprise audit of our QMS on 9th November, 2006. The team made an assessment of implementation status of recommendations made by earlier audit held in July,'06. The team expressed satisfaction on actions taken and efforts made to improve Quality Management Systems (QMS) of MIDHANI.

11.2. Self certification status of MIDHANI has been continued during the year by DGQA. The 2nd yearly audit of QMS under self-certification scheme was also conducted by DGQA during the month of December, 2006.

11.3. For strengthening quality systems; an ICP spectrometer was commissioned during the year with the funding from DRDO as part of their financing of Supercast-247 Project. It is worth mentioning that the Company could achieve an "Excellent" rating, during the year under report, for having minimum customer complaints on quality related issues.

12.0 AERONAUTICAL MATERIALS TESTING LABORATORY

12.1 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 2006-2007, 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 to ensure quality.

13.0 HUMAN RESOURCE DEVELOPMENT

13.1 All the aspects of "Human Resource Development" such as planning, developing, utilizing and maintaining Man Power has been given utmost thrust and importance in the organisation. Value addition, productivity coupled with human face, welfare, creativity and innovation have been recognised as key success factors to achieve long run growth and to effectively counter the challenges being posed by the business environment, both internally and externally, in which MIDHANI operates.

13.2 The HR Management has been viewed as strategic transformation function rather than a supportive function. MIDHANI continued to believe that the most important asset of our company is its employees and the skill set it developed over the years and that could be a major differentiator in the face of competition from world over.

13.3 Several steps, schemes and programs were designed to keep the morale and motivation of the employees at high esteem and for this purpose constant endeavor is being made for continuous up-gradation of their capabilities, knowledge and skills through appropriate training and development modules.

13.4 MAN POWER

13.4.1 The manpower strength of MIDHANI as on 31.3.2007 is 905 Non-executives, 126 Non-unionized supervisory category and 250 Executives as against 985 Non-executives, 64 Non-Unionised supervisory category and 270 executives as on 31.3.2006. The details as follows:

	Non-Executives	Non-Unionised Supervisory cadre	Executives	Total
Male	879	119	239	1237
Female	26	7	11	44
Total	905	126	250	1281
Previous Year	985	64	270	1319

13.5 INDUSTRIAL RELATIONS

13.5.1 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.

13.5.2 The management provides a proactive, compassionate human relations by creating an atmosphere of mutual trust, participative management, upgradation of compliance level in line with strategic theory of the organization and influence the employees performance.

13.6 TRAINING & DEVELOPMENT

13.6.1 Out of total number of 545 employees 330 Executives and 215 Non-Executives were covered under various in House Training Programs as well as sponsored to various External Programs, Seminars, Symposiums Workshop etc utilizing 2366 Man days. The performance of Training and development has once again exceed the MoU excellent rating target of 23% (Achieved 42.18%).

13.6.2 During the year under report " Industry -Institute Interaction" continue to be given due importance and about 100 Graduate and Post Graduates students from different reputed Engineering Colleges/Universities/Management Institutions of India were extended the facilities of Industrial Training and given the opportunity to do project work in the fields beneficial to both industry and the institute(s).

13.6.3 MIDHANI continues to fulfill its statutory obligations under provisions of Apprentices Act., 1961 by offering various Industrial Training Programs for Trade Apprentices, Retiring Defence Service Personnel, Graduates & Diploma Holders etc. All India Trade Tests at the National Level were conducted for about 82 apprentices during May and November, 2006.

14.0 VISIT OF VVIPs

- Hon'ble Committee on Government Assurance, Rajya Sabha Visited Hyderabad during January '07. and had detailed discussions with MIDHANI Management on Govt. assurance regarding recommendations of the Kelkar Committee on the commercial autonomy to PSEs and Ordinance Units under Ministry of Defence.
- Visit of Shri P.K. Rastogi, Addl. Secy. (Defence Production), Ministry of Defence, during Aug., '06, to review the performance of MIDHANI.
- Shir P. Mukherjee, Joint Secretary (Fin.) Dept. of Space visited MIDHANI during May., '06. to review the projects funded by VSSC.

15.0 STATUTORY & SOCIAL OBLIGATIONS

15.1 CONTRIBUTION TO EXCHEQUER

15.1.1 Your Company contributed an amount of Rs. 4,392 Lakh in the form of Duties, Sales Tax and Income Tax and surcharge during the year 2006-07 as compared to Rs. 2671 Lakh in the previous year.

16.0 EMPLOYEE WELFARE

16.1 All welfare facilities as envisaged under Statutes applicable to the Company are being provided to employees. Non-statutory welfare facilities like subsidised canteen, transport, medical reimbursement, LTC, interest subsidy on house building loans etc., school fee for children, concessional loans for acquiring personal computers at home, have been provided to employees with a view to have motivated and satisfied work force to continue to strive better in attaining higher targets and objectives set for the organisation. The company run school " Brahm Prakash DAV" school, continued to excel in all its activities during the year.

