

DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Directors of your Company, I have great pleasure in presenting the 34th Annual Report of your Company together with the audited accounts for the year ended on 31.03.2010. The Auditors' Report and the Comments on the accounts of the Company by the Comptroller and Auditor General of India thereon are annexed to this report.

2.0 YEAR'S HIGHLIGHTS AT A GLANCE

- ❖ R&D activities have been carried out successfully and established that the Pellet plant is able to produce Pellet from Doni ore on a standalone basis without generating any slime during grinding and filtering which was almost 17% during January 2006 to March 2007. This R&D effort will enable the Company to have future economic benefit in cost saving. This has resulted in production of 1 ton of Pellet with 1 ton of Iron Ore (1:1 basis) as against the consumption of 1.025 ton of Iron Ore for 1 ton of Pellet (1:1.025 basis) during previous year.
- ❖ During the last quarter of 2009-10, the Company has made highest production and despatch of 700000 MT and 678682 MT respectively for the first time after the closure of its captive mine.

3.0 PHYSICAL AND FINANCIAL HIGHLIGHTS

During the year 2009-10, the important physical and financial highlights are as under

3.1 Physical Highlights

(Qty. in million tonnes)

Particulars	2009-10		2008-09		Percentage Change (Actual)
	MOU Target (Good)	Actual Achievement	MOU Target (Very Good)	Actual Achievement	
Production					
Pellets including Pellet Fines	2.650	1.273	2.850	1.316	(-) 3.3
Pig Iron and Auxiliary Materials	0.170	0.062	0.196	0.118	(-) 47.5
Sales					
Pellets including Pellet Fines	2.650	1.456	2.850	1.131	+ 28.7
Pig Iron and Auxiliary Materials	0.170	0.094	0.196	0.074	+27.0

**3.2 Financial Highlights**

(Rs. in Crores)

Particulars	2009-10	2008-09
Turnover	992.72	1228.98
Profit /(Loss) Before Tax	(194.95)	24.18
Profit /(Loss) After Tax	(177.27)	22.01

4.0 SEGMENT-WISE PERFORMANCE**4.1 Pellets**

Target set for production of Pellets during the year under MOU 'Good' category was 2.65 million tonnes. Against this target, the Company has produced 1.273 million tonnes of Pellets during 2009-10 which is 48% achievement of the target. The sudden and unprecedented worldwide recession in the second half of the year 2008-09 which continued till the end of 3rd quarter of 2009-10, has forced the Company to operate the Pellet plant intermittently. However, the price of the Pellets has shown a sign of improvement from January 2010 onwards and has prompted the Company to increase the production. The Company has produced 7, 00,000 tonnes of Pellets during January to March 2010 which has surpassed the previous records particularly after the closure of its captive mine.

4.2 Pig Iron and Auxiliary

As against the MOU target (Good category) of 1, 70,000 tonnes of Pig Iron Production (including Auxilliary) the Company produced 62,041 tonnes during 2009-10 which is 36% fulfilment of the target. Due to uneconomical price for Pig Iron, BFU is shut down from 05-08-2009.

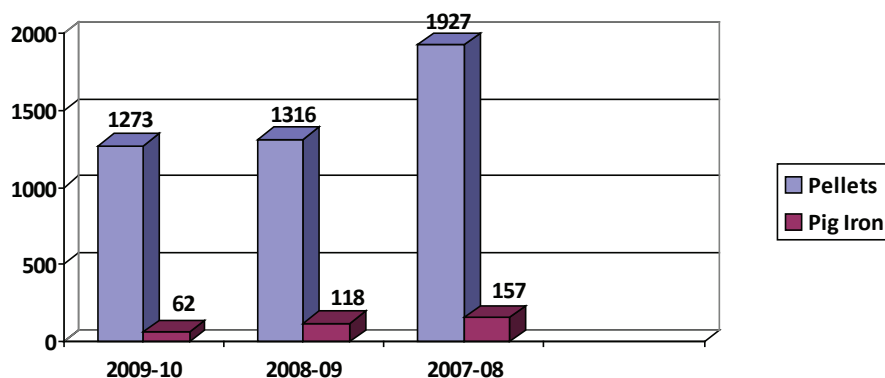
4.3 The following table summarises the production performance during the last three years:-

PP : Pellet plant, PI : Pig Iron

(Qty. In million tonnes)

Year	MOU target		Actual production		Capacity utilisation of installed capacity in %	
	PP	PI	PP	PI	PP	PI
2009-10	2.650	0.170	1.273	0.062	36	29
2008-09	2.850	0.196	1.316	0.118	38	55
2007-08	2.600	0.199	1.927	0.157	55	73

4.3 The production performance in respect of Pellets and Pig Iron (in thousand dry metric tonnes) for the last three years is reproduced below in a graphic form:-



5.0 MARKETING AND EXPORTS:

During the year, Pellets was supplied to China, Vietnam and domestic buyers. Pig Iron & Auxiliary were supplied to the buyers in the Domestic market. Sales in the DTA represented 67% of the total sale of Pellets in quantitative terms and 70% in monetary terms.

5.1 Country-wise details of shipments made during the year to various customers are as under:-

(In Dry Metric Tonnes)

Country	Pellets
China	459816
Vietnam	21289
Ispat Industries Ltd	467750
Essar Steel Ltd	256495
JSW Steel	99945
Bhushan Power & Steel Ltd	92043
Mono Steel Ltd	10668
ASR Multimetals Ltd	10668
Nilkant Concast Ltd	10548
Welspun Power & Steel Ltd	27006
Total	1456228

Pig Iron sold during the year is 82074 tonnes and Auxiliary sold is 12407 tonnes in the domestic market.

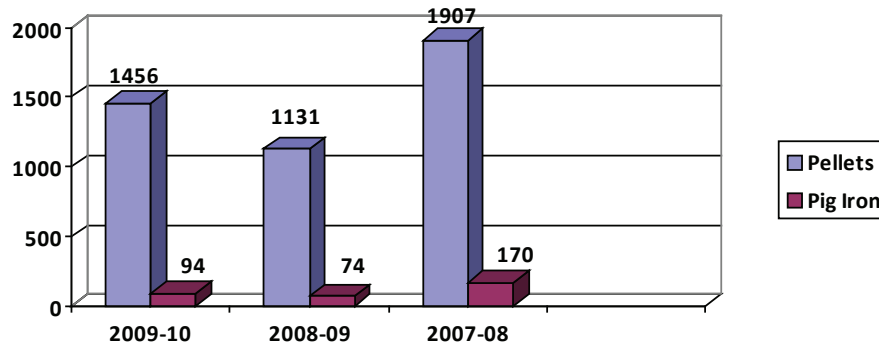
5.2 Sales performance during the past three years is summarised below:-

Qty: in Million Tonnes, Value: Rs. In Lakhs

Year	Pellets		Pig Iron		Total	
	Qty	Value	Qty	Value	Qty	Value
2009-10	1.456	79226	0.094	20046	1.550	99272
2008-09	1.131	99410	0.074	23488	1.205	122898
2007-08	1.907	117385	0.170	35626	2.077	153011

Pellets includes Pellet Fines, Pig Iron includes Auxiliary

5.3 Despatches in terms of quantity (in thousand dry metric tonnes) during the last three years is represented in graphic form below:-



5.4 The MoU target set for production during 2010-11 (under Good category) Pellet – 2.780 million tonnes and Pig Iron including auxiliaries is 0.100 million tonnes.

5.5 During the year 32 ships were handled at New Mangalore Port as compared to 25 ships handled during previous year.

5.6 **Market Scenario – 2010-11:** Price negotiations to arrive at annual bench mark price for 2010 has started between big 3 viz, Vale, Rio Tinto & BHP Billiton and Steel mills across the Globe. This year, the miners are pushing for more dynamic pricing mechanism. The Japanese Steel Mills have agreed for a quarterly pricing mechanism for cooking coal. Miners are pushing for a similar mechanism for Iron ore also. It is reported that Japanese and Korean Steel mills have reached a provisional agreement regarding the 2010 Iron Ore prices with Brazilian Resource Company Vale and BHP Billiton of Australia. VALE and JSM have agreed for a price which is approximately 90% higher over the levels of previous year and BHP Billiton and JSM have agreed for a price which is approximately 99.7% higher over the levels of previous year for April-June 2010 deliveries. Locally, NMDC has also provisionally increased the price of its Iron Ore by 56%.

