Adhunik

Adhunik Metaliks Limited

ANNUAL REPORT 2014 - 2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Ghanshyam Das Agarwal	-	Non-executive Chairman
Shri Jugal Kishore Agarwal	-	Non-executive Director
Shri Nirmal Kumar Agarwal	-	Non-executive Director
Shri Mohan Lal Agarwal	-	Non-executive Director
Shri Mahesh Kumar Agarwal	-	Non-executive Director
Shri Nihar Ranjan Hota	-	Independent Director
Dr. Ramgopal Agarwala	-	Independent Director
Shri Nandanandan Mishra	-	Independent Director
Shri Raghaw Sharan Pandey	-	Independent Director
Shri Gopal Dikshit	-	Independent Director
Shri Amrendra Prasad Verma	-	Independent Director
*Shri Manoj Kumar Agarwal	-	Managing Director
Smt. Uttara Dasgupta	-	Nominee Director

COMPANY SECRETARY

Shri Sanjay Dey

STATUTORY AUDITORS

Das & Prasad
Chartered Accountants

COST AUDITORS

Saroj K Babu & Co.
Cost Accountants

BANKERS

Allahabad Bank
Bank of Baroda
Bank of Maharashtra
Corporation Bank
HDFC Bank
ICICI Bank
IFCI Ltd.
Indian Overseas Bank
Punjab National Bank
Punjab & Sind Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Mysore
State Bank of Patiala
State Bank of Travancore
Syndicate Bank
SREI Infrastructure Finance Ltd.
UCO Bank
Union Bank of India

REGISTERED OFFICE

Chadri Hariharpur
P.O. Kuarmunda
Sundergarh
Odisha-770039
Phone: (0661)3051300
Fascimile: (0661)3051303

CORPORATE OFFICE

Lansdowne Towers
2/1A Sarat Bose Road
Kolkata - 700 020
Phone: (033) 30517100 (30 lines)
Fax: (033) 22890285 / 30517225
e-mail: info@adhunikgroup.com
www.adhunikgroup.com

WEBSITE

www.adhunikgoup.com

REGISTRAR & TRANSFER AGENT

M/s.Karvy Computershare Pvt. Ltd.
Karvy House 46, Avenue 4
Street No. 1, Banjara Hills, Hyderabad-500034
Phone: 91-40-23312454/23320751
Facsimile: 91-40-23311968
e-mail: mailmanager@karvy.com

*(Resigned w.e.f. 14-11-2015)

MANAGEMENT DISCUSSION & ANALYSIS

ADHUNIK METALIKS - AN OVERVIEW

Your Company operates in a specialised segment of steel industry, producing, special alloy steel, ferro alloys, iron billets and rolled products at it manufacturing facility at Odisha. Though integrated with iron ore and manganese ore mines and a 1.6 MMTPA pellet making facility set up under its wholly owned subsidiary, Orissa Manganese & Minerals Limited, the fortune of your industry are dependent upon the growth and fall of iron & steel segment of the economy. During the year under review, the iron & steel industry has been plagued with several challenges relating to negative growth, issues with the mining sector and uncontrolled imports from countries with surplus capacities. Though a preferred supplier to many major industrial houses, your Company's performance has been marred due to the sharp decline in the performance of important customers of the Company.

INDIAN ECONOMY

The Indian economy, supported by lower oil prices, improved FDI inflows and pro-growth economic reforms initiated by new Government saw a moderate improvement in growth momentum during FY 2014-15; some of the key macroeconomic indicators also strengthened over the year.

SNAPSHOT

The Indian economic growth improved to 7.3% in FY 2014-15 as compared to 6.9% in FY 2013- 14. The manufacturing and service sector growth pegged at 7.1% during FY 2014-15. Several policy measures taken by the Reserve Bank of India (RBI) and the Government, supported by lower global crude oil prices, resulted in decline in inflation during the year; consumer price inflation is expected to be between 5.0 - 5.5% range during 2015-16.

