

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1.0 FORWARD LOOKING STATEMENTS:

- 1.1 Certain statements in this report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historic fact, including those regarding the financial position, business strategy, management plans and objectives for future operations.
- 1.2 Forward-looking statements can be identified by words such as 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'plans', 'outlook' and other words of similar meaning in connection with a discussion of future operational or financial performance.
- 1.3 Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized, and as such, are not intended to be guarantee of future results, but constitute our current expectations based on reasonable assumptions. Actual results could differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. We neither assume any obligation nor intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.
- 1.4 The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of the Companies Act, 2013 (the "Act") and comply with the Accounting Standards specified under Section 133 of the Act. The management of Mishra Dhatu Nigam Limited ("MIDHANI" or "the Company") has used estimates and judgments relating to the financial statements on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the state of affairs for the year.
- 1.5 The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the annual report.

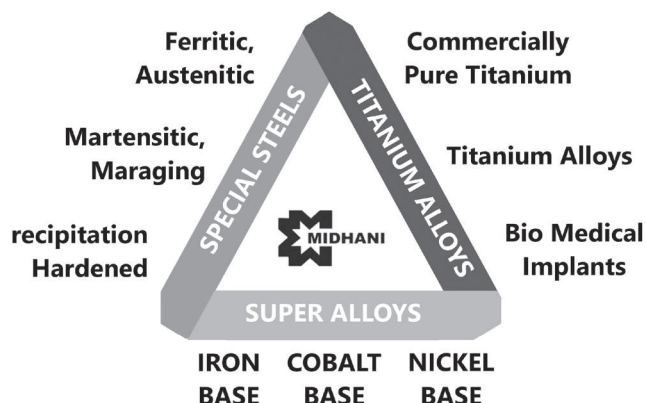
## 2.0 INDUSTRY STRUCTURE AND DEVELOPMENTS:

- 2.1 Mishra Dhatu Nigam Limited (MIDHANI) was established in the year 1973 under Ministry of Defence as Government of India Enterprise. The production unit of MIDHANI, located at Kanchanbagh, Hyderabad, was commissioned in the year 1982. It was set up with a view to achieve self-reliance in production and supply of various super alloys, special steels, materials to Strategic Sectors of our country.
- 2.2 MIDHANI's diversification initiatives will define its future growth. With 45 years of glorious past, MIDHANI is poised to grow from a single unit organization to a multi-unit organization. The Armour Manufacturing facility at Rohtak is expected to be commissioned by the end of 2019-20. MIDHANI's Joint Venture proposal with NALCO for setting up Aluminium Alloy Plant at Nellore, Andhra Pradesh is also moving in positive direction with respect to Government approvals.

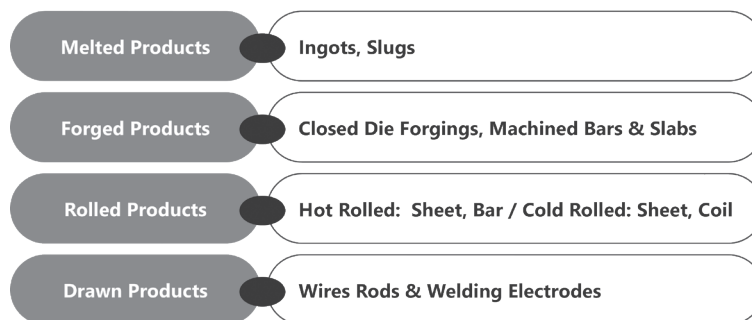
## 3.0 ORGANISATION:

- 3.1 The commitment to fulfill the ever increasing demands with stringent specifications/ requirements by the Strategic customers of the Company provides the basic thrust and is the driving force that motivates the organization to suitably frame its policies and procedures in every sphere of organizational activity to discharge its goal effectively.
- 3.2 The main operating divisions/ departments of the company consist of Production Planning & Control, Production Divisions, Technology, R&D Dept, Projects and Quality Control. The production function is further optimally integrated to Material planning & procurement, Marketing, Finance, HR and other logistic functions.
- 3.3 The manufacturing facilities at MIDHANI include Primary and Secondary melting furnaces such as Electric Arc Furnace with Ladle Refining Furnace, Vacuum Degassing/ Vacuum Oxygen Decarburisation, Vacuum Induction Melting Furnace, Vacuum Induction Refining Furnace, Vacuum Arc Re-Melting Furnace, Electro Slag Re-Melting Furnace and Electron Beam Melting Furnace. Subsequent operations are carried out at 6000T/1500T Forge Presses, Ring Rolling Mill, Hot Rolling and Cold Rolling Mills, Bar and Wire Drawing Mills etc. based on the output, form and sizes required. The auxiliary supporting services like conditioning, heat treatment, machining, pickling, quality control also form part of our manufacturing processes.