The demand for Iron Ore is also growing steadily. China imported about 628 Million Tonnes of Iron Ore during 2009 up by 41.5% on year to year. Reduced supplies from big 3 to China and China's ban on import of low grade Iron Ore has also contributed to the increased demand for Iron Ore in Chinese market. The spot market prices have almost touched 2008 levels. Since the demand for Steel is also increasing, drastic fall in Iron Ore price from quarter to quarter is not anticipated though some price corrections can be expected as the supplies from Australia and Brazil improves.

In the absence of long-term contracts, the difference between spot market prices and quarterly contracted prices may drastically reduce once the quarterly pricing mechanism is accepted by Steel mills. Though the demand for Steel is likely to increase, the volatility in Iron Ore prices may continue for some more time.

Due to increase in price of Coke in addition to Iron Ore, price of Pig Iron in domestic market is likely to move up. The demand for Foundry grade Pig Iron is also likely to look up as performance in automobile and agriculture sectors is expected to further improve during the financial year.

6.0 PROFIT AND DIVIDEND

Due to adverse impact on the physical performance of the Company, the financial performance was also severely affected. During the year under report, your Company has incurred a loss of Rs.177.27 crores as compared to Profit After Tax of Rs.22.01 crores in the year 2008-09. Your Directors therefore do not recommend any Dividend for the year 2009-10.

7.0 MEMORANDUM OF UNDERSTANDING WITH GOVERNMENT OF INDIA

Your Company has been signing the Memorandum of Understanding every year with its Administrative Ministry, Ministry of Steel. MoU between KIOCL and the Ministry of Steel for the year 2010-11 was signed on 05.03.2010, envisaging the production target of 2.780 million tonnes of Pellets and 0.100 million tonnes of Pig Iron for achieving the "Good" performance.

The performance evaluation of the Company for the year 2008-09 vis-a-vis MoU targets is rated as 'Fair'. Performance Evaluation of the Company for the year 2009-10 vis-à-vis MoU targets is to be evaluated.

8.0 PROJECT EXPANSION AND BUSINESS DIVERSIFICATION

8.1 Ductile Iron Spun Pipe Project

In line with decision of the Board of Directors at its 191st meeting held on 12.11.2009, the existing global tender under consideration for the installation and commissioning of DISP plant was cancelled. Further, based on the Board's direction, for identification

of a JV partner for the DISP project, the process to fix a consultant and to identify a JV partner has been initiated. An offer from M/s MECON Limited has already been received for expert consultancy services towards the formation of JV. An EOI has been floated for the setting up of Ductile Iron Spun Pipe Plant in the JV at Blast Furnace Complex, Mangalore.

8.2 Pig Iron Casting Machine, Blast Furnace Complex

To improve the productivity, KIOCL decided to procure and install additional pig casting machine in blast furnace complex based on the study conducted by M/s MECON Limited and subsequent report submitted. In this direction an open tender was floated on 22.09.2008 for the procurement and installation of Pig Casting Machine. For procurement and installation of Pig Casting Machine an order has been placed on M/s Renuka Equipments (P) Ltd., Nagpur on 31.08.2009 for supply and installation of Pig Casting Machine.

8.3 Procurement and installation of Horizontal Pressure Filters

8.3.1 Met-Chem has submitted a report after a detailed study conducted on the ore received from Donimalai (NMDC) for the suitability of the ore to produce quality Pellets. The report suggests for the replacement of existing Vacuum Disc Filters with Pressure Filters.

8.3.2 Based on the approval accorded by the Board to procure 3 nos. of Horizontal Pressure Filters, KIOCL has floated a Global Tender notice for the procurement and installation of the filters.

8.4 Bulk Material Handling and Railway Siding Facilities:

8.4.1 KIOCL has to get the required quantity of Iron Ore from the indigenous sources especially from Bellary Hospet region by rail only. As such a dedicated Railway terminal is required for receiving the Iron Ore closest to the plant. Bulk Material Handling project is to handle the Iron Ore fines received at the Permanent Railway Siding system from various agencies and convey the same to the storage shed inside the plant area. The project consists of wagon tippler, storage bunkers, conveying facilities etc. from the site of unloading to the plant storage area.

8.4.2 The DPR has been prepared for the project and KIOCL is in the process of acquiring the land required for the projects.

8.5 Construction of Storage Silos with handling facilities

KIOCL has envisaged to construct a Storage Silo of 8000 to 10000 tons capacity with handling facilities for Iron Ore fines at Pellet plant for augmenting additional storage

and handling facilities for continuous feed to the ball mills as the existing system has a limited capacity for handling the Iron Ore fines. The feasibility report of the project has been prepared and the project is expected to be taken up by June 2010.

8.6 Selection of Joint Venture partner for Equity participation for setting up of an Integrated Steel plant in the State of Karnataka

8.6.1 The Mineral Policy, 2008 of Government of Karnataka clearly envisages that the state is in favour of Entrepreneurs establishing real value addition to the Iron ore like setting up of Steel plant in the State of Karnataka. Such Enterprises will be given preference in mine allotment. In this process the Company will be able to do forward integration by making its presence in the steel sector. The process will also strengthen the claim of mines allotment for the Company. At this backdrop, the Board of Directors has in-principle agreed for the equity participation by KIOCL for setting up of an Integrated Steel Plant (ISP) in the state of Karnataka.

8.6.2 KIOCL had appointed consultant for preparation of tender document and floated NIT on 27.04.2009 for the aforesaid purpose. The evaluation of the received bid has been completed and techno-commercial recommendation is received from the consultant. After necessary approvals from the Board, Company will take further action to draw a suitable Joint Venture Agreement to be signed with the selected party.

8.7 Eco-Tourism at Kudremukh

8.7.1 The Companies mining operation at Kudremukh was stopped w.e.f. 01.01.2006 as per the Hon'ble Supreme Court's judgement. Alternatively KIOCL is exploring the possibilities of utilizing its assets and facilities which are already available at Kudremukh and also by creating additional facilities to develop eco-tourism.

8.7.2 In this regard, KIOCL approached Secretary, Revenue, Government of Karnataka (GOK) with a plan of developing eco-tourism at Kudremukh, hence sought for renewal of lease for existing revenue land at Kudremukh. Secretary, Revenue, GOK vide letter dated 08-08-2007 advised KIOCL to prepare a detailed Project Report (DPR) and submit the same to the State Government and the said project may be taken up as a Joint Venture in collaboration with Jungle Lodges & Resorts Ltd (JLR) a State Govt. Undertaking.

8.7.3 KIOCL has appointed a Consultant for preparation of DPR which is under final stage. The final DPR will be submitted to State Government to initiate appropriate action in this matter.



8.7.4 KIOCL is already initiated discussion with JLR to enter into an MOU for creation of eco-tourism facilities at Kudremukh.

9. MINING LEASES FOR IRON ORE DEPOSIT

9.1 Chikkanayakanahalli Iron Ore Deposit

9.1.1 Government of Karnataka had granted mining lease over an area of 116.55 ha in Hombalghatta and Hosahalli villages in favour of KIOCL.

9.1.2 Indian Bureau of Mines has already approved mine plan on 23rd September 2008. De-reservation proposal submitted in Form "A" to Nodal officer, Forest department, Govt. of Karnataka for diversion of entire forestland for mining purpose is under process with State Forest Department.

9.1.3 Ministry of Environment and Forest, Govt. of India accorded Environment Clearance for the project vide letter dated 01.07.2009 for mining of 1.0 mtpa of Iron Ore and 5000 tpa of Manganese Ore. Subsequently, Karnataka State Pollution Control Board has accorded consent for establishment for the project under Air Act, 1981 and Water Act, 1974 vide letter dated 21.10.2009.

9.2 Ramanadurg Iron Ore Deposit

In respect of mining lease of Ramanadurg Iron Ore Deposit, Bellary district of Karnataka, the writ petitions filed by NMDC and other parties were disposed of on 27.11.2006 by the Hon'ble High Court of Karnataka holding that NMDC and other parties to the writ petitions will have preferential rights than the applicants who have responded to notification calling for grant of mining lease in Ramanadurg area. The writ appeals filed by the State of Karnataka and others against the aforesaid decision of the learned single judge have been dismissed by the Hon'ble Court on 12.03.2009. The aggrieved parties have filed special leave petition in Supreme Court by challenging the dismissal of their writ appeals. NMDC have also filed counter SLP to Hon'ble Supreme Court. Now the case is pending in Supreme Court. The Company's mining lease application is pending with the State Government.