The Government had strong focus on fiscal consolidation. As a result, the Gross Fiscal Deficit (GFD) declined to 4.1% in FY 2014-15 and is budgeted to decline further to 3.9% in FY 2015-16. The Government in order to enhance is of doing business and attract new investment, took several policy measures. These include hiking the foreign direct investment limits in defence, Railways and Insurance, labour reforms, transparent and faster environment clearances, transparent auction-based natural resources allocation policy and rationalisation/ simplification of tax regime. The other important reform measures taken by the new Government such as deregulation of diesel and petrol prices, direct transfer of subsidies and initiatives for employment growth ("Make in India, Skill India and Digital India" campaigns) are the steps taken to create a framework for sustainable growth.

GLOBAL STEEL DEMAND IN 2014

Global steel demand expanded by a mere 0.6% to 1.537 billion tonnes, primarily due to contraction of demand in emerging economies like China, Brazil, Russia and Turkey. Chinese demand fell by 3.3% in the year to 710.8 million tonnes, with the outlook for 2015 and 2016 showing signs of reducing further by 0-5% year-on-year (yoy). Developed nations like USA, Germany, South Korea and Japan continued to show growth support during the year. The global steel demand for 2015 and 2016 is forecasted to grow by 0.5% and 1.6% respectively to a level of 1.544 and 1.565 billion tonnes.

STEEL INDUSTRY IN INDIA

In 2014 India retained its position as the 4th largest steel producing country in the world, behind China, Japan and the USA. The crude steel production grew by 2.3% to 83.2 million tonnes, while steel demand grew by 2.2% to 75.3 million tonnes The Indian GDP growth expanded to 7.2% in 2014 due to improving economic sentiments post the election of a new government. Consequently, steel demand grew at 2.2% in 2014-15 the year, though the domestic steel industry suffered due to the influx of cheap imported products, especially from China. This led to India becoming a net importer of steel in the year, a trend which had been successfully reversed in 2013. During the year, steel exports from India were at 5.3 million tonnes while imports registered at 7.8 million tonnes Indian GDP is likely to grow at a rate higher than 7.5% in 2015, while steel demand is expected to grow by 6.2% in the year. The automobile sector is on the path to recovery and likely to grow from 3.8% in 2014 to 11.4% in 2015. Meanwhile, the construction sector is expected to grow by 6.9%, compared to a growth rate of 4.1% in 2014.

OUTLOOK

The Indian economy is on a path of gradual recovery. The government has undertaken several steps to unplug the bottlenecks and to revive the business confidence. The Indian economy stands to benefit from the correction in global crude oil prices, will have positive impact on the macro economy in form of lower inflation, reduced current account deficit, healthier fiscal accounts, increased consumption and a stable INR.

India is expected to be Asia's biggest turnaround economy and also one of the fastest growing economies in 2016. However, India has its own set of challenges with tepid activity in the infrastructure and manufacturing sectors. Assuming a further moderation in the average annual price of crude petroleum and other products, the current account deficit is expected to decrease further. Though it may take time to see the full benefits of policy changes in India, declining inflation, improved current account balance and stable-to-improving fiscal deficit provide a better picture than previous years. India's growth, relative to the world's growth, is expected to move upward. Infrastructure development, increased urbanisation and revival in the manufacturing sector is expected to provide necessary triggers for acceleration in steel demand. In 2015-16, steel demand is expected to grow by 6% to 7%. However, a much sharper than expected increase in inflation and higher than budgeted fiscal consolidation are the key downside risks to the outlook, highlights World Steel Association.

RISK OPPORTUNITIES AND THREATS

The steel sector is intrinsically linked with the economic growth of a nation. High economic growth in India in the last 10 years has led to an increase in demand for steel and moved the Indian steel industry into a new stage of growth and development. An increase in production has resulted in India becoming the 4th largest producer of crude steel and the largest producer of sponge iron/DRI in the world. Per capita steel consumption also improved from 35 kgs in 2005 to 59 kgs in 2014. However, it is still significantly below world and developed economies averages of 217 Kg/capita and 395 Kg/capita respectively and thus presents a large opportunity for the Indian steel sector.

