Adhunik

www.adhunikgroup.com

ANNUAL REPORT
2013-2014

ADHUNIK METALIKS LIMITED

CONTENTS

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

HEAD OF FINANCE AND ACCOUNTS
Shri Pawan Kumar Rathi

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

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Facsimile: 91-40-23311968
e-mail: mailmanager@karvy.com

MANAGING DIRECTOR'S REPORT

Dear Shareholders,

We are living through an evolving industrial phase since the economic meltdown, the scars of which has been so deep that Indian industry, as like many other major industrialised nations, is trying to crawl back towards normalcy. In accordance with warning of pundits, the crawl back would be slow and tedious. Your company, being a part of the same economy, has survived during the period under review, however effects would continue and our fight for survival would intensify in the years to come.

Several factors contributed to the muted performance during the year under review. Regulatory actions initiated in the mining sector, especially iron-ore had two significant impact on operations - disruption in raw material supply chain and skyrocketing of prices. Entire operation being dependent on this raw material, capacity utilisation suffered resulting in additional costs and prolonged working capital cycle. Delivery delays caused due logistical impediments further cascaded into mounting inefficiencies. However, I am happy to conclude that we faced a challenging year bravely and commit that we would continue our quest towards operational excellence in the years to come.

The global steel demand increased by 3.6% during the financial year 2013-14, and demand in advanced countries is likely to improve further. There is major slowdown in the developed countries like Europe due to weakening of economy, Domestic steel demand in China experienced a slowdown, thereby creating significant overcapacity, which in turn caused a softening of demand from domestic suppliers due to cheap imports.

After three decades of alliance governments, the people of India gave an unqualified mandate for a stable government led by an effective and determined Prime Minister. The new Government has certainly instilled a fresh perspective in the Indian economy which was battling with several issues like decline in the infrastructure growth, high inflation and weak growth etc. Significant policy makeovers are expected in the coming year, which promises to bring certainty to the markets and the economy. The effect of such sentiments has already reflected itself on the unprecedented growth and stability of major stock market indices. The new government has promised to focus on infrastructural development while de-bottlenecking the administrative and clearance procedures. This is expected to boost the investment climate in the country. We expect to see a turnaround in the demand for steel by mid next year as we are seeing a lot of push from the Government for infrastructural development. Moreover, the new reforms/policies introduced by the Government have set a positive tone in the country and hopefully, will yield positive results. Seeking to make the country, a global manufacturing hub, our Prime Minister launched the ambitious 'Make in India' campaign.

The infrastructure and construction sector, which accounts for 80-82% of total long steel products consumption and around 60-62% of total finished steel consumption, has been given a boost following the announcement of several projects relating to port, inland waterway, road and national and state highway development.

Additionally, the government is also looking to revive dwindling interest in investment from the private sector through the use of public, private partnerships (PPP) and by supporting banks that fund infrastructure projects by relaxing rules regarding capital reserve ratios (CRR) and such like.

While demand for long steel products is expected to increase as a result of these announcements, the idea of developing smaller cities will help to boost steel consumption in smaller, rural towns and cities where the population base is high. These announcements come at a time when major steel players are looking to improve market penetration in non-urban areas by enhancing their distribution chains. An improvement to the current situation in the iron ore sector should improve availability of ore and bring down prices. Thus, overall, the medium-term future for the Indian iron ore and steel sectors looks decidedly more optimistic than the recent past.

After two consecutive years of sub 5% economic growth, the worst appears to be behind us and the economy is likely to pick up pace going forward. Indian economy expected to grow by approximately 7% in the years to come, sectors such as infrastructure and automobiles will receive a renewed thrust, which would further generate demand for power and steel in the country. This is expected to provide a major thrust to the demand of minerals like coal and iron ore. Housing, power and infrastructure are key focus areas for the new government, and this augurs well for the medium to long term outlook for the steel sector.

The merger of Adhunik Metaliks Limited, Orissa Manganese & Minerals Limited and Zion Steel Limited, through a composite scheme, has received approval of the Companies' Shareholders, Creditors, Bankers and Stock Exchanges. The scheme awaits approval of the High Court of Orissa, where hearings are over and the order is awaited.