3.4 A representation of the product portfolio of MIDHANI is as under:



3.4.1 Products grades manufactured at MIDHANI are Special Alloys (Ferritic, Austenitic, Martensitic, Maraging, Armour Steel), Super Alloys (Iron/Cobalt/Nickel Based), Titanium Alloys in the form of melted, forged, rolled and drawn product. Special Steels and Titanium Alloy grades constitute a major portion of production tonnage.



3.4.2 The primary raw materials used by our Company for manufacturing various products are: (a) Nickel metal; (b) Cobalt metal; (c) Various Master Alloys; (d) Pure Iron; (e) Titanium sponge; (f) Chromium metal; (g) Mild Steel scrap/ Stainless Steel scrap; (h) High Carbon/Low Carbon Ferro Chrome; (i) Aluminium metal; (j) Manganese Metal; and (k) Various Ferroalloys.

#### 4.0 MARKET OVERVIEW: HIGH VALUE SPECIALITY STEEL, SUPERALLOY AND TITANIUM ALLOY PRODUCTS: (Source: KPMG research)

- 4.1 With 6-8% growth in GDP and subsequent growth in infrastructure in power & industrial sectors and advancements in space sector, there exists significant opportunities for MIDHANI. To tap these opportunities, MIDHANI has to formulate new strategies and augment its facilities to cater to the enhanced demands.
- 4.2 **HIGH VALUE SPECIALITY STEEL:** Specialty Steel market in India is currently estimated at ~3.8 to 4.5 lakh Tons, primarily driven by Auto sector. Projects worth INR ~15,000 Billion are planned in Defense which will drive the demand for Specialty steel in the country. Addressable market for MIDHANI is ~0.4 to 0.5 Lakh tons, coming from Defence, Power and Niche Engineering sectors. In MIDHANI's addressable market, Defense sector is expected to drive the demand for Specialty Steel. Defense sector in India is expected to grow at a CAGR of 8% between FY17 to FY25.
- 4.3 **TITANIUM ALLOY PRODUCTS:** Most of the needs of Indian Aerospace and Defence industry are currently met through imports. Unlike the global market which is dominated by commercial aerospace, Indian Aerospace & Defence Titanium demand is dominated by Defence. The Titanium market size in India for FY18 is 3098 TPA and is expected to increase to 5231 TPA in the FY 25 with a CAGR of ~ 7.8%. MIDHANI can aggressively target import substitution to increase its market share.
- 4.4 **SUPERALLOY:** India market for super alloys has increased at 14% CAGR for the last 2 years. MIDHANI is the only domestic manufacturer of super alloys and rest of the demand is mostly imported. Current MIDHANI market share is only ~1% and rest of the volumes is imports. Future Demand Drivers for Super Alloys in India are:

- Among applications, where aerospace segment is expected to dominate the market due to increasing need for lightweight and high strength materials that can withstand high temperatures.
  - Strategic Power Project and Power Plants will drive the demand for super alloys in India.
- 4.5 In Space sector, demand will be driven by ISRO's ongoing and future satellite programs with increased launches and the upcoming Chandrayaan-2 mission apart from the many current projects.

## 5.0 SECTOR WISE PERFORMANCE:

- 5.1 Presently, more than seventy percent of MIDHANI's products (value wise) cater to strategic customers and operates mainly in Defence, Space, Energy and Commercial sectors. MIDHANI has traditionally banked on orders from Defence sector for sustenance and growth. About 50% of orders come from Defence sector and Space sector has shown cyclical nature in terms of order position.
- 5.2 In line with the thrust given by Government of India on "Defence preparedness", MIDHANI has focused more on Defence sector. In addition, MIDHANI also supplies special alloys to private commercial sector which also finally goes into Defence and Atomic energy sectors of our country. But in FY 18-19, Space was the best performing sector and grew by ~ 46 % primarily due to increased number of launches.

