

DIRECTORS' REPORT

The Members,

Mishra Dhatu Nigam Limited

Dear Members,

On behalf of the Board of Directors, We have pleasure in presenting the 45th Annual Report on the performance and achievements of your company for the year ended 31st March, 2019 together with the Audited Financials, Auditors' Report and Financial highlights.

FY 2018-19 is a landmark year as MIDHANI's shares were listed on 04.04.2018 on both NSE and BSE and this is the first Annual Report of MIDHANI as a listed entity.

1. SIGNIFICANT ACHIEVEMENTS:

- Best ever Value of Production (VoP) of ₹ 8148.32 million for the FY 2018-19 registering a growth of 16.79% over the VoP of ₹ 6976.76 million achieved for FY 2017-18.
- Highest ever orders of ₹ 18440.60 million were secured during the FY 2018-19. Out of the above, about ₹ 1760 million of orders were bagged against open competition which is the highest in MIDHANI's history.
- Highest ever Export turnover of ₹ 80.53 million was recorded during the FY 2018-19.
- MIDHANI has also incurred highest ever Research and Development expenditure of ₹ 299.71 million and highest ever CSR expenditure of ₹ 39.35 million in FY 2018-19.

2. HIGHLIGHTS OF OPERATIONS:

- New areas of revenue were identified in the areas of Armouring and MIDHANI has successfully completed its first commercial bullet proof vehicles order and handed over 15 Bullet Proof Vehicles to Central Armed Police Forces (CAPF) on 30.03.2019 at an event organized at MIDHANI. CAPF officer Shri J. K. Sharam, Deputy Commandant and Dr. D. K. Likhi, C&MD, MIDHANI flagged off the vehicles. Considering the business potential of the same, an Armouring unit at Rohtak, Haryana is being set up.
- With a focus on Exports, MIDHANI signed MoU with M/s TUBACEX, a multinational group with headquarters in Alava, Spain on 17th January, 2019. The MoU would allow joint development of advanced materials for the energy sector, contemplating technological alliances and the promotion of local manufacturing capacities.
- With a focus on cost reduction, highest ever plant return scrap of 5663.6 MT was used for melting during the FY 2018-19 as against 4486 MT during the FY 2017-18. The year also saw highest ever procurement and segregation of scrap at about 5472 MT as against 3447 MT during the FY 2017-18.

3. FINANCIAL HIGHLIGHTS:

3.1 Your Company achieved a Sales Turnover of ₹ 7108.46 Million as against ₹ 6660.78 Million in the previous year thereby registering a growth of over 6.72%. Company earned Profit After Tax of ₹ 1305.56 Million as against ₹ 1312.62 Million in the previous year.

3.2 Your Company achieved the following results during FY 2018-19:

(Figures in ₹ Millions)

PARTICULARS	2018-19	2017-18
Sales	7108	6661
Other Income	369	292
Value of Production (Excluding ED)	8148	6977
Depreciation	232	196
Interest	64	86
Profit before tax (Excl. comp.inc.)	1910	1983
Profit after tax (Excl. comp. inc.)	1306	1313
Ratios (Percentages)		
Profit Before Tax to Capital employed	18.10	25.26
Profit Before Tax to Sales	26.88	29.76
Profit After Tax to Net Worth	15.64	16.64
Profit After Tax to Paid-up Capital	69.69	70.07
Sales to Capital Employed	67.36	84.85
Sales to Gross Block	142.34	168.31
Per Capita Sales (₹ in Millions)	8.99	7.84

4. DIVIDEND POLICY AND TRANSFER TO GENERAL RESERVE

- 4.1 Your Company, being a Central Public Sector Enterprise (CPSE), follows the Guidelines on Capital Restructuring issued by Department of Investment and Public Asset Management (DIPAM) vide F. No. 5/2/2016-Policy dated 27th May, 2016. The Guidelines state that every CPSE would pay a minimum annual Dividend of 30% of PAT or 5% of the Net-worth whichever is higher subject to the maximum Dividend permitted under the extant legal provisions.
- 4.2 The Board of Directors recommended a Final Dividend of ₹ 0.51 per equity share for the year ended 31.03.2019; this is in addition to the Interim Dividend of ₹ 1.68 per equity share which was approved by the Board on 16.03.2019.
- 4.3 The total dividend (including interim dividend) for the FY 2018-19 is ₹ 2.19 per equity share (par value ₹ 10/- each) and the Final Dividend is recommended by the Board for approval and the interim dividend already paid for confirmation by the Shareholders in the forthcoming Annual General Meeting of the Company.
- 4.4 The performance of MIDHANI with respect to the Return on Investment in comparison to the previous year is as under

(₹ in Million unless otherwise stated)

S.No	Parameters	2018-19	2017-18
1.	Dividend	410.27	393.41
2.	PAT	1305.56	1312.62
3.	Net Worth*	8205.67	7394.72
4.	Dividend/PAT (%)	31.42	30.00
5.	PAT/Net Worth (%)	15.91	17.75
6.	Dividend/Net Worth (%)	5.00	5.32

*Net worth is after considering Dividend for respective periods.

5. PERFORMANCE AGAINST MoU

- 5.1 For the FY 2018-19, MIDHANI's MoU performance qualifies for an overall "EXCELLENT" rating, however, the same is subject to evaluation and confirmation by Department of Public Enterprises (DPE).