With a deep sense of gratitude, I inform the loss of our guide, Shri Surendra Mohan Lakhotia, on 20th January, 2014. He, through his deep knowledge of industry, humility to all, courage of thought and deep sense of empathy, contributed to the functioning of the Board as a whole. It is also a personal loss of a dear friend to me, who always encouraged us to bravely face economic upheavals and come out as a winner. I, on behalf of all at Adhunik, deeply condole his demise with a promise to follow his untiring spirit.

I would like to take this opportunity to thank all our employees, my colleagues on the executive team of Adhunik, the Group Management and the Board of Directors for their unwavering support. I thank our shareholders for reposing faith in our business in increasingly adverse times. Let me reassure our shareholders that we will not get bogged down by the tough environment that surrounds us today, that we are geared up to face challenges as they arise and, through our tireless collective efforts, we will continue to propel our Company forward on its path of growth.

Manoj Kumar Agarwal

Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

ADHUNIK METALIKS – AN OVERVIEW

Adhunik operates from a single location of Odisha where the entire manufacturing capacity of the Company is located. Your Company manufactures ferro-alloys, special alloy steel, iron billets, pig iron, rolled products and sponge Iron and has the advantage of backward integration through Orissa Manganese & Minerals Limited (OMML), which operates Iron pellets, iron ore and manganese ore mines. Our competitive advantage is evident from our clientele, which are as follows:

Tata Motors	Mahindra & Mahindra	BEML
John Deere	Rane Holdings	Ashok Leyland
AMTEK Auto	Power Grid	Cummins
NTPC	SKF Limited	Jindal Saw
RKFL	Musachi Auto	Bharat Forge

INDIAN ECONOMY

The Indian economy recovered in the second quarter (Q2) of 2013-14 recording a growth of 4.8 per cent. This follows a growth rate of 4.4 per cent in the first quarter (Q1) of the current financial year— the lowest in 16 quarters. Particularly encouraging is the fact that the recovery in Q2 is noticed on the face of significant fiscal consolidation by the Government and tighter liquidity conditions to moderate aggregate demand. While the Government delivered on the announced fiscal targets in 2012-13, current account deficit (CAD) continued to remain elevated in Q1 of 2013-14, thereby pushing the Indian Rupee into greater depths. Domestic impediments like elevated levels of food and retail inflation, high input costs and pressure on profit margins and infrastructural bottlenecks continued, with the Government addressing them through appropriate calibration of fiscal policy, administrative measures and institutional mechanisms like Cabinet Committee on Investment to fast track projects. Despite some recovery in the growth of agriculture and industry sector, particularly in Q2 of the current financial year, the overall growth of the economy has been a modest 4.6 per cent in the first half of the year. The growth rate of the economy improved from 4.4 per cent in Q1 2013- 14 to 4.8 per cent in Q2. Compared to Q1 2013-14, Q2 has evidenced a robust pick-up in the growth of the agricultural sector and a gradual recovery in the industrial sector.*

*(*Selected coverage of the Mid-Year Economic Analysis 2013-2014 report of the Ministry of Finance)*

GLOBAL ECONOMY

Although there was a slight improvement in the economies of developed markets in 2013, it was offset by slower growth in emerging economies. Overall, the global economic outlook is positive with industrial production forecast to grow by 4 per cent in 2014.

In 2013, the economic environment improved in developed markets, with growth in the EU, the US and Japan. The outlook for the EU improved in the latter half of 2013, with higher levels of employment, rising GDP and improved access to capital. The GDP continued to increase, although only by 0.3 per cent y-o-y, in the last quarter of 2013. The region is expected to see a gradual recovery backed by an accommodating monetary policy, low inflation and improving consumer and business sentiment.

INDIA STEEL INDUSTRY OUTLOOK

Domestic steel demand to remain muted during FY2012–17 on account of a weak macroeconomic environment. The demand for longs is expected to increase by 19 million ton (MT) at a CAGR of 9 percent and for flats by 16 MT at a CAGR of 8 percent between FY2012 and FY2017 (Exhibit 4). This is due to relatively weaker growth prospects of flats end-user industries (such as automotive and consumer durables) than those for longs.