## 6.0 FUTURE OUTLOOK:

- 6.1 MIDHANI primarily operates in Defence, Space, Energy and Commercial sectors, MIDHANI predominantly caters to strategic customers. With increased competition and dynamic environment, venturing into new businesses and opting for collaborative approach becomes all the more important for staying competitive in the market. We need to optimally utilize our production capacities and be pragmatic in formulating policies and decision making.
- 6.2 MIDHANI also looks forward for geographical expansion within India and beyond and to operate from multiple locations. At present, our Company intends to start two new manufacturing units based in Rohtak, Haryana and Nellore, Andhra Pradesh.
- 6.3 We intend to improve our focus on advanced technology products and pursue new collaborations that allow us to add to our product portfolio. In line with the above approach, MIDHANI is planning to setup metal powder production unit capable of producing high quality for a variety of special alloys: Ti & Ti-alloys, Ni-alloys, Co alloys and refractory metal and alloys for application in aerospace and bio medical sectors.
- 6.4 MIDHANI plans to explore the feasibility for production of cobalt in India using material from secondary sources (Cobalt- Hydroxide) / plant reverts. Towards this, MIDHANI plans to set up cobalt recovery plant through public private partnership under Indigenization program from internal plant reverts.
- 6.5 A brief on the new projects planned/proposed for the coming years is as under:
- **Aluminium Alloy Plant:** MIDHANI & NALCO intend to set up High end Aluminium Alloy Production plant through a JV Company at Nellore. To establish green field project of Aluminium Alloy production the state government of Andhra Pradesh has allotted 110 Acres of Land to MIDHANI. Activities like Land survey, soil testing, ground water survey and construction of compound wall are complete. M/s MECON has prepared DPR for setting up the project. NITI AYOG examined the project proposal and has recommended for setting up of Aluminium Alloy plant and subsequent action for incorporating JV Company and other activities like engaging Engineering, Procurement and Construction Management Consultant and Technology provider have been initiated.
  - **Tungsten and Tungsten Carbide powder Production Facilities:** Tungsten powder is the main ingredient material for production of High Kinetic Energy Penetrators and Pre-fragments for Defence applications and presently these requirements are fulfilled through imports. For indigenization of such strategic material, MIDHANI is exploring to setup a facility to produce 500TPA tungsten powder.
  - **Carbon Fiber Prepegs Manufacturing:** In pursuance of Make in India initiative, Ministry of Defence identified Procurement / Production of Strategic / Critical materials like Carbon Fiber Prepegs as it is used in strategic programs. MoU is signed with NAL for development of aero quality carbon fibers. In addition, International Joint ventures for production of prepegs is also being examined to meet such demand.

## 7.0 RISKS, CONCERNS AND MITIGATION:

- 7.1. A strategic sector company like MIDHANI operates in a very dynamic environment where raw material prices are volatile, technology is ever-changing and competition with the private players is greater than ever. Currently, majority of MIDHANI's business (4/5<sup>th</sup> of volumes) comes from High performance steel. Going forward, this market segment is expected to witness high competition from private companies with similar/substitute products.