6. INDIGENIZATION AND IMPORT SUBSTITUTION:

- 6.1 Indigenously developed Automatic Billet Grinder, 6T Mobile Grinder and 25T LPG fired Furnace were commissioned for commercial production with a total savings of approx ₹ 10 Cr.
- 6.2 Indigenous Procurement as percentage (%) of VoP is 62.92% during the FY 2018-19 as against 83.89% during FY 2017-18. Indigenous procurement is low due to global increase in raw material prices and percentage of direct import to value of production has increased from 16% to 31% based on customer order requirement.

Year	Indigenization (%)
2018-19	62.92
2017-18	83.89

- 6.3 By using alternate input materials (i.e. scrap, plant reverts) MIDHANI could substitute ₹ 27.62 Cr. of imported raw material (Cobalt, Nickel, Low Carbon Ferrochrome, Molybdenum, Pure Iron, Chromium Metal).

7. MODERNISATION, EXPANSION & UPGRADATION PROGRAM OF THE COMPANY:

- 7.1 The up gradation and modernization of the Company over the last decade contributed towards setting up of additional facilities, increase in production tonnage capacity and product diversity. The Company has successfully positioned itself to serve existing and new customers in domestic markets as well as entered into new business areas of strategic and national importance.
- 7.2 Additions amounting Rs. 1039.60 million to the Gross block was made during the year under report.
- 7.3 Projects for Modernization, Expansion and Up-gradation of MIDHANI is as under:
- Forge / Heat treatment areas:
 - **90T Re-heating Furnace:** A new replacement re-heating furnace of 90T capacity is set up in Forge shop for accommodating ingots up to 12 meters in length. The furnace has been successfully commissioned in 1st quarter of FY 2018-19.
 - **4T & 6.5T Chargers:** Two new chargers of capacity 4T & 6.5T were procured for Forge Shop operations. Supply has been completed in 3rd quarter and 4th quarters of FY 2018-19 respectively.

- The following are the ongoing Projects in Forge / Heat treatment areas:
 - **Isothermal Forging Unit:** For providing end to end solutions of forged products of Super Alloys and other special materials and for manufacture of critical components to promote indigenization, Isothermal forging is being setup at 6000T Forge press. Procurement action has been initiated. Equipment delivery has started for FOB items. Commissioning is expected in 2nd quarter of FY 2019-20.
 - **25T Manipulator:** A new 25T manipulator is added in 6000T Forge press for forging of long shafts for special applications. Equipment received at site. Commissioning is planned for 1st quarter of the FY 2019-20.
- Downstream areas:
 - **Plate Leveler:** To overcome the production limitations of old leveler of HRM and to carry out industrial R&D, a New Plate Leveler is commissioned in 4th quarter of FY 2018-19 to accommodate the plates of width 650mm to 2000mm and thickness 5-15mm in HRM.
- The following are the ongoing Projects in Downstream areas:
 - **Auto Billet Grinder:** 3 No's of Billet Grinding machines are planned to be manufactured indigenously and accordingly procurement action has been initiated for Hydraulic items, VFD, fabricated items, Electrical equipment's etc,. Major equipments have been received at site. Infrastructure facility is being made available for Installation of the equipment's. Commissioning is expected in 2nd quarter of FY 2019-20. Indigenous manufacturing and commissioning helps the company achieve significant cost reduction.
 - **Cold Draw Bench:** For drawing of hot rolled & forged bars from 40mm to 70mm, a new Cold Draw Bench is being set up at Hot Rolling Mill. Accordingly, procurement action has been initiated in 4th quarter of FY 2018-19, and commissioning is expected in 4th quarter of the FY 2019-20.

7.4 The following projects for value addition are ongoing at MIDHANI during the year under report:

- **Wide Plate Mill:** To ensure self-reliance in production of extra wide plates / sheets of maraging steel & other strategic materials plates, armour plates etc. for Ordnance Factory, VSSC, DRDO, DAE and Navy, a Wide Plate Mill facility is being setup . The project is in advance stage and about 50% of the construction activity is completed till 4th quarter of 2018-19. About 45% of equipment delivered by 4th quarter of 2018-19 and balance is under inspection and finishing stage. Procurement action has been taken up for balance auxiliary facilities, Electrical & Utility systems etc. The complete facility is likely to be commissioned in 1st quarter of FY 2020-21. Further for processing of Armoring plates and other special plates, Tempering Furnace is procured. Imported supplies were received in 4th quarter of 2018-19. Domestic material supply is under progress. Civil foundation works for Tempering Furnace are under progress. Project is likely to be commissioned in 4th quarter of 2019-20.
- **Construction of Spring Manufacturing Plant:** For manufacture and supply of Helical Compression Springs for Railway Wagons, Coaches, Locomotives, a Spring Manufacture unit is being set up. This unit consists of Spring Coiling Machine, Walking Beam furnace, Tempering Furnace and End Heating Furnace, Scragging Machine, Load Testing Machine, End Grinding, Taper Rolling Machine etc. Major equipments have been received at site and Infrastructure facility is being made available for Installation of the equipment. Commissioning of equipments is expected in 3rd quarter of FY 2019-20.
- **Development of Armour unit at Rohtak:** Considering increasing global market demand for Body Armour, Vehicle armoring, Bullet Proof Morcha, Bullet Resistant Jackets etc, and to cater to the needs of domestic market, a new unit of MIDHANI is being established at Rohtak, Haryana. Construction activities are under progress. Procurement action has been initiated for major line equipment like Water jet cutting machine, Hydraulic ballistic press, water chiller machine, CNT, electrical and utilities. Plant is likely to come into operation by end of the FY 2019-20

8. LABOUR PRODUCTIVITY:

8.1 The value added per employee during the year was ₹ 6.60 Million, compared to ₹ 6.45 Million in the previous year.

9. SALES AND OPERATIONAL EFFICIENCY:

9.1 Debt collection was taken up as a focus area for the FY 2018-19. Trade receivable as "No. of Days Sales" has come down to 181 days as on 31.03.2019 compared to 227 days as on 31.03.2018. High accumulation of Debtors is primarily on account of higher sales in the fourth quarter and the budgets getting exhausted at customers' end, which are primarily Government Departments / agencies.