STEEL SECTOR ANALYSIS REPORT

The Indian steel industry continued to showcase trends of higher consumption of finished steel. Currently, the steel consumption in India is second only to China. However, with the steel consumption in China expected to moderate at around 3 per cent, India is likely to emerge as the fastest growing steel consuming nation. Further, India's current per capita finished steel consumption at 52 kg is well below the world average of 203 kg. With rising income levels expected to make steel increasingly affordable, there is vast scope for increasing per capita consumption of steel.

Being a core sector, steel industry tracks the overall economic growth in the long term. Also, steel demand, being derived from other sectors like automobiles, consumer durables and infrastructure, its fortune is dependent on the growth of these user industries. The Indian steel sector enjoys advantages of domestic availability of raw materials and cheap labour. Iron ore is also available in abundant quantities. This provides major cost advantage to the domestic steel industry.

The Indian steel industry is largely iron-based through the blast furnace (BF) or the direct reduced iron (DRI) route. Indian steel industry is highly consolidated. About 60 per cent of the crude steel capacity is resident with integrated steel producers (ISP). But the changing ratio of hot metal to crude steel production indicates the increasing presence of secondary steel producers (non-integrated steel producers) manufacturing steel through scrap route, enhancing their dependence on imported raw material.

KEY POINTS	
Supply	With trade barriers having been lowered over the years, imports play an important role in the domestic markets.
Demand	The demand is derived from sectors that include infrastructure, consumer durables and automobiles.
Barriers to entry	High capital costs, technology, economies of scale, government policy.
Bargaining power of suppliers	Low for fully integrated players who have their own mines for raw materials. High, for non-integrated players who have to depend on outside suppliers for sourcing raw materials.
Bargaining power of customers	High, presence of a large number of suppliers and access to global markets.
Competition	High, presence of a large number of players in the unorganized sector.

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

RISK MANAGEMENT

1. **Operational Risk : Lack of Power Supply**

   The Management has perceived this as a significant risk at its manufacturing facility and has accordingly developed its own 34 MW Captive Power Plant (12 MW on WHRB route and 22 MW through CFBC Route). This ensure optimum capacity utilisation.

2. **Industry Risk – Impact arising from downturn**

   The Company is not insulated from external sectoral realities, even as its extensive derisking makes it possible to protect against the full impact of a sectoral slowdown. As a mitigant, the company developed a niche customer base and has managed to establish itself as a **"most preferred vendor"** with major customers. Further the company also has planned to reduce manufacturing costs through significant optimisation measures to remain as the **"least cost producer"**.

3. **Quality Risk – Decline may result in customer attrition**

   The Company has put in place robust systems and processes to control quality of finished products. The processes established focus at minimal human intervention (inline ultrasonic one of the example) from raw material handling till the output is produced. Further as a proactive measure, customer feedback are held at the top most management level. All requisite certifications are done regularly through established agencies for maintaining quality. Modern raw material quality checks are implemented to reduce quality contamination.

4. **Competition Risk – Growing Competition is a risk**

   Competition Risk is mitigated through being proactive to customer requirements, maintaining desired quality, timely delivery and value based credit policy which are driven by the top most level of management. Significant steps are taken in streamlining and optimising manufacturing processes, including in house R & D, to deliver the best value to the customer.

5. **Currency Risk – Caused due to Import & Export**

   Appropriate financial planning, including instruments of hedging and currency swaps are used to reduce and mitigate currency risk. Further exports form a natural hedge against import of raw materials.

6. **Liquidity Risk – Unavailability of funds for operations**

   During the year under review, this posed a significant risk due to market downturn, steep rise in raw material prices, prolonged customer recoveries etc. All of the same strained working capital requirements. The Company has, as a measure to reduce such strains has decided to merge itself with Orissa Manganese & Minerals Limited (OMML) through a reverse merger to eliminate major taxation outflows.

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.

MINING

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

ENVIRONMENT

1. **Water and wastewater management:** A number of initiatives have been taken in the realms of wastewater recycling and reuse by Adhunik Metaliks Limited 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. The industrial cooling water circuit blow down is used for the direct spray cooling system make-up, it is further used in the coal washery. Whereas cooling water circuits of the blast furnace shell and cooling, is used for the slag granulation plant as well as the gas cleaning plant make up. 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, coal washing, 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 which is also used in lean period to conserve the river water further make up water has been treated inhouse in order to remove the suspended particles and it is reutilised further as coolant in billet making. The above efforts with regards to water conservation have helped the Company achieve its aim of zero discharge.