The projected increase in demand by sectors like construction and infrastructure, automobiles and railways are expected to contribute to this demand. At the same time, in the current depressed global environment, Indian steel industry faces many headwinds. Globally, the steel industry is affected by significant oversupply. Sharp currency depreciation of some of the steel exporting countries has further compounded the problem. The major risk facing the Indian steel industry is uncorrelated steel prices with the indigenous raw material prices. Thermal coal and Iron ore prices are still high in India compared to global prices. The dynamics of global and Indian steel have changed and its long term sustainability of operations would be dependent on competitive raw material prices and sustainable debt levels in the Company. In the above context of challenges facing the industry, Adhunik has put in place several building blocks to enhance operating efficiency, optimize costs, shift to better product mix for higher value addition with a clear focus on quality improvement, expand its dealer network for deeper market penetration, in order to capitalise on the long-term opportunities as well as mitigate short-term challenges. Its long-term strategy includes globally competitive operations, cost competitiveness and sustained operational excellence.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Adhunik's performance in the last financial year is a reflection of the challenges faced by the industry in India and in certain other regions internationally. In FY2015, the consolidated revenues of the Company were ____________, a decline of _____ over the previous year. Decline in revenue lead to the Company incurring operating loss of _______ for the year. Management remained focused on cost optimisation and value enhancement during this period.

FINANCIAL CONDITION

Your Company monitors its financial position regularly and deploys a robust cash management system. During the year under review, several factors led to the Company requesting its Lenders to restructure the loan liabilities of the Company through a package under Corporate Debt Restructuring Scheme. The CDR package was approved by the Empowered Group of CDR cell and was implemented in the month of March, 2015. Reliefs provided under the scheme would certainly have a positive impact on financial viability of operations of the Company.

RAW MATERIAL PRICES

IRON ORE

After declaring ban on illegal mining in 2011, the Supreme Court, in April, 2013, permitted re-opening of Category "A" and Category "B" mines. The Apex Court also issued directions for cancellation of leases of 51 Category "C" mines. The Supreme Court further ordered to auction of Category "C" mines to end-users and directed the State Government to prepare and submit a scheme for auction and submit the same for its approval. Following the directive from Supreme Court, the State Government has appointed CRISIL for developing the auction methodology of iron ore mines. Based on the report from CRISIL, State Government has submitted an Affidavit in the Supreme Court about the methodology of auction and is awaiting approval / order on the same. The State Governments has also entrusted work relating to getting details of reserves of 15 iron ore mines with Mineral Exploration Corporation Limited (MECL), who has submitted its report to State Government. At present, only 18 mines from Category 'A' including two mines of NMDC and 9 mines from Category 'B' are operational. Overall, in FY 2014-15, iron ore lumps and fines prices in across the country softened because of global price correction. Decrease in prices of lumpy iron ore depleted profitability of iron ore pellet plant operations across the country. Poor demand, logistics constraints, cumbersome legal compliance lead to closure of medium sized operating mines affecting even flow of raw materials.

COKING COAL & COKE

Global Coking Coal prices have receded due to lower consumption by China due to its slowing economy. Also, a slowing Chinese economy has resulted in lower demand for Coke which manifested in lower Coke prices. Going forward, it is yet to be seen whether current levels of Coking Coal & Coke prices are sustainable in the long run. This has also had an impact on the Company, leading to closure of the coke oven batteries set up at the manufacturing facilities at Odisha. Capital cost expended on setting up of such facilities remained a drag on profitable operations of the Company during the entire term under review.

RAW MATERIALS MANAGEMENT

The Company, during the period under review continued to procure its major raw materials, iron ore and manganese ore from mines located within a radius of 200 Km from the manufacturing facility. This strategy has helped in maintaining working capital cycle time as also minimising delays in the supply logistics.