9.3 Khandadhar Iron Ore Deposit

In respect of mining lease of Khandadhar Iron Ore Deposit, Orissa, during the pendency of KIOCL's application for prospecting Licence (PL) and Mining Lease (ML), the Government of Orissa recommended to the Central Government the name of M/s. POSCO for prospecting licence quoting special reasons. This was challenged by KIOCL in writ petition No 3234/09. The Hon'ble High Court of Orissa granted an interim stay of the operation of the recommendation and directed the Secretary, Govt.

of India, Department of Mines, not to take any action pursuant to such recommendation of the Government of Orissa. In the meantime, the Govt. of Orissa rejected KIOCL's application for PL & ML. Recently, KIOCL has filed revision petition before the Central Government Mines tribunal challenging the decision of the Govt. of Orissa in rejecting our PL and ML applications. Hearing of revision applications before the Mines Tribunal, Govt. of India for Khandadhar Iron Ore Deposit has been completed and judgment is reserved.

Other Mining /Prospecting Leases

- 9.4 In the State of Karnataka, the Company is pursuing for Mining lease for Vysankere & Hanumanahalli- Hospet, Narayanapura (Appenahalli)- Sandur, Jaisingpur-Hospet, Bellary Dist and Kudre Kanive Kaval- Hosadurgra, Chitradurga Dist, Hosanagara Iron Ore Deposit, Shimoga district, Donimalai Range, Sandur taluk, Dist. Bellary, Haluvalli Iron Ore Deposit , Mudigere, Chickamagalur dist.
- 9.5 In the State of Jharkhand, the Company is pursuing for mining lease in Ghatkuri Iron Ore deposit in West Singhbhum district of Jharkhand. The application of the Company for grant of Mining Lease is pending with Jharkhand Government.
- 9.6 In the State of Kerala, Company is pursuing for mining lease for Alampara Iron Ore Deposit, Kozhikode Dist. KIOCL's application for grant of Mining Lease is pending.
- 9.7 In the State of Rajasthan, the company is pursuing for mining lease for 4 blocks namely Samodi Block in Pur-Banera belt, Bhilwara district for 1561.5226 Ha. Jipiya Block in Pur-Banera belt, Bhilwara district for 378 Ha. Malikhera Block in Pur-Banera belt, Bhilwara district for 567.14 Ha. and Ranikhera (Ranipura)- Malikhera in Pur-Banera belt Bhilwara district for 679.75 Ha.

9.8 Joint Venture with SAIL

- 9.8.1 A Memorandum of Understanding was signed with M/s Steel Authority of India Limited (SAIL) for the development and exploitation of Taldih, Barsua & Kalta deposits in Sundargarh district of Orissa, on joint venture basis (50:50). Validity of MOU was extended twice and finally expired on 28th September 2007. Subsequent to this, KIOCL once again requested SAIL for extension of MOU which was denied by SAIL on the basis of transfer of mining lease to Joint Venture Company.
- 9.8.2 As per letter dated 02-03-2009 from Ministry of Steel, a Joint meeting between SAIL and KIOCL chaired by Joint Secretary, MOS was held on 13.03.2009 to review the matter. In the meeting, both KIOCL & SAIL were directed to find out the legal issues, if any in connection with the transfer of mining lease to



Joint Venture Company. Based on the above directions, KIOCL obtained legal opinion and forwarded the same to the Ministry of Steel on 7th April 2009 for further directions.

9.8.3 On further evaluation of the proposal, it is found that pursuing the matter further will not yield any benefit to the Company.

9.8.4 As such, the proposal was dropped.

10. ENVIRONMENTAL MANAGEMENT

10.1 Your Company is committed to preserve the Ecology and prevention of pollution in its mining / manufacturing activities. During the active mining operational periods Company has undertaken massive afforestation programmes. Mining was undertaken in 3,200 acres of land covered by grass. After mining was completed 7.5 million saplings adaptable to Western Ghats were planted and the same has turned into big forest now. Further at Mangalore the Company is processing the Iron Ore with wet grinding system without any pollution and generation of power through captive power plant, with zero emission. The Company has won various Environmental Awards at National Level.

10.2 The Company's Environment Management System is Certified to 14001 – 2004 Standard by DNV. The Certificate is valid upto 09-11-2012.

11. SAFETY

11.1 Although the mining activities at Kudremukh has been stopped with effect from 01-01-2006 as per the Hon'ble Supreme Court verdict, regular Safety inspections are being carried out to ensure Safety and occupational health of employees engaged in upkeep and maintenance of Mining Equipments, essential services like water pumping, watch and ward etc., Safety awareness training is being imparted to the new contract labourers who are coming for dismantling the structures and other related works at Kudremukh.

11.2 Workers participation in Safety Management System is one of the important criteria adopted by the Company. Area wise Safety Committees are formed. Workers participation in these Safety Committees is ensured.

11.3 Safety inspections are carried out regularly by the Safety Officer along with Safety Committee members. Safety points are discussed in the Safety meetings held once in three months. Suitable action is taken for implementation of the shortfalls if any for improvement.

11.4 Various training programmes are being conducted to inculcate safety consciousness and to develop human resources. Refresher training covering their area of working, First Aid Training, Fire Fighting, Awareness programme on Quality, Environment, Health & Safety Management System are conducted on need base regularly.

11.5 As the Mangalore unit is under the aegis of the Factories Act from January 2006, the National Safety Day & Safety week is celebrated from 4th to 10th March every year.

12. QUALITY CONTROL - ISO 9001: 2008

The Company's Quality Management System is certified under the new ISO 9001: 2008 Standard and this Certificate is valid upto 09-12-2012.

13. OHSAS – 18001:2007

Your Company has successfully implemented the Occupational Health and Safety Management System as per OHSAS – 18001. This Certificate is valid upto 09-12-2012.

14. PUBLIC/STAFF GRIEVANCE REDRESSAL

14.1 Your Company has framed a well defined grievance procedure evolved under the Code of Discipline from the very inception of the company. Since its introduction, the Scheme has been working satisfactorily without any complaint from any corner, either from the recognised Union or Officers Association of the Company. Grievances received have been redressed to the satisfaction of the aggrieved employees. As regards public grievance, as and when any complaints are received from the public, necessary remedial action, if any, is taken by the Company immediately.

14.2 Complaints/grievances other than the staff grievance are categorised into customer/consumer complaints/grievances from the Contractors, NGOs/ General Public etc. The respective project heads are empowered to dispose off the grievances concerning their areas and the general public.

14.3 As regards women employees, the guidelines laid down by the Supreme Court in the matter relating to sexual harassment of women in work places are strictly followed.

14.4 The grievances received and disposed off by the Company are reported to the Administrative Ministry on a monthly basis. The guidelines laid down by the Government of India in this regard are being followed. The Government also reviews the subject matter periodically.

15. CONTRIBUTION TO RELIEF FUND

Between 28th September to 3rd October 2009, parts of north Karnataka and Andhra Pradesh received six times more than its normal rainfall. This coupled with overflowing rivers and



reservoirs resulted in massive flooding. 14 districts of Karnataka state affected and nearly 63% of the geographical area with a population of about 17.8 million were affected by floods and heavy rainfall. KIOCL as a token of expression of our concern to flood victims contributed Rs.25 lakhs to the Chief Minister's Calamity Relief Fund. Besides this, employees of the Company also contributed a day's salary for the cause, which amounted to Rs.11.90 lakhs. The employees from Kudremukh Unit under the banner of Sarvajanika Hitharakshana Okkoota collected food grains such as Rice, Jovar, wheat, Cooking Oil, Chilli & Sambar powder, Soap, Biscuits, Steel plates & tumblers, Bedsheets and Mats by volunteers of the Okkoota worth Rs.1.75 lakhs. The materials were distributed as relief packages to around 300 flood affected families of Aski and Bandigani villages of Jhamakandi taluk in Bagalkot Dist.

16. CORPORATE SOCIAL RESPONSIBILITY (CSR)

As a socially conscious corporate citizen, your Company has contributed towards community development in and around the project particularly in the areas of education and health care. Some of the schemes undertaken during the year 2009-10 are as under:-

- i) Running of Schools and other expenses on education.
- ii) Distribution of medicine and extension of other medical facilities to the tribal population and people of nearby area.
- iii) Financial assistance to schools at Mangalore and neighbouring areas for conducting sports and other related activities.
- iv) Free medical camp was organised by the Company for heart ailment awareness at Kudremukh and Mangalore for the public.
- v) Contributions were made to the physically challenged people for operation/artificial limbs.