2. **Air pollution control measures:** Provision of high efficiency electrostatic precipitators to control the dusty fumes in the DRI plant to maintain the emission levels. DRI hot gas is utilised in the waste heat recovery boilers to generate power. Provision of high-efficiency bag houses in the ferro-alloy plant and electrostatic precipitators in the sinter plant and captive power to maintain the emission levels. Latest technology is used to control the dusty fumes from SMS (EAF/LRF) including primary and secondary dedusting technology and Sulphur dioxide emission is controlled by dilution/dispersion process. Sprinklers are regularly used to control and minimise the fugitive emission. An approved external lab/agency help in the day-to-day monitoring of the environmental status of the plant and taking

MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

corrective measures in our environment management system. 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. Hot BF gases are utilised in the rolling mill, SMS through waste heat recovery system.

3. **Solid waste management:** The SMS slag is sent to the slag recovery plant for recycling of metal while the rest gets used for road filling while fly ash from Power plant is used for brick making. Coal, lime and iron-ore fines and undersized materials from various process areas are recycled through the sinter plant and BF slag is utilised by cement industries. The char generated from the DRI unit is used as a fuel in the power plant.

4. **Green belt development:** Since inception significant species of trees have been planted in and around the plant. As of 31st March 2014 more than 60,000 square metres of area has been covered under this green belt initiative.

5. **Corporate Social Responsibility**

   As a measure of Green Initiative in Corporate Governanceî, 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.

Financial Performance Highlights

₹ Lacs

Particulars	2013-2014	2012-2013
Net Revenue	175,847	172,111
EBITDA	30,019	31,661
PAT	31	282
EPS (Basic)	0.02	0.23
EBITDA Margin %	17	18
PAT Margin %	0.02	0.16
Debt - Equity Ratio	2.34	2.16

Net revenue increased marginally from ₹ 172,111 Lacs to ₹ 175,847 Lacs due to trading activities.

EBITDA margins weakened vis-a-vis the previous year due to higher input costs and lower capacity utilisation arising from raw material shortages. PAT margins were also less as compared to previous year.

During the period under review, debt increased due to additional borrowings for expansion /augmentation of manufacturing facilities.

Turnover Analysis

₹ Lacs

Particulars	2013-2014	2012-2013
Domestic Revenues	135,917	136,252
Export Revenues (including benefits)	15,273	18,943

Revenues from domestic sources remained at same levels vis-a-vis previous year. Export Revenues declines during the period under review from ₹ 18,943 Lacs to ₹ 15,273 Lacs due to weak global demand of Company's products.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an integral part of the business ethos at Adhunik Group of Companies. Our Group companies' activities in the realm of Corporate Social Responsibility (CSR) are driving development projects which address the needs related to health, education, livelihood, institution, capacity building and empowerment of women in more than 8 villages across different states of India.

All CSR programmes are executed in partnership with Nav Nirman Sanstha, the social arm for Adhunik Group, incorporated under the Societies Registration Act, 1860. For FY 2013-14, the CSR budget of Adhunik Group is about INR 110 million.

Some of the initiatives the Group has undertaken as a part of its CSR campaign are:

EMPOWERING WOMEN

Women's self - help groups were strengthened by enhancing their competencies by providing training to the women in phenyl making, domestic food products, candle making, stitching, tailoring and mushroom cultivation. Training was also imparted in pisciculture facilitating them to start their own enterprises. A total of 57 members of 5 women SHGs were benefited by such activities under the CSR projects of AML.

PROVIDING EDUCATION

Project Cyber Village: The aim of this project was to make village youths of 1-2 Gram Panchayats computer literate. During the FY 2013-2014, a total of 50 village youths including male and female were enrolled under the Project Cyber Village for computer literacy programme.

FACILITATING HEALTH CARE

Special health check-up camps were conducted for children and women. Apart from the camps, emergency ambulance services are also running in the surrounding villages. This service is led by a team of qualified doctors, pharmacists and paramedics. Patients who require referrals are treated at the nearby hospitals and nursing homes. About 450 village patients from 6 periphery villages of AML had undergone medical treatment through Rural Medical Camps during FY 2013-2014.