9.2 Your company has achieved reduction in liquidated damages by 32.32 % as percentage of turnover over previous year during the year under review, indicating improved adherence to delivery schedules and reduction in delivery cycles.

Year	Liquidated Damages (₹ Million)
2018-19	46.70
2017-18	69.00

10. DEVELOPMENT OF NEW PRODUCTS THROUGH R&D EFFORTS:

- 10.1 Our business requires us to keep abreast with the latest developments in related fields of science and technology. To be at par with the global technological progress, we place strong emphasis on technology of products, process and equipment. A Technology Advisory Board consisting of eminent personalities of Metal Industry regularly meets to guide and review the R&D activities of MIDHANI.
- 10.2 R&D department's primary focus areas have been Indigenization, New Product Development, and Technology Development; MIDHANI is also targeting new areas such as Artificial Intelligence and Intellectual Property Rights. An expenditure of ₹ 299.71 million, which is the best ever, has been incurred towards R&D expenses for the FY 2018-19.
- 10.3 The in-house Research and Development team works towards improvement of product quality and process innovation for meeting the expected demands at competitive prices. We have entered into collaborations with Indian research Institutes and organizations to gain access to the required know-how for developing various technologically advanced products.
- 10.4 Some of the R&D Initiatives undertaken by our company during the year are as below:
- New Product Development
 - Successfully indigenized various grades of steels.
 - Developed hot erosion resistance alloy superfast 868C castings for Coal Burner Splitter Plates and Impeller.
 - Successfully indigenized special steel for Space applications.
 - Successfully developed Nickel based alloy casting for the first time in the country.
 - Manufacturing and Process Technology Development
 - Development of test procedure for Fracture Toughness measurement resulting in smooth dispatch of MDN 350.
 - Cost effective melting process route was successfully developed for Nickel based Super Alloy via air melting instead of conventional vacuum melting process aiming at applications in Oil and Gas sectors.
 - Yield Improvement
 - SuperCo605 rings manufactured through innovative and optimized processing parameters resulting in improvement in yield by more than 10%.
 - 3% yield improvement in 6.5T VIM heats with the use of Insulating Hot Tops against the conventional Exothermic Hot Tops.
 - Artificial Intelligence(AI)
 - A dedicated team has been constituted to develop roadmap for Artificial Intelligence (AI) for alloy development and process optimization. A workshop by industry experts and academicians on Artificial Intelligence for alloy development and process optimization was conducted during the year.
- 10.5 In line with MoU parameters for the year 2018-19, our company successfully developed the following product/grades:
- Development of technology for making Ferrotitanium from scrap.
 - Development and commercialization of Superalloys (Superni 625/Superni 825) for commercial sectors.
 - Development and type approval of special Titanium for naval applications.

11. INTELLECTUAL PROPERTY:

- 11.1 IPR cell has been created to focus on Intellectual Property Rights Management and Training programs on IPR were conducted in four batches covering 320 employees with the help of National Research Development Corporation (NRDC), New Delhi.
- 11.2 50 Trademarks/Copy Rights and 9 patents were filed during the year and an Innovation cell under "Center of Excellence- Special Materials" was created to promote Innovation and creativity at MIDHANI.

12. ENERGY CONSERVATION:

12.1 During the year under report MIDHANI's efforts towards energy conservation through Solar Power Plant, energy efficient LPG fired furnaces etc. helped in energy savings. The following initiatives to improve the reliability of the existing system were successfully completed during the year:

- Installation of Automatic Power factor Control (APFC) Panels at Melt shop-I, Titanium Shop, Forge shop and Melt shop III Load Center substations.
- Successful commissioning of 132KV Second line and Open Access metering facility.
- Installation of four new energy efficient LPG Fired reheating furnaces at Forge Shop.
- Successful completion of the 11KV Cable laying work at Corporate Office and for the upcoming loads at Kanchan Amour plant
- Augmenting 415V Circuit Breaker panels at Hot Rolling Mills (HRM) substation for new Leveler Machine

12.2 In MIDHANI, earlier the data of LPG and Power Consumption was available only at shop level in the downstream shops. During the year 2018-19, power meters and LPG meters were installed in the re-heating furnaces. These new meters will be useful to analyze the furnace wise consumption of power/fuel. This data when used in the calculation of actual cost of products, will give more accurate results. Over a period of time, this data will be used to compare efficiencies of the furnaces.

12.3 The summary of consumption of Electricity and LPG for the FY 2018-19 are as below:

S. No.	ITEM	UNITS	2018-19	2017-18
1	Total consumption of Electricity:	KWHR (in Crore)	4.80	4.60
2	Total consumption of LPG	MT	4160	4081
3	Specific Consumptions			
	- Electricity Per MT of Production:	KWHR/MT (Prod.)	1655	1759
	- LPG per MT of Production	MT(LPG)/MT(Prod.)	0.12	0.16

13. MARKETING & BUSINESS DEVELOPMENT:

13.1 During the year under review, MIDHANI booked orders worth ₹ 18441 Million. The order book position as on 01-04-2019 stood at ₹ 16600 Million. With this order book and further orders in pipeline, the Company looks forward for good growth with commensurate profitability for the FY 2019-20. The sector wise orders booked is as under:

Sector	Total value of orders (₹ million)
Defence	1842
Space	12802
Energy	3144
Others	653
Total	18441

13.2 MIDHANI organized a Customer Meet at Ramoji Film City on 22nd June '18 and the event was attended by more than 120 customer delegates.