17. MINISTRY OF STEEL'S 100 DAYS AGENDA PROGRAMME – PROPOSAL FOR SUBSIDIARISATION OF NMDC AND CONSTITUTION OF COMMITTEE TO STUDY ABOUT KIOCL

Ministry of Steel, Govt. of India as a part of their 100 days agenda programme, proposed to acquire 51% stake of KIOCL by NMDC thereby making KIOCL as a subsidiary of NMDC. As a part of action plan, KIOCL has appointed the Consultants for valuation of its shares and also to evaluate option relating to its business restructuring plan for associating with NMDC. A joint working group comprising of three members each from NMDC and KIOCL was formed to assess the techno-commercial viability of operating KIOCL. The Consultants and the Joint Working Group constituted for that purpose have submitted their report, which was sent to the Ministry of Steel duly recommended by the Board for further directions.

As the purpose of making subsidiary of NMDC do not give benefit to the Company, it was thought fit to drop the proposal.

Ministry of Steel, Government of India constituted a Committee with four members under the Chairmanship of Shri P Ganesan, former CMD, KIOCL to undertake detailed study and submit their recommendation on the following:

- a) To study the objective, attainment, business models and functioning and to suggest strategies to achieve sustainable profits and enhanced business presence and diversification in the sector;
- b) To examine the structure and functioning and to make recommendations regarding their re-organisation/merger with other companies or other structural rearrangements as warranted with a view to optimising their efficiency and profitability;
- c) To examine the Capital Structure, shareholding pattern as well as revival models, accumulated liabilities and losses and to make suitable recommendation for improving the financial position and viability.

The Committee in the concluded remarks made the following observation:

"KIOCL has a history of facing threats right from inception and due to combine efforts of employees and Government has withstood these in the past. The Company, with the support of Government of India in getting a mine allotted in its favour can, on a standalone basis, come back with best results in the coming years also along with the envisaged plans for expansion and diversification."

18. IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

- 18.1 The Company follows the directives issued from time to time by the Department of Official Language, Ministry of Home Affairs and Ministry of Steel, Government of India for the progressive use of Official Language Hindi. Towards this and to promote usage of the Official Language by employees of the Company several programmes in the form of Hindi Workshops/Hindi Weeks/Hindi Fortnight were organised at all locations of the Company.
- 18.2 During the year Hindi Fortnight was organised at all locations of the Company. At Corporate Office several Hindi competitions are organised during September 2009 and to mark the occasion, concluding function was held on 19th September 2009. During the function, Chief Guest commended and appreciated the Implementation of Official Language in the Company.
- 18.3 Company's effort in the implementation of the Official Language Policy found recognition by the Rastriya Hindi Academy, Roopambara, Kolkata where Company was conferred with "Sahasrabdi (Millennium) Rajbhasha Shield" and Certification for 2008-09 on 02-10-2009.



- 18.4 The Company is Convenor of Bangalore Town Official Language Implementation Committee (Undertakings) and conducts regular meetings and Joint Hindi Fortnight programmes for all Central PSUs in Bangalore.
- 18.5 The Company organised a Joint Hindi Fortnight for Town Official Language Implementation Committee (Undertakings) members and 15 Competitions were conducted. All most all PSU Offices in Bangalore have participated in these competitions. Prizes and Certificates were awarded to the prize winners during the TOLIC meeting held on 07-01-2010.
- 18.6 A half yearly Souvenir titled “Deepika” was published and released under Town Official Language Implementation Committee (Undertaking) during the TOLIC meetings held on 20-04-2009 and 07-01-2010.

19. PERSONNEL

- 19.1 The total number of employees on the rolls of the Company as on 31.3.2010 was 1362 consisting of 899 workmen, 430 Executives and 33 Supervisors as against 1617 on 31.3.2009.
- 19.2 During the financial year 2009-10 (April 2009 to March 2010), 15 candidates (4-General, 2-SC, 4-ST, 2-OBC, 2-PWD & 1 Minority) were recruited/appointed in Group `A` (Executives).

19.3 SCs/STs and women employees

The following table shows the number of SCs, STs, women employees, Ex-servicemen and Persons with Disabilities as against the total number of employees in different Groups on rolls of the Company as on 31.3.2010:

Group	Total No.of employees on rolls	SC	ST	No.of women employees	Ex-servicemen	Physically Handicapped
A	430	52	10	24	01	06
B	33	03	01	05	--	--
C	823	120	36	21	11	09
D	67	15	09	03	--	03
D(Sweepers)	09	01	--	03	--	--
Total:-	1362	191	56	56	12	18

19.4 Voluntary Retirement Scheme:

During the year 2009-10 (April 2009 to March 2010), VR Scheme has been introduced effective from 5.3.2009 to 4.4.2009, 2.5.2009 to 16.5.2009, 1.2.2010 to 15.2.2010 and 6.3.2010 to 20.3.2010. Out of 255 employees to be released on VRS, 244 have been released and 11 will be released in 2010-11 on their specific request.

19.5 Compliance under Persons with Disabilities Act, 1995

Your Company ensures compliance under the Persons with Disabilities Act, 1995. Suitable provision/modification is made in the working place to meet the requirements of such persons with disability.

20. INDUSTRIAL RELATIONS AND EMPLOYEES WELFARE:

- 20.1 The Industrial Relations situation remained peaceful throughout the year in all the establishments of the Company. Issues relating to productivity, safety, welfare, etc., are mutually discussed with employee representatives.
- 20.2 In pursuance of Government of India guidelines, wage revision for Board level, below Board level Executives and non-unionised Supervisors has been implemented during the year. In respect of non-executive employees, negotiation with the recognised union is under progress.
- 20.3 Right from inception, the Company has provided various amenities to its employees, such as well planned Township, Hospitals, Schools, Recreation, Cable TV Net work, Parks, Temples, Church, Mosque, etc., besides Grant of Scholarships, Reimbursement of School Fees, Uniforms, Children's Out-station Education Allowance, Entertainment, Magazine and Technical journal allowance etc..
- 20.4 As in the previous years, Dr. Ambedkar Jayanthi was celebrated at all locations on 14th April 2009

21. HUMAN RESOURCE DEVELOPMENT

- 21.1 Human Resource Development is a continuous process. Training and Development of all levels of employees is given priority by the Company to improve their skills and contribute productively to the Company. During the year, the achievement in this area was 879 Executive trained man days and 1497 Non- Executive trained mandays.
- 21.2 Besides conducting in-house programmes, such as Computer Training, Integrity Pact, Processing of Proposals -Vigilance aspects etc., the Company has deputed employees for outside conferences/training programmes. The programmes were focused on both technical and Managerial skills. Some of the programmes for which employees



were nominated are- Internal Financial Reporting Systems, Selection of Consultants & Consultancy Agreements, Environmental clearance of Mining projects, Winning strategies to re-vitalize Mining sectors, Process modeling in Iron & Steel making. ISO 14001 & OHSAS 18001 Lead Auditor course, Safety in Material handling, Efficient Iron making and support initiatives, Public procurement, efficient use of Boilers, Project Management for Engineers, Lean Six Sigma Strategies for business break through and Managing Change & Institutional Development through Social Innovation.

22. AWARD AND RECOGNITION

Your Company was conferred with ‘Sahsrabdi (Millennium) Rajbhasha Shield’ award on 02-10-2009 by Rastriya Hindi Academy, Roopambara, Kolkata in recognition of Company’s efforts in the implementation of the Official Language Policy for 2008-09.

23. VIGILANCE

- 23.1 Vigilance Department of KIOCL obtained ISO-9001:2000 Certificate on 07.11.2006 with a validity of 3 years. As the validity is expiring in November 09, agencies have been fixed for consultation (for up-gradation of system from 2000 version to 2008 version) and Certification separately. M/s. ICS Pvt Ltd, has conducted audit on 6th November, 2009 and issued certificate that is valid up to 8th December, 2012.
- 23.2 Integrity Pact Programme has been introduced in KIOCL from 01.01.2008. Annual Review Meeting with Transparency international India was held on 30th September, 2009. Admiral (Retd.) Tahiliani, Chairman, TII, New Delhi, Under Secretary, MoS, New Delhi have attended the programme. About 15 agencies (Counter parties) have participated. CMD, Directors, CVO, IEMs, Sr. Officers of the Company were present. CVO outlined the basics of the Integrity pact to all the participants. The counter parties and IEMs shared their experience on IP. Doubts raised by counter parties were clarified by Mr. Tahiliani, CMD and CVO. Till March 2010, about 136 contracts have been issued with IP included. But so far no complaints have been received by the IEMs.
- 23.3 Vigilance awareness Week was observed from November 03rd – 07th 2009 in KIOCL Limited. On this occasion a programme was arranged on 4th November 2009. Justice (Retd) N. Venkatachala, former Lokayuktha, Karnataka State was the Chief Guest. On this occasion the Company has honored three officers for very high integrity who have scored excellent grading in respect of four traits such as fairness, transparency, discipline & ethical behavior in their annual appraisals for 3 continuous years with an Integrity Recognition Certificate. On 7th November 2009, the concluding day of observance of vigilance awareness week, a lecture programme was arranged in the conference hall. Sri. Narasimha Komar, IPS, SP, CBI, Bangalore was the Chief Guest. He spoke about the “Role of CBI in the fight against corruption”.