Coal is being procured through linkages and from overseas sources through established procurement standards and contracts. Company's proposed merger with OMML would further reduce cost due to elimination of taxes.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

MINING

Post-merger with OMML, mining of iron ore and manganese ore would be an integral part of business of your Company.

ENVIRONMENT

WATER & WASTEWATER MANAGEMENT SYSTEM

A number of initiatives have been taken in the realms of wastewater recycling and reuse by the Company for achieving the aim of zero discharge. In the captive power plant, DRI, blast furnace, steel melting and the rolling mill, the blow down from the closed loop soft water circuits is utilised for the makeup of the industrial cooling circuits. Any excess blow down water generated after the above uses, along with the storm water drainage and the plant drainage is routed to a settling pond, where the suspended solids get settled in a series of chambers and the clear water is used for ore washing and dust suppression systems and the development of green belts. The remaining water from the settling pond is routed back to the raw water reservoir for reuse.

AIR POLLUTION CONTROL MEASURES:

DRI hot gas is utilised in the waste heat recovery boilers to generate power. Provision of high-efficiency bag houses electrostatic precipitators in captive power plant to maintain the emission levels. Latest technology is used to control the dusty fumes from SMS (EAF/LRF) including primary and secondary de-dusting technology and Sulphur dioxide emission is controlled by dilution/dispersion process. Sprinklers are regularly used to control and minimise the fugitive emission. All kilns, MBF and other furnaces are also lined with high temperature resistant refractories to control heat loss and protect the personnel from thermal pollution.

CORPORATE SOCIAL RESPONSIBILITY

As a measure of Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA) has now allowed the service of documents to all Members through electronic mode. As a measure to support such initiative, the Company would endeavour to send all its communications through electronic mode. The Company requests all its Members to be a part of this initiative and come forward and register their e-mail addresses so that all communications can flow with minimum footprint on the environment.

As a part of our social engagement around our plant locations, dedicated CSR teams continue to work tirelessly for upliftment of society and enhance the lives of each individual through education, medical camps, vocational training and employment.

HUMAN RESOURCE MANAGEMENT & INDUSTRIAL RELATIONS

In the ever changing business environment where people are key differentiator, Adhunik believes it is essential to have credible, transparent and uniform people management practices. Driven by this belief and to keep ourselves abreast of the changing external scenario, our People Management Practices get continually reviewed and renewed to make them more competitive and employee- friendly. We are proud to have a talent pool with varied qualification and a wide experience in the domains of engineering, management and finance. The rich experience of our Leadership Team combined with the exuberance of our young workforce makes our talent pool even more vibrant.

During the year under review, persistent "go slow" by certain section of employees led to the management declaring "lock out" at its manufacturing plant in Odisha.

CAUTION STATEMENT

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry - global or domestic or both, significant changes in political and economic environment in India, applicable statues, litigations, labour relations and interest costs.

DIRECTORS' REPORT

To the Members of Adhunik Metaliks Limited

Your Directors are pleased to present the Fourteenth Annual Report and Audited Statement of Accounts for the yearended 30th June, 2015.

(` in Lacs)

Particulars	Standalone Results		Consolidated Results	
	2014-15	2013-14	2014-15	2013-14
Revenue from operations (gross)	64,737.09	1,78,133.80	1,21,054.45	2,71,104.62
Less: Excise duty	4,926.15	8,987.46	10,224.54	15,535.53
Revenue from operations (net)	59,810.94	1,69,146.34	1,10,829.91	2,55,569.09
Other income	1,215.73	6,700.58	1,641.19	9,168.65
Revenue from operations (including other income)	61,026.67	1,75,846.92	1,12,471.10	2,64,737.74
Profit before Interest and Depreciation	26,811.62	30,019.14	13,177.08	56,469.32
Less: Interest	24,946.07	21,182.40	45,289.28	37,644.67
Less: Depreciation	9,743.31	9,870.84	14,709.77	14,587.74
Add: Exceptional item	-	-	-	-
Profit/ Loss before Tax	(61,501.00)	(1,034.10)	73,176.13	4,236.91
Taxes	(20,640.74)	(1,064.96)	24,810.13	191.43
Profit/ Loss for the year	(40,860.26)	(30.86)	48,366.00	4,045.48
Net Profit/loss after tax but before minority interest	-	-	7.42	4.97
Profit/ Loss for the year	(40,860.26)	(30.86)	48,358.58	4,040.51