PROMOTING SPORTS AND CULTURE

In order to encourage sports, sportsgears were provided to the local youth, playgrounds were maintained. MP Memorial Football tournament (inter-panchayat) is held at Kuarmunda (Orissa). Sporting events for women are also held at Kuarmunda.

DEVELOPING INFRASTRUCTURE

Project Amritdhara introduced with an aim to provide safe filtered drinking water via the PPP mode to cater to the needs of more than 2,000 families in the peripheral villages where as AML in collaboration with Brace Foundation came out with a revolutionary technology to devise an economical and safe drinking water programme.

Various initiatives were taken to cope up with the water scarcity problems: malfunctioning tube wells were repaired, drinking water was supplied to all the villagers through tankers, deep boring was carried out across various villages, and at regular intervals, water kiosks were also erected.

A children's park was also developed in Kuarmunda. Renovation/ construction of bus-sheds were undertaken.

Other than these, several infrastructure related initiatives were implemented in order to provide basic facilities like roads and electrification in surrounding areas. Roads and culverts were constructed in the remote areas for better and faster communication.

CREATING LIVELIHOOD OPPORTUNITIES

The Group is focused on conducting various training programmes on computers, painting, repair & maintenance of electrical and electronic home appliances, welding, nursing and tailoring activities in different adopted villages for providing additional sources of income to the villagers. Special training programmes on modern farming techniques, use of quality seeds and organic farming are also held at the kisan samitis. Training on fisheries, mushroom cultivation and vermi-compost making helped the women to become self-sufficient. Apart from the above training measures, marketing assistance is also provided.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Thirteenth Annual Report on the operations of your Company along with the standalone and consolidated financial results for the financial year ended June 30, 2014.

FINANCIAL RESULTS

The financial performance of the Company for the financial year ended June 30, 2014 and June 30, 2013 is summarized below:

(₹ in Lacs)

Particulars	Standalone Results		Consolidated Results	
	2013-14	2012-13	2013-14	2012-13
Revenue from Operation & Other Income (Net)	175,846.92	172,111.19	264,737.74	308,921.30
Profit/(Loss) before interest, depreciation and tax	30,019.14	31,661.26	56,469.32	75,941.29
Profit/(Loss) before tax	(1,034.10)	(703.09)	4,236.91	10,810.96
Profit/(Loss) after taxation	30.86	282.02	4,040.51	8,719.80
Appropriations	-	-	-	-
Dividend	-	-	-	-
Transfer to General Reserve	-	-	-	-

OPERATIONS

During the year under review, total revenue registered a marginal increase from ₹ 172,111.19 Lacs in FY 2012 -2013 to ₹ 175,846.92 Lacs. Due to higher raw material costs during the period under review, operating losses increased from ₹ 703.09 Lacs to ₹ 1,034.10 Lacs. EarningPer Share (EPS – Basic & Diluted) stood at ₹ 0.02 as compared to ₹ 0.23.

The Company's consolidated net sales decreased from ₹308,921.30 Lacs in FY 2012 -2013 to ₹ 264,737.74 Lacs and operating profit decreased from ₹ 10,810.96 Lacs during the previous year to ₹ 4,236.91 Lacs during the current year.

On an overall basis all segments, in which the Company operates, faced tremendous pressure due to shortage of feed raw materials as also from steep increase in prices of raw materials. Significant segments of operations had to be scaled down during the period under review which affected economic scale of operations resulting in moderate growth and mounting losses. Your Company further faced significant challenges in its operating sector due to falling prices of finished products, spurred by significant imports from countries like China, Korea etc.

FINANCIAL YEAR

The financial year of the Company is from 1st July, 2013 to 30th June, 2014.

DIVIDEND

The Board does not recommend any dividend for the Financial Year 2013-2014.

CAPITAL

During the period under review, there has been no change in the capital base of the Company which comprised of 123,499,536 fully paid Equity Shares of Rs. 10 each.

EMPLOYEE STOCK OPTION SCHEME (ESOP)

The Company has in place Adhunik Employee Stock Option Plan ('ESOP 2012') for employees of the Company as well as employees of the subsidiaries which continue with the Company's philosophy of encouraging the employees to be partners in the growth of the organization. ESOP Scheme is administered by the Remuneration Committee of the Board of Directors of the Company.

During the year under review, 764,332 Stock Options have vested with the employees of the Company and its subsidiaries and 620,694 Stock Options have been forfeited till 30th June 2014. As on 30th June 2014, none of the Options have been exercised.