23.4 Vigilance Department has conducted about 10 training programmes at three different locations. More than 300 employees have participated in these programmes. Important topics such as Integrity Pact, leveraging technology, improve transparency & effective use of website, preventive vigilance, etc., were covered.

23.5 Complaints are investigated properly. Inspections, surprise checks and scrutinies are done regularly to find out irregularities and loopholes in the procedures. System improvements and corrective measures are suggested for implementation.

24. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that –

- i. in the preparation of the Annual Accounts for the financial year 2009-10, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. The Directors have selected such Accounting Policies and applied consistently, that made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31.03.2010 and of the Profit/ (Loss) of the Company for the said period;
- iii. the Directors have taken proper and sufficient care for the maintenance of 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; and
- iv. The Directors have prepared the Accounts for the financial year ended 31.03.2010 on a going concern basis.

25. BOARD OF DIRECTORS

Appointment

Shri George Elias, IAS, Joint Secretary, Ministry of Steel was appointed as Part time official Director w.e.f. 10.11.2009. Shri NR Mohanty, Dr. Chiranjib Sen, Shri B Ramesh Kumar and Prof. VR Sastry were appointed as Part time Non-Official Directors of the Company vide letter No.5(11)/2007-KDM dated 30.7.2009. The Directors appointed during the year will hold the office up to the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Brief resume of the Directors seeking appointment together with the nature of expertise as stipulated under clause 49 of the listing agreement with the Stock Exchanges are given in the notice convening the ensuing 34th AGM of the Company forming part of the Annual Report.



Appropriate resolutions for the appointment of the aforesaid Directors are being moved at the ensuing AGM which the Board commends for your approval.

Cessation

Shri BS Meena, IAS, Special Secretary & Financial Adviser, Ministry of Steel resigned from the Directorship consequent upon his appointment as Secretary to Department of Heavy Industries in Ministry of Heavy Industry & Public Enterprise w.e.f. 31.3.2010.

Dr. Dalip Singh, IAS, Joint secretary to Govt. of India ceased to be part time official Director W.e.f. 10.11.2009 consequent to reallocation of work in the Ministry of Steel.

Shri Sreeman NS has relinquished charge as Director (Commercial) of the Company w.e.f. 26.11.2009 in terms of Ministry of Steel letter No. 5(10)/2007-KDM dated 24.11.2009.

Shri S Ravi and Dr. Sukumar Devotta, Directors completed their tenure as Non-official Directors. Your Directors place on record their deep appreciation of the valuable services rendered/advice and guidance provided by S/Shri S Ravi, Dr. Sukumar Devotta, Sreeman NS, BS Meena and Dr. Dalip Singh as Directors of the Company during their tenure.

26. LISTING REQUIREMENTS

I. The Company's shares are listed on the following Stock exchanges:

Bangalore Stock Exchange Limited,
"Stock Exchange Towers",
No.51, 1st Cross, J.C.Road,
Bangalore – 560 027.

Madras Stock Exchange Limited,
Exchange Building,
P.O.Box No.183, 11 Second Line Beach,
Chennai – 600 001.

II. The Company has paid the Annual listing fee to each of these Stock Exchanges for the year 2009-10.

III. A report on the Corporate Governance is at Annexure-II.

IV. A declaration by the Chairman-cum-Managing Director regarding the Code of Conduct for the Board Members and the Senior Management of the Company is at Appendix-I to Annexure-II.

V. A Certificate from the Chairman-cum-Managing Director and the Director (Finance) regarding the Financial and Cash Flow statements is at Appendix-II to Annexure-II.

VI. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance is at Annexure-III.

VII. There is no pecuniary relationship or any transactions by any of the non-executive Directors vis-à-vis the Company.

27. STATUTORY AUDITORS

Pursuant to Section 619(2) of the Companies Act, 1956 the Comptroller and Auditor General of India has appointed M/s Murali Associates, Chartered Accountants as Statutory Auditors of the Company for the year 2009-10.

28. STATUTORY AUDITORS REPORT, COMMENTS OF C&AG AND MANAGEMENT REPLY

The comments of C&AG under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31st March 2010, the Statutory Auditors observations and management replies thereto are annexed to the report.

29. IMPLEMENTATION OF RIGHT TO INFORMATION ACT, 2005

The information required to be provided to citizens under Section 4(1)(b) of the RTI Act 2005 has been posted and updated on the website of the Company, www.kioclltd.com. The information posted on the website contains general information about the Company, powers and duties of the employees, information about decision making, rules, regulations, manuals and records held by KIOCL, directory of the Company's officers, pay scales, procedure for requesting additional information about the Company by citizens and associated request formats. During the year 2009-10 the company received and attended to 57 requests for information under RTI.

30. ENERGY CONSERVATION

The electricity consumption per tonne of Pellet production in kwh was lower during the year as compared to the previous year. The decrease in consumption of electricity is on account of stabilisation of Pellet production during the year. Energy conservation day was celebrated on 14-12-2009 at Mangalore. Various competitions were held as a part of Energy Conservation week and prizes were distributed to the winners of various competitions conducted during the week. Electricity consumption during 2009-10 as compared to 2008-09 was as under:-

	2009-10	2008-09
Consumption per tonne of Pellets production in kWh (including grinding)	66.92	86.91

31. ENERGY AUDIT

The Company's operations are highly energy intensive. Keeping in view the importance of energy conservation, a specific plan and a programme has been drawn for compulsory energy audit to quantify the targets for energy conservation over the entire operational area. The recommendations of M/s Tata Energy Research Institute (TERI) (now M/s The Energy Research Institute), in the areas of energy conservation have been implemented. Energy



conservation is an ongoing process. Efforts are continuing to conserve energy in all possible areas. Energy Audit is carried out through Petroleum Conservation & Research Association (PCRA) and some more measures of energy conservation are being planned as suggested by PCRA in a phased manner.

32. R&D, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The information relating to Technology Absorption, Adaptation and Innovation, R&D and foreign exchange earning & outgo to be disclosed in Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is given and forms part of this report.

33. PARTICULARS OF EMPLOYEE OF SECTION 217 (2A) OF THE COMPANY READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1988

During the year none of the employee was covered under the purview of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1988.

34. ACKNOWLEDGEMENT

34.1 Your Directors gratefully acknowledge the support, cooperation and guidance received from the Hon'ble Minister for Steel, Hon'ble Minister of State for Steel, the Secretary, Ministry of Steel and other officials of the Department of Steel as well as other Ministries of the Government of India and the Government of Karnataka and all other departments/agencies concerned in all the endeavours of the Company.

34.2 Your Directors also acknowledge the timely advice and assistance rendered by the Indian Embassies abroad during the year in the Company's marketing efforts.

34.3 Your Directors sincerely thank all the customers and suppliers for their support and co-operation.

34.4 The Directors also appreciate the continued and dedicated efforts put in by all the employees to overcome many challenges faced during the year.

34.5 Last but not the least, your Directors express their gratitude to the Shareholders for the confidence reposed by them in the management of the Company.

For and on behalf of the Board of Directors

(K.Ranganath)

Chairman-cum-Managing Director

Place: Kudremukh
Dated: 26-06-2010

ANNEXURE-I

2. FORM - B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION,
ADAPTATION AND INNOVATION AND R&D ACTIVITIES**RESEARCH & DEVELOPMENT ACTIVITIES:**

The R & D activities are conceived to meet the short term and long term plans of the company.