OPERATIONAL REVIEW

During the year under review, total revenue on standalone basis, declined sharply from ` 175,846.92 Lacs in FY 2013 -2014 to ` 61,026.67 Lacs due to suspension of production and low capacity utilisation, driven by poor demand and raw material constraints. Higher raw material costs, increase in working capital cycles, higher holding cost of raw material and finished goods increased operating losses from ` 1034.10 Lacs to ` 61,501.00 Lacs. EarningPer Share (EPS – Basic & Diluted) stood at ` (-) 33.090 as compared to ` 0.02.

The Company's consolidated net sales decreased from ` 264,737.74 Lacs in FY 2013 -2014 to ` 112,471.10 Lacs and operating profit decreased from ` 4,236.91 Lacs during the previous year to ` (-) 73,176.13 Lacs during the current year.

During the year under review, financial and operational performance of the Company has been adversely affected due to various external factors, non availability of raw materials at viable prices due to mine closures, weak product prices due to over capacity and dumping of Steel mainly by China & Russia, Global Crash in Steel and commodity prices, high interest costs, logistics costs, infrastructure bottlenecks etc. for domestic Steel Companies. The overcapacity and excess production in China resulting in cheap imports in the country and adverse duty structure domestically have further impacted the special steel business. The ferroalloy business has been affected due to frequent stoppage in the supply of chrome ore and concentrate due to closure of various chrome ore mines.

FUTURE OUTLOOK

According to the Ministry of Steel, Government of India, the current per capita consumption of finished steel in the country is onlyaround 52 kg against the world average of 203 kg and therefore, there is a huge growth potential in steel consumption in India.

Your Company is committed to its vision to emerge as an efficient producer of high quality value added products including Coke, Ferro Alloy and Special Steel. Going forward, the Company expects the revenues and margins from Metallurgical Coke, Ferro Alloy & Special Steel Businesses to remain challenging in the short term, but is positive on the outlook over the medium to long term.

The world economic growth remained modest at 3.4% in 2014. Mixed trends were noticed across the globe with Europe & US economies showing signs of recovery while large economies like China showed signs of stress and decline. Crude oil prices fell sharply putting the oil economies under massive stress thereby setting in a phase of declining consumption levels. China's softening infrastructure spends and bleak outlook on growth rates, created significant over capacity in steel and metals.

Indian economy sprang a surprise with growth at 7.3% as compared to 6.9% in the previous year, largely fuelled by low crude oil prices, growth oriented reforms. With the formation of a new government, it is estimated that within a short span of time, the economy would be reenergised. Further, fluidity in the mining sector would bekey to such revival. However, sluggish global steel demand, coupled with large surplus remains a serious threat in the form of surging imports. It calls for an immediate recourse to increase import tariffs as well as enforce trade remedial actions to stall the dumping of steel into India. This is essential to realise the government's 'Make-In-India' steel campaign. It is also necessary to enforce a strong set of technical regulations to ensure the supply of quality products to consumers and prevent the entry of substandard steel into India.

DIVIDEND

In view of the losses for the year ended June 30, 2015 and accumulated losses, the Board of Directors of your Company is constrained not to recommend any dividend for the year under review.

TRANSFER TO RESERVES

In view of losses incurred by the Company during the year, no amount has been transferred to the General Reserve for thefinancial year ended 30th June, 2015.

CHANGE IN NATURE OF BUSINESS

During the year under review, there has been no change in the nature of business of the Company.