- 7.2 Timely and satisfactory execution of our contractual commitments depends upon numerous factors. Lack of additional primary melting facilities like Vacuum Induction Melting Furnace, Vacuum Arc Melting Furnace and compacting press may prove to be bottleneck in the long run. This may also impact the lead time for delivery of the products and the cost of the product as some of our contracts provide for liquidated damages in the event that we are unable to perform and deliver in accordance with the contractual schedule; this may impact our operating and financial performance.
- 7.3 The volatile nature of prices exchange rate fluctuations coupled with limited availability and supply of raw materials such as Nickel and Cobalt, which are used by our Company for manufacturing various products, can result in an increase in the price of the products and play adversely on the competitive edge of the Company
- 7.4 Most of our revenue is derived from the work performed under Government contracts and change in Government priorities may affect a decision to fund or the amount of funding available to existing or proposed strategic programmes.
- 7.5 MIDHANI also faces competition from Imports which may, in some cases, be cheaper. This may in some cases also hamper our export potential.
- 7.6 **RISK MITIGATION PLANS:**
- 7.6.1 To protect the core business, relationship marketing on Defence and Space sectors is planned.
- 7.6.2 We are enhancing competitiveness through improved execution, delivery capabilities (on time and within cost), customer service etc.
- 7.6.3 Major imported raw materials procured by MIDHANI are Cobalt, Nickel, Molybdenum, Chromium etc. In order to reduce the cost of raw material procurement, several strategies have been deployed, including procuring of buffer stock of raw material and timely procurement of raw materials in view of anticipated orders from major customers.
- 7.6.4 Efforts to mitigate the risk of limited availability of raw Materials include optimization of consumption and reuse of reverts in the manufacture of various alloys, based on the application and agreed quality norms as well as extensive recycling of internal scrap and R&D initiatives to segregate valuable metals components from the scrap generated internally.
- 7.6.5 We are enhancing end use industry portfolio to diversify risk –expansion in Power, Oil and gas and Engineering sectors. Even Machine tool, Bearings and Industrial Valve steels are being considered with forward integration into end products/components –Compression Springs, Armoured products, etc.,
- 7.6.6 To promote exports, we have identified certain product categories to tap the global market and has ambitious plan to achieve export revenue.

## 8.0 SWOT ANALYSIS:

### 8.1 Strengths:

- (a) Capability to manufacture a wide range of advanced materials.
- (b) Strong Research & Development capability to indigenously develop customized products/ alloys for programs of national importance.
- (c) Rich experience gained over 45 years of operation and maintenance of high technology equipments, processes and systems.
- (d) Unique and complex quality control practice to deliver superior quality of products

### 8.2 Weakness:

- (a) In select products, lack of economies of scale makes products non-competitive at global level.
- (b) Dependence on orders from Government Sector
- (c) Lack of technology and infrastructure for developing finished components using own materials which leads to reduced value addition.
- (d) Limited control over sales realization.

### 8.3 Opportunities:

- (a) Demand for special alloys and steel is increasing.
- (b) Government initiatives like "Make in India", Indigenization, Make II etc. allowing Indian organizations to penetrate existing markets within the country and abroad.
- (c) Opportunity for long-term tie-ups in the form of Joint ventures and strategic alliances etc.
- (d) Diversification opportunities exists in strategic materials

**8.4 Threats:**

- (a) Competition from private sector in India and abroad
- (b) High volatile prices of some of the critical imported raw materials coupled with their restricted availability.
- (c) Risk of obsolescence in technology, processes and products-metals being replaced with composites/materials.
- (d) Change in Government Policies.

**9.0 FINANCIAL PERFORMANCE**
**9.1 The Summarized financial position for the Financial Year 2018-19 and for the two preceding Financial Years is given below:**