FORM B

Sl. No.	Research & Development (R&D)	Particulars
1	Specific areas in which R&D carried out by the company	<p>a) The Company has undertaken R&D trials to determine viability of Doni ore filtration through the existing systems without mixing ore from Bailadila region. The R&D effort for changing over process technology of Pellet production from Doni and Baila ore combination to Doni ore only has been successful. Result of such R&D effort established no generation of slime in the process of grinding. This R&D effort will enable the company to have future economic benefit in cost savings.</p> <p>b) Detailed Project report for the installation of coke oven plant at blast furnace complex at Mangalore.</p> <p>c) Study on the Iron Ore Fines handling systems with Storage Silo and connecting the same with other facilities at Pellet plant, Mangalore for productivity improvement.</p> <p>d) Energy Audit for plant facilities at Mangalore.</p>
2	Benefit derived as a result of the R&D	To derive economic benefit in cost saving and crucial information towards the future expansion/improvement plan.
3	Future plan of action	To proceed with the projects/improvement plans based on the necessary clearances and approvals.



Sl. No.	Research & Development (R&D)	Particulars
4	Expenditure on R&D (2009-10)	
	a) Capital	Rs. 200 lakhs on (Sl. No. b, c, d)
	b) Revenue	Rs. 1925 lakhs on (Sl. No. a)
	c) Total Expenditure	Rs. 2125 lakhs
	d) Total R&D expenditure as a percentage of total turnover	2.14 %.

Technology absorption, adaptation & Innovation

1	Efforts in brief made towards technology absorption, adaptation and innovation	KIOCL has explored the possibility of introduction of pressure Filters in lieu of Disc Filters presently used in the filter plant at Mangalore for filtration of haematite fines/ore.
2	Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc	With the introduction of Pressure Filters the desired percentage of moisture in the Pellet feed can be achieved. Pressure Filters which are used to filter the Ultra fines leads to reduction of moisture. The major advantage of this is improvement in productivity & quality of Pellets.

C. FOREIGN EXCHANGE EARNINGS & OUT GO

During the year, your Company earned foreign exchange of US\$ 46.06 million (on receipt basis). Total outgo in Foreign Exchange on account of imports, payment towards technical services, etc., amounted to about US\$ 16.954 million only. KIOCL Limited thus continues to be a net Foreign Exchange earner for the country.

CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE

The Corporate Governance policy of KIOCL rests upon the four pillars of Transparency, Full disclosures, Independent monitoring and Fairness to all.

The Company believes that conducting the business in a manner that complies with the Corporate Governance procedures and code of conduct, exemplifies each of our core values and positions us to deliver long-term returns to our shareholders, favourable outcomes to our customers, attractive opportunities to our employees and making the suppliers our partners in progress & enriching the society.

The Company has set itself the objective of expanding its capacities and becoming more competitive in its business. As a part of its growth strategy, the Company believes in adopting the 'best practices' that are followed in the area of Corporate Governance across the country. The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interest of all its stakeholders.

The Board considers itself as a trustee of its Shareholders and acknowledges its responsibilities towards them for creation and safeguarding their wealth.

Compliance with Corporate Governance Guidelines

I. BOARD OF DIRECTORS

(A) Composition of the Board

KIOCL being a Government Company, appointment/nomination of all Directors is done by the President of India, through the Ministry of Steel. Articles of Association of the Company stipulate that the number of Directors shall not be less than five and not more than thirteen. As on 31.03.2010, there were nine Directors on the Board comprising of three whole time Directors including Chairman-cum-Managing Director, two non-official part time Director who are Government Nominees and four Independent Directors. In addition to the above, one functional Director's post is vacant. The Chairman being Executive Chairman, two more Independent Directors posts are vacant pursuant to clause 49 of the Listing Agreement of the Stock Exchanges. The matter of filling up of vacancies is under process at the end of Ministry of Steel and Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India. The members of the Board are from diversified backgrounds and have varied expertise and considerable experience in the respective fields.



The details of the Directors with regard to their category, directorship in other companies, Membership/Chairmanship in Committees of the Boards of other Companies and their attendance at the Board Meetings and AGM are listed below:

Sl. No.	Directors (S/Shri)	Category	Meeting held during respective tenure	No. of Board meeting attended	Attendance at the last AGM held on 28-7-2009	No. of Director-ships	Number of Committees ¹	
							Member	Chairman
1.	K Ranganath	CMD	7	7	Y	Nil	Nil	Nil
2.	Sreeman NS Upto 26.11.2009	Director (Commercial)	6	5	Y	Nil	Nil	Nil
3.	M B Padiyar,	Director (P&P)	7	6	N	Nil	Nil	Nil
4.	TMGK Bhat	Director (Finance)	7	7	Y	Nil	Nil	Nil
5.	B S Meena ² upto 31.03.2009	Govt. Nominee	7	5	N	3	Nil	Nil
6.	Dr. Dalip Singh ³ upto 10.11.2009	Govt. Nominee	5	5	N	4	Nil	Nil
7.	George Elias ³ w.e.f. 10.11.2009	Govt. Nominee	2	2	N	1	Nil	Nil
8.	S Ravi ⁴ Upto 14.4.2009	Independent	0	0	N	10	3	1
9.	Dr. S Devotta ⁴ Upto 7.5.2009	Independent	2	1	N	1	1	Nil
10.	N R Mohanty ⁵ w.e.f. 5.8.2009	Independent	3	2	N	5	2	Nil
11.	Dr. Chiranjib Sen ⁵ w.e.f. 7.8.2009	Independent	3	3	N	1	1	Nil
12.	B Ramesh Kumar ⁵ w.e.f. 7.8.2009	Independent	3	3	N	Nil	Nil	Nil
13.	V R Sastry ⁵ w.e.f. 5.8.2009	Independent	3	2	N	1	Nil	Nil

1. Represents Membership/Chairmanship of two Committees viz.: Audit and Shareholders'/Investors' Grievance Committee.
2. Shri B S Meena, SS & FA, Ministry of Steel and Govt. Nominee resigned from the Directorship w.e.f. 31.3.2010 consequent upon his appointment as Secretary, Department of Heavy Industry in the Ministry of Heavy Industries & Public Enterprises, Govt. of India.
3. Shri George Elias, Joint Secretary to Govt. of India was appointed as Director vice Dr. Dalip Singh who ceased to be a Director consequent to reallocation of work in the Ministry of Steel
4. The tenure of two Independent Directors viz. Shri S Ravi and Dr. Sukumar Devotta was completed w.e.f. 14.4.2009 & 7.5.2009 respectively.
5. Ministry of steel, Govt. of India vide letter No 5(11)/2007-KDM dated 30.7.2009 appointed four Independent Directors on the Board of KIOCL for a term of three years from the date of assumption of charge.

(B) Board Meetings and Procedure

The Board of Directors play the primary role in ensuring good governance and functioning of the Company. The meetings are governed by a structured agenda. All the agenda items are backed by comprehensive agenda notes, containing all the vital information, so as to enable the Directors to have focussed discussion at the meeting and to take decision. All the relevant information as enumerated in Annexure IA to clause 49 of the Listing agreement and guidelines for Corporate Governance for CPSE's issued by DPE is placed before the Board. The agenda and agenda notes are circulated to all the Directors in advance of each meeting of the Board of Directors. Where it is not practical to send the relevant information as a part of the agenda papers, the same is tabled in the meeting. The presentation covering the Company's performance, operations and business strategy is also made to the Board.

The Board also reviews periodically the compliance status of all the applicable laws. All the decisions are taken after detailed discussions by the Board Members at the meetings. The members of the Board have complete freedom to express their opinion and have unfettered and complete access to information in the Company.

During the financial year 2009-10, seven meetings of the Board were held on 24.4.2009, 6.5.2009, 25.6.2009, 22.7.2009, 24.9.2009, 12.11.2009 and 2.3.2010. The time gap between two Board Meetings is not more than four months.

(C) Code of Conduct

In pursuance to SEBI and DPE guidelines, the existing code of Conduct as applicable to Board members & Senior Managerial Personnel (i.e. General Manager in the rank E-8 and above) replaced by a new code with the approval of Board of Directors at its 191st meeting held on 12.11.2009. The revised copy of Code of Conduct is uploaded on the website of the Company i.e. www.kioclltd.com. The new Code of Conduct is in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company.

All the Board Members and Senior Managerial Personnel have affirmed compliance to the Code of Conduct. A declaration signed by the Chairman-cum-Managing Director affirming the compliance with the Code of Conduct by the Board Members and Senior Managerial Personnel of the Company is appended at the end of this report.