DEPOSITS

Your Company did not accept any deposits within the meaning of Section 73 of the Companies Act, 2013 and the rules made there under. The Company does not hold any deposits from the public, shareholders and employees as on 30th June, 2015.

IMPLEMENTATION OF CORPORATE DEBT RESTRUCTURING

During the year under review, Corporate Debt Restructuring was undertaken by the Lenders of the Company to bring about financial viability. Principle reasons which led to financial un-viability are:

Temporary Closure of Mines:-Temporary closure of mines (iron ore and manganese ore) led to shortage of raw material and in turn has led to reduced capacity utilization of steel/pellet making facilities.

Shortage of fuel: Reduction in quantity of e-auction by Coal India Ltd has led to shortage of coal availability which in turn has aggravated the price rise. Cost of imported coal is higher than the auction price of coal sold by Coal India Ltd. This has also forced the Company to go for importing higher cost coal.

Impact on Pellet Plant at Jharkhand:- Due to sudden closure of iron ore mines in Odisha & Jharkhand, production at OMML's pellet plant was impacted. With the crash in commodity prices globally, iron ore lumps supplemented the market of iron ore pellets. Selling price of iron ore pellets fell below cost of production resulting in shrinking of bottom lines.

All the above affecting margins made it difficult for the Company to plan production and forced debt restructuring. Thus, The Corporate Debt Restructuring Empowered Group approved debt restructuring on 20th March, 2015 and the same was implemented on 30th March, 2015.

SCHEME OF AMALGAMATION

During Financial year 2013-14, your Directors approved amalgamation of the Company with its wholly owned subsidiary i.e Orissa Manganese & Minerals Limited. The Company has filed the confirmation Petition before the Hon'ble High Court, Cuttack (Odisha) and the same is pending for approval at present. The amalgamation, if approved will be advantageous and beneficial to all stakeholders of your Company.

SHARE CAPITAL

The Company's paid up equity share capital remained at `1,234,995,360 (Rupees One Hundred Twenty Three Crores Forty Nine Lacs Ninety Five Thousand Three Hundred Sixty only) comprising of 123499536 equity shares of ` 10 each. There was no change in the Company's share capital during the year under review.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Your Company has, subsequent to year end, transferred a sum of ` 125,596 to Investor Education and Protection Fund, in compliance with the provisions of Section 124, 125 and other applicable provisions of the Companies Act, 2013 (corresponding to Section 205C of the Companies Act, 1956).

The said amount represents dividend for the year 2006 – 07 which remained unclaimed for a period 7 years from its due date of payment.

SUBSIDIARY

Your company's wholly owned subsidiary namely, Orissa Manganese & Minerals Limited (OMML) operates Ghatkuri Iron ore mines in the state of Jharkhand and Patmunda and Orahuri Manganese Mines in the state of Odisha. OMML operates a iron ore pellet plant at Kandra, Jharkhand and an another wholly owned subsidiary, Global Commodity and Resources Limited based at Hongkong SAR, which was set up to boost the trading activity of the company. During the year under review there was no major activity of the subsidiary.

The consolidated financial statements presented by the Company include financial information of its subsidiaries prepared in compliance with applicable Accounting Standards.

A statement containing the salient features of the financial statement of the Company's subsidiaries in the prescribed form AOC-1 pursuant to first proviso to Section 129(3) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 is annexed separately to the financial statements. The Annual Accounts of the subsidiary companies will be made available to the shareholders of the aforesaid subsidiaries and the Company as and when they demand and will also be kept for inspection by any investor at the registered office of the Company and these subsidiaries. The Financial statements of the Company and its subsidiaries are also available on the website of the Company.