13.3 During the year under review, seven new customers were added to MIDHANI's clientele.

13.4 The total orders executed during the year under review were to the tune of Rs. 7108 million and the sector wise sales executed is as below:

Sector	Total value of supplies (₹ million)
Defence	2159
Space	3086
Energy	1359
Others	504
Total	7108

13.5 Considering current market scenario, identification of new business opportunities becomes all the more important to survive and grow in this fast changing economy. The progress made in Business Development during FY 2018-19 is as under:

- New segments/markets like Railways and Coal sector were developed during the year along with new Vendor base for outsourcing the orders of Railway and Mining sector
- Received orders worth ₹ 80.5 Million from ICF Indian Railways for supply of Bogie Plates; development orders for Spring Steel Rods and Al alloy castings; and Alloy Steel Rounds order from NCL (Coal India).

14. EXHIBITIONS/SEMINARS FOR PROMOTION OF COMPANY PRODUCTS/BRAND:

14.1 During the year under review MIDHANI participated in the following exhibitions:

- Defexpo India, a biennial exhibition on Land, Naval and Internal Homeland Security Systems, held from 11th to 14th April 2018 at Chennai.
- Army 2018, an International military-technical forum - Exhibition held from 21st to 26th August, Moscow, Russia.
- International Conference on Advanced Materials and Manufacturing Processes for Strategic Sectors (ICAMPS 2018) during 25th to 27th Oct 2019, Trivandrum.
- Aero India 2019, International Exhibition organized by Defence Exhibition Organisation, MoD, GoI at Bangalore during 20th to 24th February 2019, Bengaluru.
- Indian Africa Field Training Exercise (IAFTX 2019) during 26th to 27th March 2019, Pune.

15. QUALITY MANAGEMENT ACTIVITIES:

- 15.1 The surveillance audit of the quality management system for compliance to AS 9100-2016 & ISO 9001-2015 in-line with the requirements of IAQG (International Aerospace Quality group) was successfully completed by M/s DQS India (Accredited by ANAB) in October 2018.
- 15.2 For the first time, in-house training on ISNT Ultrasonic testing Level – II was organised in corporate office and 18 participants from various organizations attended the same.
- 15.3 A four day in-house training program on ISO 17025-2017 was conducted in November'2018 as a part of Quality month for all the officers of QCL by Confederation of Indian Industry (CII).
- 15.4 Aeronautical Type Testing of Titan-44 (Beta-2015) alloy cold rolled sheets for use in Light Combat Aircraft (LCA) was successfully carried out.
- 15.5 Fracture toughness evaluation for MDN 350 tubes was established by meeting the stringent requirements and the same is above the international specification requirements.
- 15.6 EDM wire cut machines – 2 Numbers were successfully commissioned in QCL. The sample extraction / preparation for Fracture Toughness and sheet tensile, etc. increased by 50%.
- 15.7 Two new X-ray machines 450 KV with digital imaging and 320 kV facilities were successfully installed. With the addition of two new machines, our best possible maximum thickness of radiography testing has increased from 40mm to 90mm.

16. SUPPLY CHAIN MANAGEMENT PERFORMANCE:

- 16.1 **MSE Vendor Meet:** MIDHANI organized a vendor meet for MSE Entrepreneurs on 9th June 2018. Representatives from over 50 companies participated in the meet.
- 16.2 **Encouragement to Micro and Small Scale Industries:** MIDHANI continues to encourage and develop MSE units by regularly sourcing various goods from them. Percentage value of goods/ services procured from MSE units stood at 28.13% of total domestic value of procurement during FY 2018-19.
- 16.3 **Integrity Pact (IP):** To ensure transparency and Integrity in all contacts, MIDHANI is signing "Integrity Pact" with respective bidders in all high value procurement indents. Presently Shri. R Mukundan is holding the position of Independent external Monitor (IEM) at MIDHANI. About 91% of total value of contracts/PoS were covered under IP during the FY 2018-19.
- 16.4 **E-Procurement:** In order to bring higher transparency in procurement, MIDHANI is maximizing procurement through e-procurement process. During 2018-19, about 96% of total procurement other than the Open and Hybrid tenders' cases was done through e-procurement mode.

17. RISK MANAGEMENT:

- 17.1 MIDHANI has a Board approved Risk Management Policy and the Risks associated with various processes in MIDHANI are also being discussed in the internal Production Review Meetings and Corporate Management Committee Meetings. A Risk Management Committee in terms of SEBI (LODR) Regulations, 2015 has also been constituted. The identification of the risk elements faced by the company is listed out in Management Discussion and Analysis placed as part of the report.

18. HUMAN RESOURCE DEVELOPMENT:

18.1 Human Resource has been recognized as the most important asset of our organization. MIDHANI continues to aim at building a motivated, committed and satisfied work force to achieve its organizational goals. The aim is to align Talent Management initiatives with Technology for rapid growth of the Company. MIDHANI recognizes that the most important asset is its employees and that could be a major differentiator in the face of competition. Keeping in view the current trends, several HR Policies have been updated, modified, and introduced.

18.2 **Man Power Position:** The manpower strength of MIDHANI as on 31.03.2019 is 469 Non-executives, 65 Non-Unionized Supervisors and 257 Executives as against 509 Non-executives, 71 Non-Unionized Supervisors and 272 Executives as on 31.03.2018.