| (Figures in ₹ Millions)              |                 |                 |                 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Particulars                          | 31-Mar-19       | 31-Mar-18       | 31-Mar-17       |
| <b>ASSETS:</b>                       |                 |                 |                 |
| <b>Non-current assets</b>            |                 |                 |                 |
| Property, Plant and Equipment        | 4236.70         | 3427.75         | 3264.39         |
| Capital work-in-progress             | 1750.47         | 649.93          | 62.05           |
| Intangible assets                    | 12.77           | 16.58           | 9.38            |
| Financial Assets                     |                 |                 |                 |
| (i) Investments                      | 21.01           | 21.01           | 21.01           |
| (ii) Loans                           | -               | 0.01            | 0.04            |
| Non-current tax assets (Net)         | 106.52          | 202.12          | 293.41          |
| Other non-current assets             | 480.51          | 681.77          | 93.71           |
| <b>Total Non-Current Assets</b>      | <b>6607.98</b>  | <b>4999.17</b>  | <b>3743.99</b>  |
| <b>Current assets:</b>               |                 |                 |                 |
| Inventories                          | 5088.35         | 2413.80         | 2060.42         |
| Financial Assets                     |                 |                 |                 |
| (i) Trade receivables                | 3522.44         | 4134.34         | 2885.30         |
| (ii) Cash and cash equivalents       | 1979.94         | 1800.79         | 2079.26         |
| (iii) Other financial assets         | 96.42           | 178.80          | 116.81          |
| Other current assets                 | 951.56          | 125.10          | 124.59          |
| <b>Total Current Assets</b>          | <b>11638.71</b> | <b>8652.83</b>  | <b>7266.38</b>  |
| <b>Total Assets</b>                  | <b>18246.69</b> | <b>13652.00</b> | <b>11010.37</b> |
| <b>EQUITY AND LIABILITIES</b>        |                 |                 |                 |
| <b>EQUITY</b>                        |                 |                 |                 |
| Equity share capital                 | 1873.40         | 1873.40         | 1873.40         |
| Other Equity                         | 6473.69         | 6016.95         | 5170.04         |
| <b>Total Equity</b>                  | <b>8347.09</b>  | <b>7890.35</b>  | <b>7043.44</b>  |
| <b>LIABILITIES</b>                   |                 |                 |                 |
| <b>Non-current liabilities</b>       |                 |                 |                 |
| Financial liabilities                |                 |                 |                 |
| (i) Borrowings                       | 5.71            | 9.20            | 12.36           |
| (ii) Other Financial Liabilities     | 1560.98         | 469.99          | 173.37          |
| Provisions                           | 10.90           | 7.98            | 7.57            |
| Deferred tax liabilities (net)       | 398.00          | 286.36          | 204.41          |
| Other non-current liabilities        | 2588.99         | 740.58          | 1089.08         |
| <b>Total Non-current liabilities</b> | <b>4564.58</b>  | <b>1514.11</b>  | <b>1486.79</b>  |
| <b>Current Liabilities</b>           |                 |                 |                 |
| Financial liabilities                |                 |                 |                 |

(Figures in ₹ Millions)

| Particulars                                       | 31-Mar-19       | 31-Mar-18       | 31-Mar-17       |
|---|-----------------|-----------------|-----------------|
| (i) Borrowings                                    | 1060.86         | 919.33          | 125.51          |
| (ii) Trade payables                               | 1286.49         | 963.16          | 660.31          |
| (iii) Other financial liabilities                 | 629.34          | 748.70          | 576.42          |
| Other current liabilities                         | 2150.54         | 1235.13         | 830.87          |
| Provisions  | 207.79          | 381.22          | 287.03          |
| <b>Total Current Liabilities</b>                  | <b>5335.02</b>  | <b>4247.54</b>  | <b>2480.14</b>  |
| <b>Total Equity and Liabilities</b>               | <b>18246.69</b> | <b>13652.00</b> | <b>11010.37</b> |
| <b>Working Capital</b>                            | 6303.69         | 4405.29         | 4786.24         |
| <b>Capital Employed</b>                           | 10553.16        | 7849.62         | 8060.01         |
| <b>Net Worth</b>                                  | 8347.09         | 7890.35         | 7043.44         |
| <b>Net worth per rupee of paid up capital (₹)</b> | 4.46            | 4.21            | 3.76            |

## 9.2 MOU 2018-19 PERFORMANCE AND WORKING RESULTS:

9.2.1 The company is expected to achieve "Excellent" MoU rating subject to evaluation by Department of Public Enterprise (DPE) against the overall Financial and Operational performance for the year 2018-19.

9.2.2 The MoU performance rating is expected to improve to "Excellent" from "Very Good" last year as a result of focused efforts in the areas such as Production, Exports, R&D, Capital Expenditure planning and Specific LPG consumption, HR parameters. Export Sales of ₹ 80.53 million is a significant achievement considering MIDHANI's occasional venture into exports in the past. The company also registered highest ever VoP of ₹ 8148.32 million in the current year. Revenue from operations of ₹ 7108.46 Million as against the target of ₹ 8150.00 Million., but it has improved compared to last year's performance. The issues related to converting VoP into sales are being analyzed and addressed at the planning level for improved sales performance in the future years.