2. COMMITTEES OF THE BOARD OF DIRECTORS

To enable better and more focus attention on the affairs of the Corporation, the Board delegated particular matters to Committee of the Board set up for the purpose. These



committees prepare the groundwork for decision making and report at the subsequent Board Meeting. The following committees are constituted by Board:

- A. Audit Committee,
- B. Sub-Committee of Board of Directors,
- C. Remuneration Committee,
- D. Empowered Board Sub-Committee,
- E. Share Transfer Committee.

A. AUDIT COMMITTEE

The Company has an Audit Committee at the Board level functioning since 2000 with the powers and role that are in accordance with Section 292A of the Companies Act, 1956, Clause 49 of the Listing Agreement and DPE guidelines. The Committee acts as a link between the management, the Statutory Auditors, Internal Auditors and the Board of Directors to oversee the financial reporting process. The Audit Committee consists of four members and all of them are Independent Directors. The majority of the Audit Committee members have accounting and financial management expertise. Director (Finance), General Manager (Finance), AGM (Internal Audit), Statutory Auditors are the permanent invitees to the meeting. In addition, other Functional Directors except CMD, Senior Managerial Personnel are also invited to the Committee meetings to present reports on the respective items being discussed as and when required. Company Secretary acts as a Secretary to the Committee.

The Audit Committee observes and controls the financial reporting process of the Company with a view to provide accurate and proper disclosures. The Committee reviews the Internal Audit reports periodically as well as action taken report. The Committee also gives directions to the management in areas needs to be strengthened. The recommendations of the Audit Committee is binding on the Board.

During the financial year 2009-10, five meetings of the Audit Committee were held on 6.5.2009, 10.10.2009, 24.10.2009, 11.11.2009 and 25.1.2010. The 36th Audit Committee meeting originally scheduled for 29.9.2009 was adjourned due to lack of quorum to 10.10.2009. The time gap between two Audit Committee meetings is not more than four months.

The Composition of the Audit Committee as on 31.3.2010 and the attendance of the members at the meetings are as under:

Name of Director (S/Shri)	No. of Meetings held during respective tenure	No. of meetings attended
Dr. Sukumar Devotta	1	1
N.R.Mohanty, Chairman	4	3
Dr. Chiranjib Sen	4	4
B. Ramesh Kumar	4	4
Prof. V. R. Sastry	4	4
Sreeman N.S	1	1

The terms of reference of the Audit Committee are as under: -

- To comply with the requirements in accordance with Section 292A of the Companies Act;
- To comply with the requirement relating to the Audit Committee as envisaged in Clause 49 of listing agreement and the Guidelines on Corporate Governance issued by the Department of Public Enterprises (DPE), 2007 for CPSEs.
- To take on record and/or to review unaudited/audited quarterly/half-yearly/annual financial statements of the Company.

B. BOARD SUB-COMMITTEE

The Company has a Sub-Committee of the Board with the power to consider and approve the un-audited and audited quarterly and year to date financial results of the Company. The result as approved by the Committee subsequently placed to the Board for ratification.

During the year Sub-Committee of Board met three times, on 18-04-2009, 24-10-2009, and 25-01-2010. The composition of the Board Sub Committee as on 31.3.2010 and the attendance of the members at the meetings are as under:

Name of Director (S/Shri)	No. of Meetings held during respective tenure	No. of meetings attended
K. Ranganath	3	3
Dr. Sukumar Devotta	1	1
B. Ramesh Kumar	2	2
Prof. V. R. Sastry	2	2
Sreeman N.S	1	1
TMGK Bhat	3	3



C. REMUNERATION COMMITTEE

Considering Department of Public Enterprises guidelines, the Board of Directors at its 192nd Board meeting held on 02.03.2010 constituted a Remuneration Committee headed by an Independent Director and Director (Finance), Director (P&P) as members for the purpose of determining Performance Related Pay (PRP).

D. EMPOWERED BOARD SUB-COMMITTEE

The Board of Directors at their 190th meeting held on 24.9.2009 constituted a Board level Committee having the power to consider and recommend to the Board on proposal which exceeds the delegated power of CMD and requires Board of Directors approval, with the following members. The Committee met two times during the year 2009-10.

- i. Dr Chiranjib Sen, Chairman
- ii. Shri N R Mohanty
- iii. Prof V R Sastry
- iv. Director (Commercial)
- v. Director (P&P)

E. SHARE TRANSFER COMMITTEE

A Share Transfer Committee consisting of the Senior Manager (F & A) and the Company Secretary is functioning to look into all the transfers, transmissions, splitting and Issue of Duplicate Share Certificates etc. The action taken by the Committee subsequently placed before the Board for ratification. There was no grievance from any of the shareholder during the year.

3. REMUNERATION TO DIRECTORS AND POLICY

Being a Central Government Public Sector Enterprise, the appointment, tenure and remuneration of Directors are decided by the Government of India. The Government letter appointing the Chairman & Managing Director and other Functional Directors indicate the detailed terms & conditions of their appointment, including the period of appointment, basic pay, scale of pay, dearness allowance, entitlement to accommodation etc., and it also indicates that in respect of other terms & conditions not covered in the letter, the relevant rules of the Company shall apply.

Details of remuneration of Whole time Directors during the year 2009-10 are given below:

(Rs. in Lakhs)

Name of Director (S/Shri)	Salary	Benefits	Company Contribution to PF & Gratuity	Total for the year 2009-10	Arrears of salary *
K Ranganath	12.93	1.07	2.48	16.48	2.78
Sreeman NS (up to 26.11.09)	12.48	1.08	2.61	16.17	17.27
M B Padiyar	14.87	3.34	2.46	20.67	7.24
TMGK Bhat	12.51	0.17	2.58	15.26	4.94
Total	52.79	5.66	10.13	68.58	32.23

*Arrears of salary consequent to revision of pay scales for Board level posts w.e.f. 1.1.2007 and terminal benefits paid during the year..

Note: - Arrears were paid to Ex-Directors, consequent to revision of pay scales for Board level posts w.e.f. 1.1.2007. The details of arrears paid including benefits are as under: -

(Rs. In Lakhs)

Name of Ex – Director	Salary arrears	PF & Gratuity Arrears	Total
Shri P. Ganesan, Ex-CMD	4.81	0.47	5.28
Shri K. Swaminathan, Ex -D(F)	5.72	10.49	16.21
Captain J. N. Kini, Ex – D(P&P)	5.56	6.80	12.36

Non Official Part Time Government Nominee Directors are not paid any remuneration. They are also not paid sitting fees for attending Board Meetings. Independent Directors are paid sitting fee of Rs.10,000/- per meeting of the Board/Committee of the Board attended. Details of sitting fees paid to the Independent Directors during the year 2009-10 are given below:

(In Rupees)

Name of Director (S/Shri)	Sitting Fees		Total
	Board Meetings	Committee Meetings	
Dr. Sukumar Devotta	10000	20000	30000
N R Mohanty	30000*	70000	100000
Dr. Chiranjib Sen	30000	80000	110000
B Ramesh Kumar	30000	100000	130000
Prof V R Sastry	20000	100000	120000

*includes Rs. 10000/- paid to Shri NR Mohanty as Honorarium for attending 186th Meeting of the Board held on 24-04-2009 at Mumbai as Special Invitee.



None of the non executive Directors had any pecuniary relationship or transactions with the Company during the year. The part time Government Directors are ex-officio appointees and their terms is co-terminus with the term of respective position held by them in Government at the time of appointment on the Company's Board. The non-executive Independent Directors are appointed for a period of three years.

4. DIRECTORS SHAREHOLDING

The following Directors holding the equity shares in the Company as on 31.03.2009.

Name of Director	No. of shares held
Shri M B Padiyar, Director (P&P)	150
Shri TMGK Bhat, Director (Finance)	100

5. Disclosures

- a) There was no material transaction with the Directors or the Management or their relatives that may have potential conflict with the interest of the Company at large.
- b) Whistle Blower Policy is not a mandatory requirement. Company is yet to frame a policy in this regard.
- c) The Company has adopted all suggested items to be included in the Report on Corporate Governance as required under the listing agreement as well as Code of Corporate Governance issued by DPE.
- d) None of the Directors on the Board is a member of more than 10 Committees and the Chairman of more than 5 Committees, across all the Companies (Public Limited) in which he is a Director.
- e) There is no inter se relationship between directors of the Company, as per declarations received.
- f) There has been no instance of the non-compliance by the Company and no penalty or stricture is imposed on the Company by stock exchange (s) or SEBI or any statutory authority, on any matters related to capital markets during last three years.
- g) As on the date of approval of accounts, the number of independent Director(s) on the Board of the Company is not sufficient.