16.2 As a step towards 360° development of an employee and to improve the overall well being of employees, several lectures, workshops, conferences were conducted or sponsored covering various aspects on social, cultural, spiritual, health and other aspects of human life were conducted,

16.3 Several welfare programs like granting monetary awards to meritorious students, children of employees of SC, ST and OBC category. Several employees were sponsored to various sports program as a part of all round development of human resources. A modest number of 87 Company built quarters are being provided to employees engaged in essential services at subsidized rents.

17.0 CORPORATE SOCIAL RESPONSIBILITY

17.1 MIDHANI in recognition of its obligations as "Corporate Citizen" has drawn up plans to take up social/community development activities at village level as one of its Corporate Objectives. With active advice and support from the Administrative Ministry the Corporate Social Responsibility was taken as one of the performance indicators in the MoU entered into with Govt. for the year 2007-08. Detailed discussions with various Non-Government Organisations or agencies involved in the areas of social / community development were held, to firm up the ways and means to implement the objective in the years to come.

18.0 ENCOURAGING SMALL FAMILY NORMS

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

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

19.1 The Company continued its efforts for the development of Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Class (OBC) employees during the year 2006-07. 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.

20.0 ENVIRONMENT MANAGEMENT

20.1 As a responsible Corporate Citizen, your company has always given due importance towards environmental responsibilities. As a step to maintain and promote ecological balance a thick canopy of greenery with thousands of plants of more than 55 species were planted which constitutes the green belt in and around MIDHANI. These activities will have its impact on controlling air/water pollution.

21.0 ENCOURAGEMENT TO SMALL SCALE/ANCILLARY INDUSTRIES.

21.2 The Company has no ancillary. The Company continued its practice of outsourcing technical jobs to small sector industries and tiny units wherever feasible. The value of such outsourcing during the year 2006-'07 was to 114 units amounting to Rs. 557 Lakh as against 90 units amounting to Rs. 308 Lakh in the previous year. The services of these small scale industrial units are also being obtained in respect of high skilled works and precision jobs relating to Space Dept.

22.0 IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

22.1 Your Company has intensified its efforts to propagate Hindi in day-to-day activities and to lay emphasis on Hindi implementation in accordance with Official Languages Act, 1963 and the Official Languages Rules, 1976. Towards fulfillment of MIDHANI's obligations for the same the following activities are undertaken during the year.

- (i) a total of 80 employees were trained in Praveen and Pragya 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-today Official work in Hindi.
- (iii) HINDI DIVAS" Celebrations were organized for improving awareness in use of Official Language wherein 4th Addition of Techno Commercial Annual Hindi magazine " SANKALP" was released and efforts were made for its wide distribution to all concerned.
- (iv) Bilingual computer software has been installed in more number of computers of the Company and due encouragement was given to use them effectively.

23.0 EMPOWERMENT OF WOMEN

23.1 Our Company is providing the 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 the welfare of the women employees. A programme on International Women's Day was organized on 8th March 2007 in MIDHANI. Women employees both Executives and Non-executives are nominated for in-house as well as external training programmes. They have also been encouraged and sponsored for being trained as worker teachers by the Central Board for Workers Education . The strength of women employees is 44 as on 31.3.2007

24.0 VIGILANCE

24.1 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 systems 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.

25.0 GENERAL EXEMPTION FROM DISCLOSURES

25.1 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.

26.0 FOREIGN TRAVEL

26.1 An amount of Rs.12.28 Lakh was spent towards foreign travel (previous year Rs. 28.88 Lakh) undertaken by the Directors and employees of the Company for technology development and market/ business development/ pre-inspection of Materials/ Equipments.

27.0 ENTERTAINMENT EXPENDITURE

27.1 An amount of Rs. 0.28 Lakh was spent during the year towards entertainment expenditure (previous year Rs. 0.36 Lakh) which represents 0.001 % of the sales turnover.

28.0 CORPORATE GOVERNANCE

28.1 MIDHANI believes in practicing good Corporate Governance, attaining maximum level of transparency, accountability and equity in all facets of its operations and in all its interactions with its stakeholders viz., Govt. employees customers, shareholders, bankers, society at large etc. MIDHANI also believes in providing access to information under its control to the Citizens of India under the provisions of the Right to Information Act. 2005.

28.2 The Members on the Board of Directors of MIDHANI comprise experts and eminents in respective fields of activities with sufficient experience and competency to direct the affairs of the Company. There are three whole time Directors including the executive Chairman & Managing Director who manage the day to day administration of the Company. In addition to them two part time Official Directors from the administrative Ministry one part-time non-official director were functioning on the Board to give policy directions. Efforts are on hand to induct more number of independent directors during the current financial year in line with Govt. instructions.