18.3 The total manpower strength under Permanent Category of your Company as on 31st March 2019 is as under:

Particulars	Non-Executives	Non-Unionized Supervisors	Executives	Total
Male	418	64	228	710
Female	51	01	29	81
Total	469	65	257	791

*Statement showing the representation of SC/ST/OBC/PH and their recruitment etc., are placed at **ANNEXURE: I***

18.4 Employee Welfare Initiatives:

- Monetary awards were presented to meritorious students/children of MIDHANI employees of SC, ST and OBC categories. MIDHANI also awards scholarship to the children of employees for pursuing graduation in Metallurgical Engineering @ ₹ 1000/-p.m., till completion of the course.
- **Post-Retirement Medical Benefit Scheme (PRMBS):** PRMBS for Executives and Non-Unionised Supervisors retired after 01.01.2007 and Group Medical Insurance Scheme for Employees retired prior to 01.01.2007 was implemented and medical insurance cards were issued to the beneficiaries. Post-Retirement Medical Benefit Scheme for Non-Executives retired on or after 01.01.2007 was implemented from 01.05.2017 as approved by Board.
- **School:** Brahm Prakash DAV School is run by the Company in MIDHANI Township for the benefit of children of MIDHANI employees. Students have brought glory to the school in Academics, Sports & Cultural activities. Reimbursement @ ₹ 500/- per child per month is paid by the Company every month (max. 2 children) for the employee's children studying in BPDVA.
- **Township:** MIDHANI continues to discharge its social obligations by maintaining a Township consisting of 87 quarters to cater to the housing needs of the employees working in essential services of the company.
- **Education Scholarship for wards of Workmen / employees of MIDHANI Studying in BPDVA School:** As a part of welfare initiative towards employees and to promote education among wards of employees, MIDHANI provides an Education and Merit Scholarships to the wards of employees as detailed below:
 - (a) Education Scholarships (WG-0 to WG-5): The Wards of Workmen are eligible for Education Scholarship of ₹ 300/- per month.
 - (b) Merit Scholarships: Applicable to all Employees of the Company. The ward of the employee who is studying in a class (1 to X) and stood 1st & 2nd rank in the final examinations in the previous class will be eligible for merit scholarship @ ₹ 6,000/- and ₹ 3000/- Per annum respectively.
- **"ON JOB" Training policy for the ward of employees of MIDHANI:** In order to boost the morale and loyalty of employees towards MIDHANI and also to give exposure to young graduates, MIDHANI, under the CSR initiatives, operates an Industrial Training Programme for the wards of Employees who are on the rolls of the company and wards of the employees who passed away while in service.

18.5 **Women Empowerment:** MIDHANI is extending all facilities as per the statutes for the welfare of the women employees. There are a total of 81 women employees collectively working at par with men towards achieving the Company goals. Women employees of MIDHANI belonging to Executive, Supervisory and Non-Executive cadre are spread out across all the functions of the company ranging from Material procurement, production, maintenance, Dispatches to support services such as Civil, Finance, HR, and Marketing etc.

19. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES:

19.1 In accordance with Ministry of Corporate Affairs notification no. GSR 463(E) dated June 05, 2015, Government Companies are exempt from Section 197 of the Companies Act, 2013 and its rules thereof.

20. TRAINING & DEVELOPMENT:

20.1 Continuous up gradation of knowledge and skills of the employees through appropriate training and development programs is one of the focus areas at MIDHANI. Accordingly, during the year under report, 1931 man days of training was imparted to 597 Executives (including Non-Unionized Supervisors) and 305 Non-Executives i.e. 902 Employees, both in-house and through external training programs. Special emphasis is given to the development of employees under SC, ST, OBC, PWDs and Minority category.

20.2 **Quality of Life:** Special Training programs for employees along with their spouses were conducted in two batches for balancing their personal and professional life. The programs were conducted with the help of Central Workers Education Board Hyderabad.

20.3 **Plant Visits:** Under the Industry-Academia- Interface program, 12 plant visits were organized during the year, with participation of about 240 professionals/ executives/ employees from various organizations.

20.4 **Project Works:** 50 Engineering Students from various branches of engineering from reputed Institutions/Govt. Colleges were also permitted to carry out Projects/Internship training as part of their academic curriculum.

20.5 **Apprenticeship Training:** MIDHANI is committed towards fulfilling its obligations under Apprentices Act 1961. Under the scheme, 30 Sandwich Diploma Engineering (Metallurgy) students from Government Polytechnic Colleges received on job training for a period of six months in 2 batches. 85 trade apprentices like Electrician, Fitter, Welder, Machinist and Turner were engaged for on the job training for one year. Likewise, 32 Graduate Apprentices Trainees (GATs) and 5 Technician Apprentice Trainees (TATs) were engaged for one year training.