EXTENSION OF DATE FOR HOLDING ANNUAL GENERAL MEETING OF THE COMPANY

In accordance with provisions of Section 96 read with Section 129 of the Companies Act, 2013, the Annual General Meeting (AGM) of the Company for the financial year ended 30th June 2015, was due to be held on or before 31st December 2015.Since the company is in the process of Amalgamation, it had approached the Registrar of Companies, Orissa to extend time by three months for holding the Annual General Meeting i. e. upto 31st March, 2016.Necessary approval was granted by the Registrar of Companies, Orissa vide their letter dated 24th December, 2015.

BOARD MEETINGS

The Board met 5 times during the year, the details of which are given in the Corporate Governance Report that forms part of the Annual Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and the Listing Agreement.

Further, the Independent Directors at their meeting, reviewed the performance of the Board, Chairman of the Board and of Non Independent Directors, as required under the Act and the Listing Agreement.

DIRECTORS

In accordance with the provisions of Section 152 of the Companies Act, 2013 and in terms with the Articles of Association of the Company, Mr. Jugal Kishore Agarwal (DIN - 00227460) who retires by rotation and being eligible offers himself for re-appointment. The Board has recommended his re-appointment.

The Company has received declarations from Mr. Nihar Ranjan Hota (DIN 01173440), Mr. Amerendra Prasad Verma (DIN 00236108), Mr. Nandanandan Mishra (DIN 00031342), Mr. Gopal Dikshit (DIN 00090579), Mr. Raghaw Sharan Pandey (DIN 02306586) and Mr. Ramgopal Agarwala (DIN 02054856), Independent Directors of the Company confirming that they meet the criteria of independence as prescribed both under Section 149 (6) of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Ms. Uttara Dasgupta (DIN 06570950) was appointed as Nominee Director (Nominee of State Bank of India as Lead Lender acting for itself and for the consortium of Lenders, providing financial assistance to the Company) on 28th August, 2015.

Mr. Mahesh Kumar Agarwal (DIN :- 00507690), Director of the company resigned from Directorship of the company on 23rd October, 2015 due to his other business engagements. He was appointed as Additional Director on 12th February, 2016 on the Board of Directors of the Company.

Mr. Manoj Kumar Agarwal (DIN :- 00227871), Managing Director has expressed his desire on 7th September, 2015 to resign from the Board due to health issues. The Board has accordingly accepted his request and he was relieved from the services of the Company from the close of business hours on Saturday, 14th November, 2015.

Mr. Nirmal Kumar Agarwal (DIN: 00605669) has been appointed as the Managing Director of the Company w.e.f 14th November, 2015 for a period of 3 years w.e.f 14th November, 2015. The appointment and remuneration payable to him require the approval of the Members at the ensuing Annual General Meeting.

Brief resume of the above Directors, nature of their expertise in their specific functional areas, details of directorships in other companies and the chairmanship / membership of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are given in the Notice for the ensuing Annual General Meeting.

KEY MANAGERIAL PERSONNEL

The Board appointed Mr. Sanjay Dey as the Company Secretary and Compliance Office of the company w.ef 12th February, 2015.

Mr. Manoj Agarwal, Managing Director of the Company stepped down from his position with effect from 14th November, 2015 owing to health issues.

Mr. Nirmal Agarwal, Director of the Company, has been appointed as Managing Director of the Company with effect from 14th November, 2015. His employment terms needs approval of the Shareholders of the Company at the ensuing Annual General Meeting. Board of Directors recommends and has approved his terms of employment.

FINANCIAL YEAR

The financial year of the Company is from 1st July, 2014 to 30th June, 2015. As per requirements of Companies Act, 2013, the next financial year of the company shall be for a period of 9 months concluding on 31st March, 2016.

DIRECTORS RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory, cost and secretarial auditors and the reviews performed by the Management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2014-15.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:-

a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

d) The Directors had prepared the annual accounts on a going concern basis;

e) The Directors had laid down proper internal financial controls and such internal financial controls are adequate and wereoperating effectively;

f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

BOARD EVALUATION

The Board carried out an annual performance evaluation of its own performance, the individual Directors as well as the Board Committees, in due compliance with the provisions of the Companies Act, 2013 and the Listing Agreement.The performance evaluation of the Independent Directors was carried by the entire Board and the performance evaluation of the Chairman and Non – Independent Directors was carried out by the Independent Directors.