The disclosures required to be made under Clause 12.1 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time, together with a certificate obtained from the Statutory Auditors, confirming compliance thereto, are provided in Annexure A forming part of this Report.

DEPOSITS

Your Company did not accept any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the ListingAgreement with the Stock Exchanges, is presented in a separate section forming part of the Annual Report.

SUBSIDIARIES & OPERATIONS

Your Company's wholly owned subsidiary, Orissa Manganese & Minerals Limited (OMML) operates Ghatkuri Iron Ore Mines in the State of Jharkhand and Patmunda and Orahuri Manganese Ore Mines in the state of Odisha. Also OMML has pellet plant at Kandra, Jharkhand. OMML's revenue for the year under review is ₹96,007.10 lacs and recorded an increase of ₹1,319.81 lacs vis-a-vis the previous year.

In view of general exemption from the applicability of Section 212 of the Companies Act, 1956 granted by the Ministry of Corporate Affairs vide its General Circular no.2/2011 dated 8th February 2011, the Annual Report of the subsidiary companies have not been annexed. The annual accounts of the subsidiary companies are available for inspection by any shareholder at the registered office of both the holding and the subsidiary companies on any working day during business hours. The annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies on receipt of a written request from such shareholders. The consolidated Balance Sheet also comprises the following information for each subsidiary:-(a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend.

CONSOLIDATED FINANCIAL STATEMENT AND CASH FLOW STATEMENT

The consolidated financial statements were prepared by your Company in accordance with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India and the same together with the Auditor's Report thereof forms a part of the Annual Report. In conformity with the provisions of Clause 32 of the Listing Agreement the cash flow statement for year ended June 30, 2014 is included in the annual accounts.

SCHEME OF AMALGAMATION

As reported last year, 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.

DIRECTORS

Shri Ghanshyam Das Agarwal (DIN- 00507800) who retires by rotation and being eligible offers himself for re-appointment.

Shri Gopal Dikshit (DIN 0090579) and Shri Amrendra Prasad Verma, (DIN 00236108) were appointed as Additional Directors of the Company with effect from 13th November, 2013 and 11th February, 2014, respectively, and they hold office upto the date of the ensuing Annual General Meeting. The Company has received Notice under Section 160 of the Companies Act, 2013, along with required deposit, from a member proposing their candidature for the office of Directors (Independent) of the Company. The Board recommends for their appointment as Independent Directors of the Company.

In terms of the provisions of Section 149 and 152 of the Companies Act, 2013 read with Companies (Management & Administration) Rules, 2014, which became effective from 1 April 2014, an Independent Director of a Company can be appointed for a term of 5 years each and shall not be liable to retire by rotation. To comply with the above provisions, it is proposed to appoint Shri Gopal Dikshit (DIN 0090579) and Shri Amrendra Prasad Verma, (DIN 00236108) as Independent Directors of the Company to hold office for consecutive years from the date of this annual general meeting, and they shall not be liable to retire by rotation.

Pursuant to the notification of Section 149 and other applicable provisions of the Companies Act, 2013 read with rules thereon and Clause 49 of the Listing Agreement, the following Independent Directors viz. Shri Nandanandan Mishra (DIN 00031342, Shri Nihar Ranjan Hota (DIN 01173440), Dr. Ramgopal Agarwala (DIN 02054856, Shri Raghaw Sharan Pandey (DIN 02306586) are proposed to be appointed as Independent Directors for five years from the date of ensuing AGM.

The Company has received declarations from all the 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.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm and state that:

i. In the preparation of the annual accounts for the financial year ended June 30, 2014, the applicable accounting standards were followed and there were no material departures;

ii. The Directors 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 as at June 30, 2014 and of the loss of the Company for that period;

iii. The Directors took proper and sufficient care to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. The Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. A separate section on Corporate Governance is annexed and forms part of the Annual Report. During the period under review, the Ministry of Corporate Affairs (MCA) vide its letter dated June 19, 2013 granted approval for payment of remuneration to Shri Manoj Kumar Agarwal, Managing Director, in case of absence or inadequacy of profit of the Company.

The requisite certificate from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 ofthe Listing Agreement with the Stock Exchanges, is given as annexure