20.6 **National Productivity Week Celebrations-2019:** The National Productivity week was celebrated in association with National Productivity Council, Hyderabad from 12th to 18th February-2019 with the theme "Circular Economy for Productivity and Sustainability"

21. STATUTORY & SOCIAL OBLIGATIONS:**21.1 CORPORATE SOCIAL RESPONSIBILITY:**

- The Corporate Social Responsibility and Sustainable Development Policy of MIDHANI in line with the Companies Act 2013 was approved by the Board of MIDHANI. For the year under review MIDHANI has incurred its highest ever expenditure of ₹ 39.35 million for CSR activities against the mandatory requirement of ₹ 36.49 million. Thus, the cumulative CSR expenditure incurred by MIDHANI over the years is about ₹ 209 Million.
- An annual report on the CSR activities of the company, including the composition of the CSR Committee in MIDHANI, as mandated under the Companies (Corporate Social Responsibility Policy) Rules, 2014, is also placed at **ANNEXURE - II**.
- The projects taken up for CSR activities by your company during the year under report fall under below mentioned areas:
 - (i) Promotion of Health Care and Sanitation
 - (ii) Promotion of Education
 - (iii) Skill Development
 - (iv) Others
 - (i) **Promotion of Health Care and Sanitation:**
 - (a) **Construction of Toilets:** Toilets were constructed in Government School at CPS Jilleguda and Khammam District with a Total Project Expenditure of approx. ₹ 4.68 million. The same is expected to benefit 2000 students including boys and girls.
 - (b) **Annual maintenance of Toilets constructed by MIDHANI under Swachh Bharat:** To ensure regular use and to promote sanitation MIDHANI has ensured maintenance and regular upkeep of 45 toilet Blocks in various Government schools at an expenditure of ₹ 2.44 million, the same has benefitted approximately 7000 students.

- (c) **Sanitary Vending Machines and Incinerators:** MIDHANI installed Sanitary Vending Machines and Incinerators at Government Schools and at schools near MIDHANI at an expenditure of ₹ 0.75 million.
- (d) **Charitable Health Care Centre:** MIDHANI has set up a Charitable Health Care Centre for the poor families staying in and around MIDHANI. Basic checkup and medicines are provided at free of cost to the patients. Expenditure incurred in hiring of Doctor and Medicines is ₹ 0.301 Million.
- (e) **Lift facility at Medical College:** MIDHANI sponsored passenger Lift to Rangaraya Medical College, Kakinada for the benefit of senior faculty members, physically challenged students and most importantly the patients, particularly pregnant ladies, patients suffering from orthopedic and neurological problems having difficulty in climbing staircase. An expenditure of ₹ 0.73 million was incurred in this regard.

(ii) **Promotion of Education:**

- (a) **Mid-day meal to Government Schools:** MIDHANI sponsored mid-day meal to approx. 455 students of Government Schools at Kothagudem through M/s Akshya Patra Foundation at an expenditure of ₹ 0.5 Million.
- (b) **School Beautification:** MIDHANI took up the painting and repair works at nearby schools and incurred an expenditure of ₹ 4.24 million in this regard.

(iii) **Skill Development:**

- **Adoption of ITI, Alwal:** As per the scope of MoU signed with ITI, Alwal, MIDHANI is to provide assistance for various civil works such as construction of compound wall and toilets, up-gradation of computer lab, civil renovation of hostel building, workshops, furniture for class rooms, setting up of library furniture, fans and tube lights, financial assistance for employment of teaching staff, etc. The execution is still under progress and expenditure of ₹ 3.03 Million was incurred during the year.
- **Construction of Center of Excellence:** Following the instructions of Ministry of Defence, Govt. of India, MIDHANI under its Corporate Social Responsibility & Sustainable Development Policy is setting up a state-of-the-art Skill Development Centre in accordance with Schedule VII of Companies Act. Accordingly, construction and infrastructure work at Centre of Excellence has been taken up and expenditure of ₹ 20.82 Million was incurred during the year.
- **Promoting Innovation:** MIDHANI contributed a sum of ₹ 1 Million to Centre for Innovation Incubation & Entrepreneurship (CIIE), at Indian Institute of Management (IIM), Ahmedabad for promotion of Innovations for Defence Excellence (iDEX) an initiative of the Government of India launched by the Hon'ble PM.
- **Joy of Giving:** As part of MIDHANI's commitment towards New Development Model for the country, a camp was organized at "Thakur Hari Prasad Institute of Research And Rehabilitation For The Mentally Handicapped (THPI)" under the title "Joy of Giving" at an expenditure of ₹ 0.1 Million.

- (iv) **Others:** Other CSR expenditure during 2018-19 stood at ₹ 0.56 Million.

21.2 DISCLOSURE UNDER SEXUAL HARRASEMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:

- Your company has always believed in providing a safe and harassment free workplace for every individual working in the company and women in particular. An environment that is free from discrimination and harassment including sexual harassment. Company has in place a robust policy on prevention of sexual harassment at workplace. There is an Internal Complaints Committee (ICC) which is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the policy. During the year under review the Internal Complaints Committee (ICC) did not receive any complaint pertaining to sexual harassment.

21.3 CONTRIBUTION TO EXCHEQUER:

- Your Company contributed an amount of ₹ 1627.22 Million in the form of Dividend, Duties and taxes during the FY 2018-19 as compared to ₹ 1449.23 Million in the previous year.

21.4 EXTRACT OF ANNUAL RETURN:

- The extract of Annual Return as provided under sub-section (3) of section 92 of Companies Act 2013 is enclosed at **ANNEXURE – III**

21.5 REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

- Report on conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo is enclosed at **ANNEXURE - IV**

21.6 BUSINESS RESPONSIBILITY REPORT:

- The Securities and Exchange Board of India (SEBI) has mandated inclusion of Business Responsibility Report ("BR report") as part of the Annual Report for 500 listed entities based on market capitalization. Your Company has prepared a comprehensive policy framework for BR report after studying the SEBI (LODR) Regulations, 2015 requirements and keeping in view the Business and Governance environment in which MIDHANI operates. The Company's BR report for the year is attached to this report as **ANNEXURE-V**.