28.3 A total of six Board meetings were conducted during the year when compared to statutory requirement of 4 meetings per year. The Directors were provided comprehensive notes and agenda well in time to take informed decisions. The attendance at the Board Meetings was near to 100%. 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, issues like putting in place systems and procedures, were regularly discussed at Board Meetings. The 32nd Annual General Meeting of the Company was held on 27th September, 2006 where in all the Directors were present along with members of the company. .

29.0 AUDIT COMMITTEE

29.1 An Audit Committee has been functioning in the Company since December, 2001 under the Administrative instructions received from the Ministry of Defence. It continued its meetings wherein the Statutory Auditors, representatives of external firms of Chartered Accountants carrying out internal audit work, were present and the Head of Finance along with the team of officers has provided satisfactory answers to various issues raised in the Meetings. The 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 were taken as focus areas for monitoring and improvement. Comprehensive proposals for inducting more number of independent directors on the Board of MIDHANI were forwarded to Administrative Ministry so that their nomination on the Audit Committee could be made to further strengthen the composition of Audit Committee.

30.0 DIRECTORS

30.1 During the year 2006-07 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 M. Narayana Rao, Chairman & Managing Director of MIDHANI, who assumed charge on 27th July, 2006 in place of Shri Devasis Chowdhury who attained the age of superannuation on 30.06.2006.
- for the appointment of Shri K. Harinarayana, as part-time Non-official Director, who assumed the charge on 14th September, 2006.
- for the appointment of Shri S.N. Misra, Joint Secretary (HAL.), 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).
- for the appointment of Shri. K. Ramesh, as Director (Prodn. & Mktg.), who assumed charge on 26th April, 2007.
- for relieving of Shri. S.R. Venkata Subramanian, as Director (Prodn. & Mktg.) who ceased to function with effective from 18th August, 2006.

31.0 DIRECTORS' RESPONSIBILITY STATEMENT

31.1 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, 2007, 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 i.e. 31st March, 2007 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, 2007, on a 'going concern' basis.

32.0 AUDITORS & AUDITORS' REPORT

32.1 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, 2007.

33.2 With reference to para 4(d) (i), (ii) & (iii) of the Auditor's Report, attention is invited to Note No. 21, 11, 16.2 respectively of Schedule 21 forming part of Accounts which are self explanatory

33.0 REVIEW OF ACCOUNTS BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

33.1 The comments on the Accounts by the Comptroller & Auditor General of India for the year ended 31st March, 2007 are enclosed to this report at Annexure - III .

34.0 PARTICULARS OF EMPLOYEES

34.1 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.

35.0 ACKNOWLEDGEMENT:

35.1 Your Directors gratefully acknowledge the support, cooperation, and guidance received from the Ministry of Defence, particularly from Dept. of Defence Production and the concerned Depts and agencies of Central Govt. and State Government of Andhra Pradesh. Your Directors also place on record their deep appreciation for the invaluable support, cop-operation and assistance extended to your Company during the year by the Customers, Bankers, Auditors, Business associates, Consultants etc.

35.2 Your Directors acknowledge that the success achieved by the company was due to commitment and dedicated efforts of the employees at all levels and express their sincere thanks to one and all who have contributed or being instrumental in scaling up the performance of the Company to newer heights year after year. Your Directors are confident to provide "self-sufficiency" for the country, in the years to come, in providing support to strategic sectors of our economy in making available to them the critical superalloys and other special steels and other materials, both in semi forms or finish forms as required by them for various programs of National importance.

For and on behalf of the Board of Directors

**Sd/-
(M. NARAYANA RAO)
CHAIRMAN & MANAGING DIRECTOR**

**Place : Hyderabad,
Date : 28.08.2007**

ANNEXURE - I**REPRESENTATIONS OF SCs, STs, OBCs, PHCs & Ex-Sn AS ON 31.3.2007**

Pay Scale & Group	Total No of Employees	Strength of Employees				
		SC	ST	OBC	PHC	Ex-sn
Executives Group 'A' Rs.8600 -14600 & above	235	27	7	33	1	-
Group 'B' Rs. 6500 - 200- 11350(Gr.I)	15	-	1	7	-	1
(Non-Unionized Supervisory Cadre) Rs. 6400-180-10000 (E.0)	126	10	1	32	-	2
Non-Executives: Group 'C' From Rs.3200 - 6235 To Rs.6100 - 10560	831	151	39	346	18	42
Group 'D' From Rs.2300 - 3600 To Rs.3000- 5750	74	13	5	27	1	-

ANNEXURE - II**RECRUITMENT OF SCs, STs DURING THE YEAR 2006**

Pay Scale & Group	Total recruited during the year	No. of posts reserved		No. of candidates	
		SC	ST	SC	ST
Group 'A' Rs.8600-14600 & above	2	-	1	-	-
Group 'B' Rs.6400- To-11350	-	-	-	-	-
Non-Executives: Group 'C' From Rs.3200 - 6235 To Rs.6100 - 10560	-	-	-	-	-
Group 'D' From Rs.2300 - 3600 To Rs.3000 - 5750	-	-	-	-	-