ADHUNIK METALIKS LIMITED

ANNUAL REPORT 2015-16

CONTENTS

	Page
Corporate Information	02
Management Discussion & Analysis	03-05
Directors' Report	06-25
Corporate Governance	26-37
CEO Certification & Certificate on Corporate Governance	38
Standalone Accounts	39-77
Consolidated Accounts	78-120

CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Ghanshyam Das Agarwal	-	Non-executive Chairman
Shri Jugal Kishore Agarwal	-	Non-executive Director
Shri Nirmal Kumar Agarwal	-	Managing 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
SB & Associates
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

*(Resigned w.e.f. 16-02-2016)
**(Resigned w.e.f. 14-11-2015)

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Fascimile: (0661)3051303

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www.adhunikgroup.com

WEBSITE
www.adhunikgroup.com

REGISTRAR & TRANSFER AGENT
M/s. Karvy Computershare Pvt. Ltd.
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Nanakramguda, Gachibowli
Hyderabad - 500032
Tel No. 91-40-67162222
Facsmile: 91-40-2342-8014
E-mail id: einward.ris@karvy.com

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.

GLOBAL ECONOMIC OUTLOOK

Global economic recovery has been slow generally, with several economies facing different geographic challenges. China's act of rebalancing and general slowdown in growth has had a spill over effect into other economies, especially in the steel sector. Overcapacity in China and subsequent dumping of steel products into the world market has marred local growth prospects. Emerging markets and developing economies, which contributes to 705 of world growth, has lagged behind and have experienced negative growth for the 3 years. Economies dependent on commodities have taken a severe beating due to weak commodity prices. While some resistance has been shown in the path of decline by economies like USA, however countries like Brazil and most resource intensive countries in the African continent has had sharp growth decline due to low commodity prices. The impact in Euro Zone is yet to fully bare itself post Britain's exit.

INDIAN ECONOMY

The year 2015-16 was no different from the preceding year as the slowdown in the global economy continued in most of the regions. Although, there was marginal improvement in GDP growth rate in India from 7.3% in 2014-15 to 7.6% in 2015-16, the iron and steel industry in India and world over showed no signs of any improvement. On the demand side, the foundry industry, except some segments of the automobile sector, remained subdued due to low construction activities and delay in implementation of projects on ground. According to the data, the growth in manufacturing and farm sectors during the fourth quarter accelerated to 9.3% and 2.3%, respectively. The policy initiatives of the government, low interest rates, declining fiscal deficit and moderating inflation have helped the Indian economy stay on a sustainable growth path. The growth rate is expected to touch 8% in FY 2016-17. India's long-term growth potential continues to be strong with focus on faster infrastructure creation, improving manufacturing and farm output, expanding services sector, increasing urbanisation; and stronger regulatory framework for banking and financial services.

GLOBAL STEEL DEMAND IN 2015

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

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% 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

India continues to hold its position as the 3rd largest steel making nation in the World in the current calendar year. During FY 15, domestic crude steel production was 88.1 MT, registering a growth of around 7.9% over the previous year. Further, finished steel production registered a growth of 3.3% in FY15. Due to adverse Global conditions, there has been a large inflow of imports, which surged by more than 70% while overall domestic consumption registered a growth of 3.1% only. In case of carbon steel, the consumption growth remained almost flat at 0.5%. This has also manifested in a series of price cuts for the domestic steel industry during the year, leading to a squeeze on margins earned by steel producers.

Steel prices are now increasingly aligning to global export prices as markets strike a balance between imports and domestic demand. China's waning demand and resultant rise in exports poses a risk to leveraging improving domestic demand in South Asia and Europe. Further, movement of currencies against USD would also have a significant impact on the movement of global steel and raw material prices.

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

Financial information discussed in this section is derived from the Company's Audited Standalone Financial Statements.

Revenues (net of excise duty) were ₹ 467.18 Crores in Fiscal 2016, as compared to ₹ 598.11 Crores in Fiscal 2015. The reasons for the muted performance have been the outcome of several external industry factors affecting iron & steel industry at large. The Company operated its manufacturing units at 50.6% of its installed capacity; however capacity ramp up could not be achieved due to poor market condition. The Company continued to make all efforts to control costs which are reflected through reduced employee cost and other costs however the Company incurred a pre tax loss of ₹ 368.69 Crores.

RAW MATERIAL PRICES

IRON ORE

Iron Ore price trends continued to be at volatile levels both domestically as well as internationally. Prices crashed at the international levels due to overcapacity and excess supply by major mining companies. The same was further affected due to subdued consumption by major consumers like China.

In contrast to the oversupply in the global market, India witnessed a supply crisis. The closure of 26 mines in Odisha, and defunct mining operations in Karnataka and Goa flushed out a significant quantum of supply from the Indian market, creating a dearth of domestic iron ore. This eventually led to increased prices and high imports to India. Increase in the royalty rates for iron ore from 10% to 15% on sale price ad valorem basis acted as a catalyst in increasing the cost of production for steel and pellet makers.

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.

MINING

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

ENVIRONMENT

WATER & WASTE WATER 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

People are the primary drivers of operation at the Company. We endeavour to empower our people and reinforce long term value system. During the year under review, no reportable incidents occurred and the management continues to enjoy the patronage of its employees across locations. Inspite of severe stress faced by the Company, employees of the Company endeavoured to capability building and cultural integration. Various in house training programs were held by the HR department and technical staff to enhance and augment skills.

The Company undertakes regular appraisals wherein performers are recognised every month. Your Company has implemented an ESOP scheme for the senior management thereby strengthening the bond between the Company and its decision makers

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 Fifteenth Annual Report and Audited Statement of Accounts for the year ended 31st March, 2016.