21.7 IMPLEMENTATION OF RTI ACT 2005:

- MIDHANI as a Public Authority under RTI Act 2005 continued to discharge its obligations. The number of information seekers has gone up considerably during the year. In order to have access to information to the Citizens and also as a part of company's philosophy and corporate governance MIDHANI's web site is updated on continuous basis by uploading the company's news and developments.

21.8 RAJBHASHA IMPLEMENTATION:

- Govt. of India directives, the Official Language Act 1963, the Official Language Rules 1976 made there under and the orders issued by Government of India from time to time for promoting the use of Hindi for Official purpose are complied by MIDHANI without deviation. Four (4) quarterly meeting of Official Language Implementation Committee were held under the Chairmanship of Chairman & Managing Director of the Company during the year under report.
- MIDHANI continues to encourage usage of Hindi as the Official Language and in order to encourage daily usage of official language to carry out day-to-day official work, Five (5 nos.) Hindi Awareness Workshops were organized for the employees during the year under report. Prabodh, Praveen and Pragya Hindi training courses were also conducted for the employees during the year under report.
- "HINDI MAHOTSAV" was organized for the propagation of Hindi at large scale in the month of September 2019. 'HINDI DIWAS' was celebrated on 8th October 2019 and "Vishwa HINDI Diwas" celebrated on 10th January 2019. Inspection of Official Language Implementation was conducted on 13th November 2018 by a team of Jt. Director, Rajbhasha and Sr. Hindi Translator, DDP and the efforts taken by MIDHANI Management to propagate OL were appreciated.

21.9 RELATED PARTY TRANSACTION:

Disclosure of related party transactions as per Ind AS-24, issued by the Institute of Chartered Accountants of India, is given at note no 42 of the Notes forming part of Annual Accounts for 2018-19. Transactions if any, covered under related party transactions were fair, transparent and at arms' length and were pre-approved by competent authority nominated for this purpose. The deviation from Ind AS, if any, has been explained by the Directors in their report to shareholders.

22. VIGILANCE ACTIVITIES:

- 22.1 The company's vigilance set up is headed by a Chief Vigilance Officer. Preventive Vigilance has been the thrust area of the Vigilance department and Vigilance department examines major procurements/contracts, conducts regular and surprise inspections. CTE type inspections and structured meetings between C&MD and CVO continued to be regular activities of Vigilance.
- 22.2 In line with the CVC guidelines on Leveraging Technology and to ensure Transparency through effective use of Technology, tools like e-Procurement, e-Payment, On-line Vendor registrations etc., are made operational through the company's website and also details of contracts awarded above ₹ 0.50 Million are being posted in the company website.

22.3 Some of the key activities that have been carried out during the year are;

- Organized Vigilance Awareness Week from 26th October to 03rd November 2018 with theme "Eradicate Corruption – Build a New India". Sixth issue of the In-house Vigilance magazine "JAGRUTI" was released during the week. Other activities during the week long awareness programs included competitions involving employees, students of local Govt. schools and Junior colleges, technical sessions by experts etc. to create awareness and sensitize citizens towards the impact of corruption.
- Implemented a dedicated On-line Vigilance Clearance module and vigilance clearances are being accorded through online mode only.
- To increase the competency levels of employees, they were deputed to different training programs and workshops on subjects like "Workshop on Preventive Vigilance", "Corporate Governance", "Advanced leadership program", "Risk mitigation through Forensic Examination", etc.,

23. VIGIL MECHANISM:

23.1 The Whistle Blower Policy was initially adopted by the Board of Directors at its 206th Meeting held on January 23, 2013. The same was subsequently amended in line with the latest "PIDPI" guidelines by Vigilance department and the Whistle Blower Policy – 2018. The updated policy works as Vigil Mechanism of MIDHANI. The Whistle Blower Policy of MIDHANI is available at the link www.midhani-india.in/doc/MDN-WHISTLEBLOWER-POLICY-2015.pdf

24. AWARDS AND RECOGNITION:

- 24.1 At the 56th National Metallurgists Day (NMD) organized at Kolkata on 14.11.2018, Dr Dinesh Kumar Likhi, C&MD, MIDHANI was bestowed with Tata Gold Medal in recognition of his Outstanding Contribution to Metallurgical Industries in India.
- 24.2 MIDHANI was awarded HR-Excellence Award for Value Growth in the Non-financial category on 17.01.2019 at the Governance Now 6th PSU Award.

25. VISITS AND INTERACTIONS WITH DISTINGUISHED GUESTS:

- 25.1 Dr. Ajay Kumar, Secretary (DP) visited MIDHANI on 21st July' 18 and inaugurated the 4MW Solar Power Plant.
- 25.2 Shri. S Somanath, Director VSSC visited MIDHANI on 30th July'18
- 25.3 Dr. V Narayanan, Director, LPSC visited MIDHANI on 1st Nov'18

26. CORPORATE GOVERNANCE:

- 26.1 The basic principles and philosophy of Corporate Governance is followed in letter and spirit in every aspect of Company's decision making in tune with the contemporary demand for good Corporate Governance and adherence to guidelines issued by Department of Public Enterprises from time to time. A Code of Business Conduct and Ethics, applicable to all Board Members and Senior Management, has been implemented in the Company. The adherence to the code is confirmed by respective members on an annual basis. A declaration to this effect by Chief Executive is made part of this report.
- 26.2 A detailed report on Corporate Governance and a report on the Management Discussion & Analysis are part of this report. Certificate for adherence to the guidelines issued by DPE in this regard and SEBI LODR Regulations 2015 duly signed by a practicing Company Secretary, is also made a part of this report.
- 26.3 In accordance with Revised Grading norms for CPSEs, in the matter of compliance of Guidelines on Corporate Governance issued by DPE, your Company has scored 100% for the FY 2018-19.

27. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

- 27.1 The company has put in place necessary Internal Controls and Systems to meet all the canons of financial propriety. We believe that internal control and risk management are necessary pre-requisites for implementing the principle of governance. We have an effective Internal Control System, which ensures that all our assets are safeguarded and protected against loss.
- 27.2 External Audit firm M/s. Pary & Co. were engaged to carry out Internal Audit during the year under report. This helped ensure adequacy of systems and controls. Their reports thereon were further reviewed by the Audit Committee appointed by Board. In addition, the In-house Internal Audit team also regularly carries out audits of specific processes. Internal Audit Reports along with corrective actions initiated are discussed with the Management and are reviewed by the Audit Committee of the Board. The Audit Committee also reviews the adequacy and effectiveness of internal controls.

27.3 No cases of fraud were reported by the Auditors during the year under report.

28. BOARD OF DIRECTORS:

- 28.1 The Board of your company comprises of Eight (8) Directors i.e. Three (3) Functional Directors, One (1) Government Nominee Director and Four (4) Non-Official Part-Time (Independent) Directors, all eminent personalities with vast experience from diverse fields.
- 28.2 In line with orders received from Administrative Ministry vide MoD Letter No. 8(80)/2015-D (Coord/DDP) dated 30.05.2018, Shri Sanjay Jaju (DIN: 01671018) was appointed as Government Nominee Director on the Board of MIDHANI w.e.f 30.05.2018. A brief profile of Shri Sanjay Jaju is enclosed at **ANNEXURE-VI**
- 28.3 Presidential Orders were received vide MoD Letter PC.No 11(57)/2017/MDN/D(NS) dated 22nd November,2018 for re-appointment of Shri I.V Sarma, Dr. Jyoti Mukhopadhyay and Dr. Usha Ramachandra as part-time Non- Official Directors on the Board of Mishra Dhatu Nigam Limited (MIDHANI) for a period of one year from the date of completion of their existing tenure in MIDHANI.
- 28.4 **Performance Evaluation:** The Company is a Government Company and Independent Directors are appointed / reappointed by the President of India, through Administrative Ministry. The evaluation of the performance of the Independent Directors and their fulfillment of Independence criteria as specified in the Regulations, are being carried out by the Government of India as per its own processes and the Board of the Company has no role to play in this regard.
- 28.5 The company is a Government Company and Directors are appointed/ re-appointed by the President of India, through the Administrative Ministry.

29. DECLARATION AND MEETING OF INDEPENDENT DIRECTORS:

- 29.1 The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under the Companies Act, 2013. A separate meeting of Independent Directors in line with the statutory provisions was held on March, 16th 2019 wherein all the Independent Directors were present.

30. DIRECTORS' RESPONSIBILITY STATEMENT:

- 30.1 Requirement under Section 134 (3) (c) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, is confirmed as under:
- That in the preparation of the Annual Accounts for the financial year ended 31st March, 2019, the applicable Accounting Standards have been followed along with proper explanations on the material departures;
 - 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, 2019 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 2013, 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, 2019 on a 'going concern' basis.
 - That the Directors have laid down Internal Financial Controls to be followed by the company, and that such internal controls are adequate and are operating effectively; and
 - That the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

31. AUDITORS:

- 31.1 **Statutory Auditors:** C&AG of India appointed M/s. Basha & Narasimhan, Chartered Accountants, Hyderabad, as Statutory Auditors of the Company for conducting audit of accounts for the year ended 31st March, 2019.
- 31.2 **Cost Auditor:** Your Company appointed M/s. Sandeep Zanwar & Associates, Cost Accountants, Hyderabad, as Cost Auditors for the year 2018-19 in terms of Section 148 of Companies Act, 2013, read with the Companies (Cost Records and Audit) Rules, 2014.

31.3 **Secretarial Auditor:** In terms of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 your Company appointed M/s R&A Associates, Hyderabad as Secretarial Auditors of the Company for the FY 2018-19. The Secretarial Audit report is placed at **ANNEXURE – VII.**

31.4 **Internal Auditor:** Your Company engaged M/s. Pary & Co. to conduct Internal Audit for the financial year 2018-19.

32. COMMENTS OF COMPTROLLER & AUDITOR GENERAL OF INDIA:

32.1 The comments on the Accounts by the Comptroller and Auditor General of India for the year ended 31st March, 2019 are placed in this report after the report of the Statutory Auditors.

33. ACKNOWLEDGEMENT:

33.1 The Board of Directors are extremely thankful for the continued patronage and gratefully acknowledge the valuable support and assistance received from all Government agencies particularly from Ministry of Defence, all establishments under DRDO and other agencies of Central and State Government. Your Directors also place on record sincere thanks to vendors, Bankers, C&AG, Statutory /Internal Auditors, Chairperson - Audit Committee, Chairman of other Sub Committees of the Board, Advisers, Consultants etc., of the Company for their continued support and guidance during the year.

33.2 Your Directors take this opportunity to place on record their deep appreciation for the valuable contribution made and excellent co-operation rendered by all the employees.

33.3 Your Directors express their appreciation and gratitude to all the shareholders/investors for the trust and confidence reposed in the Company and look forward to their continued support to propel the Company to greater heights.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-

Dr. D. K. LIKHI

CHAIRMAN & MANAGING DIRECTOR

Place: Hyderabad

Date : 29.05.2019