The Board evaluation was carried out in accordance with the criteria laid down in the Nomination and Remuneration policy of the Company.

AUDIT COMMITTEE

The Audit committee comprises of 5 (five) members of which 4 (four) members are independent including Chairman Mr. Nandanandan Mishra is the Chairman of the Audit Committee. The members of the Committeepossess adequate knowledge of Accounts, Audit and Finance. The composition of the Audit Committee meets the requirements as per Section 177 of the Companies Act, 2013 and of Clause 49 of the Listing Agreement and is detailed in the Corporate Governance Report forming part of this Annual Report. All recommendations made by the Audit committee were accepted by the Board during FY 2014-15. During the year under review, Audit Committee was reconstituted owing to vacancy created due to resignation of Shri Manoj Kumar Agarwal on 14th November, 2015.

DISCLOSURE REGARDING RECEIPT OF COMMISSION BY DIRECTOR

During the year under review, none of the Directors has received any commission from holding / subsidiary Company.

AUDITORS & AUDITOR's REPORT

M/s. Das & Prasad, Chartered Accountants, having registration number FRN 303054E allotted by The Institute of Chartered Accountants of India (ICAI) retires as Auditor of your Company at the ensuing Annual General Meeting (AGM) and have confirmed their eligibility and willingness to accept the office of Auditors, if re-appointed. Pursuant to section 139 of the Companies Act, 2013 and rules framed thereunder, it is proposed to appoint M/s. Das & Prasad, Chartered Accountants as Statutory Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the 15th AGM to be held for F.Y. 2015-16.

The observations of the Auditors are dully dealt in Notes to Accounts attached to Balance Sheet and are self explanatory in nature and do not call for any further comments except:-

a) The Management of the Company is reasonably certain that the Company would be having Future Taxable Income and deferred tax assets are only recognized to the extent that their utilization is probable, i.e. tax benefit is expected in future periods and the same is further supported by the Technical & Economical Valuation conducted by Dun & Bradstreet as a part of CDR Implementation.

b) The company has locked out its plant at Rourkela in the month of February, 2015 owing to adverse business condition. The lock out was declared in accordance with the procedures laid down in the state of Odisha. In the opinion of the management, since the lock out was declared in accordance with lawful procedures, the salary and other statutory liabilities do not accrue during the period of lockout and hence no provision has been made in the books of account of the company.

c) The observation of the Auditors for the subsidiary company, Orissa Manganese & Minerals Limited has been dealt in Notes to Accounts which are self explanatory and do not require any further elucidation.

INTERNAL AUDITORS

In terms of the provisions of Section 138 of the Act, M/s More Aditya & Associates, Independent Chartered Accountants were appointed as Internal Auditors of the Company for the financial year 2014-15. The Audit Committee in consultation with the Internal Auditors formulates the scope, functioning, periodicity and methodology for conducting the Internal Audit. The Audit Committee, interalia, reviews the Internal Audit Report.

COST AUDITORS

In respect of financial year ended 30th June, 2015, your Company has re-appointed M/s. Saroj K Babu & Co., Cost Accountants, as Cost Auditor of the Company w.e.f. 1st July, 2014 to 30th June, 2015 to carry out audit of cost records of the Company in compliance with the requirements of section 148 and all other applicable provisions of the Companies Act, 2013 read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force).

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration ofManagerial Personnel) Rules, 2014, the Company appointed Mr. Pramod Kumar Pal, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the year ended 30th June, 2015. The Secretarial Audit Report is annexed (Annexure - C) herewith and forms part of this report.

CONSOLIDATED FINANCIAL STATEMENT

In terms of Clause 32 of the Listing Agreement with Stock Exchanges, Consolidated Financial Statement, conforming to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, is attached as a part of the Annual Report.