9.2.3 The significant highlights of the performance for the financial year 2018-19 and comparison with the previous two years is as under:

(Figures in ₹ Millions)

| S. No. | Particulars                           | 2018-19 | 2017-18 | 2016-17 |
|--------|---------------------------------------|---------|---------|---------|
| 1      | Sales - To Customers (Incl. ED)       | 7108.46 | 6660.78 | 8097.07 |
|        | Sales - Export                        | 80.53   | 1.47    | -       |
| 2      | Value of Production (Incl. ED)        | 8148.32 | 7020.63 | 7320.66 |
| 3      | Cash Profit (Excl prior period items) | 2142.42 | 2178.92 | 2040.17 |
| 4      | Profit Before Tax                     | 1910.47 | 1982.51 | 1863.53 |
| 5      | Net Profit (PAT)                      | 1305.56 | 1312.62 | 1263.13 |
| 6      | Value Added                           | 5220.69 | 5485.14 | 5382.38 |
| 7      | Value added per employee              | 6.60    | 6.45    | 7.16    |
| 8      | Productivity per employee             | 10.30   | 8.26    | 9.73    |
| 9      | Value added per direct worker         | 17.12   | 16.62   | 16.77   |
| 10     | Paid up Capital                       | 1873.40 | 1873.40 | 1873.40 |
| 11     | No of Employees                       | 791     | 850     | 752     |

## 9.2.4 Some of the important financial ratios indicating financial health and working of the Company at the end of last three years are as under:

(Figures in Percentage % unless specified)

| S. No     | Particulars                    | 2018-19 | 2017-18 | 2016-17 |
|-----------|--------------------------------|---------|---------|---------|
| <b>A.</b> | <b>Current Ratio</b>           | 2.18    | 2.04    | 2.93    |
| <b>B</b>  | <b>Profitability Ratios</b>    |         |         |         |
| a)        | Profit Before Tax to           |         |         |         |
|           | i) Capital Employed (%)        | 18.10   | 25.26   | 23.12   |
|           | ii) Net worth (%)              | 22.89   | 25.13   | 26.46   |
|           | iii) Sales (%)                 | 26.88   | 29.76   | 23.01   |
| b)        | Profit After Tax to Equity (%) | 69.69   | 70.07   | 67.42   |
| c)        | Earnings Per Share (in Rupees) | 6.97    | 7.01    | 6.74    |

**9.2.5 Key Financial Ratios:**

| S.No. | Particulars                 | FY 2018-19 | FY 2017-18 | Change in % as compared to FY 2017-18 | Detailed explanation for change of 25% or more |
|-------|-----------------------------|------------|------------|---------------------------------------|--|
| 1.    | Debtors Turnover            | 1.86       | 1.90       | -2.16                                 | NA   |
| 2.    | Inventory Turnover          | 1.90       | 2.98       | -36.35                                | Increase in the value of Raw Material and WIP  |
| 3.    | Interest Coverage           | 30.02      | 23.16      | 29.62                                 | Due to decrease in interest expenditure        |
| 4.    | Current Ratio               | 2.18       | 2.04       | 7.09                                  | NA   |
| 5.    | Debt Equity Ratio           | 0.57       | 0.50       | 14.87                                 | NA   |
| 6.    | Operating Profit Margin (%) | 21.69      | 24.42      | -11.20                                | NA   |
| 7.    | Net Profit Margin (%)       | 17.46      | 18.88      | -7.52                                 | NA   |
| 8.    | Return on Networth          | 16.13      | 17.64      | -8.58                                 | NA   |

Note : S.No. 1, 2 & 8 are calculated based on average value.

**9.2.6 Amount available for Appropriation:**

The amount available for appropriation is ₹ 1305.56 Million as against ₹ 1312.62 Million in the previous year.