(₹ in Lacs)

Particulars	Standalone Results		Consolidated Results	
	2015-16	**2014-15**	**2015-16**	**2014-15**
	(9 Months)	**(12 Months)**	**(9 Months)**	**(12 Months)**
Revenue from operations (gross)	51,748.28	64,737.09	73,182.72	1,21,054.45
Less: Excise duty	5,030.89	4,926.15	6,398.98	10,224.54
Revenue from operations (net)	46,717.39	59,810.94	66,783.74	1,10,829.91
Other income	825.06	1,215.73	2,624.63	1,641.19
Revenue from operations (including other income)	**47,542.45**	**61,026.67**	**69,408.37**	**1,12,471.10**
Profit before Interest, Depreciation and Exceptional item	**(7,376.57)**	**(26,811.62)**	**(5,032.06)**	**(13,177.08)**
Less: Finance Cost	19,343.09	24,946.07	37,974.42	45,289.28
Less: Depreciation	10,149.71	9,743.31	14,673.09	14,709.77
Profit/(loss) before Exceptional item	**(36,869.37)**	**(61,501.00)**	**(57,679.57)**	**(73,176.13)**
Less : Exceptional items	5,113.45	—	6,812.43	—
Profit/(loss) before Tax	**(41,982.82)**	**(61,501.00)**	**(64,492.00)**	**(73,176.13)**
Taxes	(13,077.35)	(20,640.74)	(18,112.30)	(24,810.13)
Net Profit/(loss) after tax but before minority interest	(28,905.47)	(40,860.26)	(46,379.70)	(48,366.00)
Share of profit /(loss) of Minority Interest	—	—	(12.09)	(7.42)
Profit/(loss) for the year	**(28,905.47)**	**(40,860.26)**	**(46,367.61)**	**(48,358.58)**

OPERATIONAL REVIEW

During the year under review, post implementation of Corporate Debt Restructuring, your management made all efforts to revive operations, however iron & steel sector scenario continued to remain subdued and inspite of improvements in operations, overall profitability could not be established. Total revenue on standalone basis, stood at ₹ 47,542.45 lacs for 9 months period ended 31st March, 2016. The Company has incurred net loss of ₹ 28,905.47 lacs during the period.

DIVIDEND

In view of the losses for the year ended 31st March, 2016 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 the financial year ended 31st March, 2016.

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 31st March, 2016.

FINANCE

During the year under review, CDR scheme was implemented by the Lenders of the Company which helped the Company to revive operations. The package implemented by the Lenders included the following:

a. Reduction of Interest rates and step up in the years to come, for term loans and working capital

b. Conversion of part of outstanding into Working Capital Term Loan

c. Repayment period rescheduled to match revenues of the Company with moratorium

d. Interest funding for initial years, to be repaid subsequently

The CDR package helped the Company to revive operations at its unit at Sundergarh and maintain a capacity utilisation 50.56% during the year under review.

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. The Hon'ble High Court at Odisha has heard the matter and is yet to pass final orders.

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 12,34,99,536 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 ₹ 300,387 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 2007-08 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 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, the subsidiary has remained inactive due to significant operational difficulties faced by the domestic holding company in India.

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.

BOARD MEETINGS

The Board met 3 (three) 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. Ghanshyam Agarwal (DIN - 00507800) and Mr. Mohan Lal Agarwal (DIN - 01047906)who retires by rotation and being eligible offers themselves for re-appointment. The Board has recommended their re-appointment.

The Company has received declarations from Mr. Nihar Ranjan Hota (DIN 01173440), Mr. Amrendra Prasad Verma (DIN 00236108), Mr. Nandanandan Mishra (DIN 00031342), Mr. Gopal Dikshit (DIN 00090579) 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.

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTOR'S AND KEY MANAGERIAL PERSONNEL

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 and subsequently his appointment was approved by the Shareholders of the Company at the fourteenth Annual General Meeting held on 31st March, 2016.

FINANCIAL YEAR

The financial year of the Company is from 1st July, 2015 to 31st March, 2016. In accordance with the requirements of the Companies Act, 2013, the Company has changed its accounting year during the year under review.

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 2015-16.

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 were operating 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 five (5) members of which four (4) members are independent including Chairman Mr. Nandanandan Mishra is the Chairman of the Audit Committee. The members of the Committee possess 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 2015-16.

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

DIRECTORS' REPORT (CONTINUED)

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 16th AGM to be held for F.Y. 2016-17.

The observations of the Auditors are duly 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 Sudhir Kumar Jain & Associates, Independent Chartered Accountants were appointed as Internal Auditors of the Company for the financial year 2015-16. 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 31st March, 2016, your Company has appointed M/s. S.B. & Associates, Cost Accountants, as Cost Auditor of the Company w.e.f. 1st July, 2015 to 31st March, 2016 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 of Managerial 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 31st March, 2016. 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.

CORPORATE GOVERNANCE

The Company is committed in maintaining the highest standards of Corporate Governance and adheres to the stipulations prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges. Report on Corporate Governance & Shareholder Information together with the Practising Company Secretary Certificate thereon is annexed as part of this Annual Report.

DIRECTORS' APPOINTMENT & REMUNERATION POLICY

The Company's policy on Directors' appointment and remuneration and other matters provided in Section 178(3) of the Act has been disclosed in the Corporate Governance Report, which forms part of this Annual Report.

MANAGEMENT DISCUSSION & ANALYSIS

A detailed analysis of the Industry and Company Outlook, Company's operations, project review, risk management, strategic initiatives and financial review & analysis, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is presented under a separate section titled "Management Discussion and Analysis" forming part of the Annual Report.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in Form MGT -9 (Annexure - D) as per provisions of the Companies Act, 2013 and rules framed thereunder are annexed to this Annual Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

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