**10.0 HUMAN RESOURCE DEVELOPMENT**

- 10.1 The total permanent manpower strength of MIDHANI as on 31.03.2019 stood at 791 employees. The average age of employees as on 31.03.2019 is 42 years and with a younger workforce, your Company is rightly poised to undertake complex tasks and to uphold industry-leading quality standards while catering to customer requirements in a timely manner.
- 10.2 MIDHANI also engages Consultants/Advisors in areas that require special expertise/guidance such as Purchase, Costing, and Business Development etc. In FY 2018-19, MIDHANI introduced 'Fixed Term Contract' policy for hiring people on contract basis. Rational distribution of man power between Administration and Production Depts., and between Non-Executives and Executives, optimum degree of automation in operations continued to receive focused attention during the year under report.
- 10.3 In order to promote loyalty, skill development and employee welfare, many schemes introduced and training programs conducted. Half Pay Leave, Post-Retirement Medical Benefit Scheme (PRMBS) for retired Non-Executives, Amendment to Medical Attendance Rules, Introduction of Out-Patient (OP) Services (at CGHS rates), Job Rotation Policy for Executives are some initiatives taken by MIDHANI in recent past to boost employee morale.
- 10.4 **Employees Remuneration:** Memorandum of settlement for Wage revision of Non-Executives was also signed with the union on 26.11.2018 after obtaining approval from Administrative Ministry. Accordingly, the revised wages were disbursed to the Non-Executive employees in November 2018. Pay revision for Executives and Non-Unionized Supervisors was earlier implemented at MIDHANI w.e.f. 01.01.2017 as per the DPE guidelines on 3<sup>rd</sup> Pay Revision Committee (PRC) Recommendations.
- 10.5 The total expenditure incurred on the Employees remuneration for the year 2018-19 was ₹ 1084.05 Million as against previous year expenditure of ₹ 1282.94 Million. The details are as under:

|              |                                     | (Figures in ₹ Millions) |                |
|--------------|-------------------------------------|-------------------------|----------------|
| S. No        | Particulars                         | 2018-19                 | 2017-18        |
| 1)           | Salaries & Wages                    | 710.39                  | 892.89         |
| 2)           | Leave Encashment                    | 37.55                   | 60.88          |
| 3)           | Directors remuneration              | 18.11                   | 12.66          |
| 4)           | Contribution to provident fund      | 61.92                   | 58.15          |
| 5)           | Employees Gratuity                  | 27.85                   | 52.99          |
| 6)           | Leave salary & pension contribution | 29.55                   | 20.64          |
| 7)           | Workmen and staff welfare expense   | 198.68                  | 184.73         |
| <b>TOTAL</b> |                                     | <b>1084.05</b>          | <b>1282.94</b> |



**10.5.1 Remuneration to Members of Board:**

- (i) The Part-time Non-official Directors on the Board of the Company are not entitled to any remuneration except sitting fees per meeting for attending meetings of the Board or its committees thereof at ₹ 20,000/- (₹ Twenty thousand only) for Board Meetings and ₹.15,000/- (Rupees Fifteen Thousand only) for Board Sub-Committee meetings. They were also reimbursed travelling expenses for attending the Meetings of the Board or its Committees.
- (ii) Shri Surendra Singh on assuming charge as Information Commissioner has not accepted sitting fees for attending Board/ Sub Committee Meetings paid by the company w.e.f. 31.10.2018 in keeping with the provisions of Section 15(6) of the right to Information Act 2005.
- (iii) The Remuneration of Functional Directors of the Company is approved by President of India with detailed terms and conditions of appointment under the provisions of Articles of Association of the Company. They were paid remuneration during the year 2018-19 as shown below:

| No. | Remuneration to Functional Directors | Amount (₹ Millions) |              |
|-----|--------------------------------------|---------------------|--------------|
|     |                                      | 2018-19             | 2017-18      |
| 1.  | Salaries and Wages                   | 16.32               | 11.00        |
| 2.  | Cont. to Provident Fund & EPS        | 0.91                | 0.88         |
| 3.  | Gratuity                             | -                   | -            |
| 4.  | Leave Encashment                     | 0.88                | 0.78         |
|     | <b>TOTAL</b>                         | <b>18.11</b>        | <b>12.66</b> |

- (iv) No Member of the Board of the Company is entitled for any severance fees, stock option entitlements from the Company.

**11.0 Cautionary Statement:**

- 11.1 Statement in this 'Management Discussion and Analysis Report' describing the objectives, expectations, assumptions or predictions of the Company may be forward looking statements within the meaning of applicable rules and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the operations of the Company include economic conditions affecting demand/supply, price conditions in the domestic and international markets, Government policies and regulations, statutes and other incidental factors.