6. RISK MANAGEMENT

As a part of implementation of the guidelines on Corporate Governance issued by DPE, a Risk Assessment and Minimisation Policy for drawing of appropriate risk assessment, management and minimisation framework as also internal risk assessment framework, integrated and

aligned with Corporate and operational objectives has formulated. Same is being reviewed at periodical interval.

7. GENERAL SHAREHOLDERS INFORMATION

(i) Disclosure regarding appointment of Directors

The Company has provided brief resume(s) of the Directors seeking appointment at the ensuing Annual General Meeting, in the notice attached with the Annual Report.

(ii) Communications to Shareholders

The Company's quarterly financial results, official news releases and other general information about the Company are uploaded on the Company's website (www.kioclltd.com). The quarterly financial results of the Company generally published in the Financial Express, Business Standard, Mint (all editions) & Samyuktha Karnataka, Udayavani (a regional daily publication from Karnataka).

(iii) Details of Annual General Meeting(s)

The last three annual general meetings were held as under :

Year	Location	Date	Time
2008-2009	Registered Office, Bangalore	28-07-2009	12.00 hrs
2007-2008	Registered Office, Bangalore	30-08-2008	12.00 hrs
2006-2007	Registered Office, Bangalore	20-09-2007	12.30 hrs.

All the resolutions set out in the respective notices of last three Annual General Meetings were passed by the shareholders. No Special Resolution was passed at the Annual General Meeting. No resolution was put through Postal Ballot.

(iv) Financial Calendar

The Company's financial year is from 1st April to 31st March.

(v) Transfer of unpaid/unclaimed dividend amounts to Investor Education & Protection Fund

Pursuant to Section 205C of the Companies Act, 1956, dividend amount(s) remaining unclaimed and unpaid for a period of seven years, from the date they became due for payment, as required to be transferred to Investor Education & Protection Fund established by the Central Government.

Members who have so far not en-cashed their dividend warrants are requested to write to the Company/Registrar to claim the same, to avoid transfer to IEPF. Members are advised that no claim shall lie against the said Fund or the Company for the amounts of dividend so transferred to the said Fund.



The Company has transferred unclaimed Dividend amount upto the year 2001-2002 to Investor Education & Protection Fund as set up by Government of India.

(vi) CEO / CFO Certification

As required by clause 49 of the Listing Agreement, the CEO/CFO certification is appended as an Annexure to this Report.

(vii) Annual General Meeting for the year 2009-10

Day and Date	Wednesday, the 21st July 2010
Time	11.30 AM
Venue	Community Hall, KIOCL Ltd., Bangalore – 560 034.

(viii) Financial Calendar for 2010-11 (Tentative)

Financial Report for the Quarter ending June 30, 2010	Last Week of July, 2010
Financial Report for the Quarter ending September 30, 2010	Last week of October, 2010
Financial Report for the Quarter ending December 31, 2010	Last week of January, 2011
Financial Report for the Quarter ending March 31, 2011	Last week of April, 2011
Annual General Meeting for the year 2010-11	Last week of September, 2011

(ix) Book Closure

The Register of Members and Share Transfer Books of the Company shall remain closed from 19-7-2010 to 21-7-2010 (both days inclusive)

(x) Listing on Stock Exchanges

The Equity Shares of the Company are listed on

Sl No.	Name & address of the Stock Exchange	Scrip Code
1	Bangalore Stock Exchange Ltd. 51, 1st Cross, JC Road, Bangalore – 560 027	KIO
2	Madras Stock Exchange Limited. Exchange Building, 11, Second Line Beach, Chennai – 600 001	KIO

Listing fees for the year 2009 – 10 has been paid.

(xi) Market price Date

There was no trading reported at Bangalore and Madras Stock Exchange during 2009-10.

(xii) Performance in comparison to broad based indices such as BSE Sensex, CRISIL Index etc.

Since the Company's shares are not traded on a large scale frequently, its performance cannot be compared to broad based indices such as BSE Sensex, CRISIL Index etc., in the absence of price data.

(xiii) Registrars and Transfer Agents: M/s Alpha Systems Private Limited,
Regd. Office: 30, Ramana Residency,
4th Cross, Sampige Road, Malleswaram,
Bangalore – 560003
Tel. No.: 080-23460815-818

(xiv) Share Transfer System

The Company shares are available in physical form only. Transfer of shares is processed within a period of maximum 30 days from the date of lodgement subject to documents being valid and complete in all respects.

(xv) Investor Correspondence

In order to facilitate quick redressal grievance / queries the investors and shareholders may contact the Company Secretary at under mentioned address for any assistance :

Shri S. K. Padhi,
Company Secretary
KIOCL Limited
II Block, Koramangala,
Bangalore - 560034
Telfax 080-25531525,
e-mail/: bsecretary@kudreore.com

(xvi) Shareholding Pattern as on 31st March 2010

The Shareholding pattern of the Company as on 31st March 2010 is as follows:

Category	No. of shares	% Shareholding
Central Govt./State Govt.(s)	628144130	98.9961
Mutual Funds/UTI	1985000	0.3129
Financial Institutions/Banks	800000	0.1261
Insurance Companies	2778300	0.4379
Private Bodies Corporate	400	0.00
Resident Indian & others	805970	0.1270
Total	634513800	100.00



(xvii) Dematerialization of Shares

The Govt. of India is major shareholder of the Company holding around 99 percent and the balance 1% share is held by Financial Institutions, Mutual Funds, Insurance Companies, employees and General Public. The Company has not resorted to Dematerialization of shares.

(xviii) Outstanding GDRs/ADRs/Warrants

There are no outstanding GDR's/ADR's/warrant's or any convertible instruments

(xix) Registered Office: KIOCL Limited
II Block, Koramangala,
Bangalore – 560034, Karnataka
Phone: 080-25531461-470
Fax: 080-25532153-5941
Website: www.kiocltd.com

(xx) Plant Locations

The Company's plants are located at Kudremukh, Chickmagalur District and Mangalore in Dakshina Kannada District in the State of Karnataka.

(xxi) Compliance Certificate

As required under clause 49 of the listing agreement, the certificate from Statutory Auditors pertaining to compliance of conditions of Corporate Governance is being annexed with the Directors Report.

This report duly complies with the requirements of Guidelines on Corporate Governance for CPSEs and covers all the suggested items mentioned in Annexure-VII of the Guidelines. The quarterly report on compliance with the Corporate Governance requirements prescribed by DPE is also sent to Administrative Ministry regularly.

NON-MANDATORY REQUIREMENTS

1. Chairman of the Board

The Chairman-cum-managing Director of the Company, who is in whole time employment, is the Chairman of the Board. Therefore, there is no need for maintenance of a separate Chairman's office.

2. Remuneration Committee

Explained in Para 2(C) of Corporate Governance Report.

3. Shareholders Rights

The quarterly, half yearly and yearly financial results are published in the newspapers. These results are also uploaded on the website of the Company. Half yearly results are not sent to the shareholder of the Company.

4. Audit qualifications

There is no audit qualification.

5. Training of Board Members

Not adopted.

6. Mechanism for evaluating non-executive Board Members

Not adopted.

7. Whistle Blower Policy

Not adopted

MANAGEMENT DISCUSSION AND ANALYSIS

i) INDUSTRY STRUCTURE AND DEVELOPMENT

The Company operates in the international Iron Ore market which is highly competitive and volatile. The demand for Iron Ore is a derived demand linked to the fortunes of the steel industry, which in turn, depends on the steel consumption pattern. Continued emphasis given by Govt. towards development of various infrastructure projects is boosting the demand for Iron and Steel consumption.

The Global recession has a severe impact on the performance of the Company during the year 2009-10. The price of Pellets has shown signs of improvement from January 2010 onwards and has prompted the Company to increase production. The Company has produced 7 lakh tonnes and sold 6.78 lakh tonnes of Pellets during the fourth quarter of 2009-10 which has surpassed the previous performance particularly after the close of captive mine.

ii) SWOT Analysis

In the changing environment, the Company has identified the following strengths, weakness, opportunities and threats:

Strength

- Strong brand image world wide. Expertise in handling hematite ore through wet grinding system at Pellet Plant.
- 100% EOU status.



- Shore based Pellet Plant with captive berth, with automatic ship loading system.
- Expertise in Mining, Beneficiation & Pelletisation.
- A Mini Blast Furnace facility, a lone PSU unit which produces foundry grade Pig Iron.
- Captive Power Plant.
- Skilled Manpower.

Weakness

- No Captive Iron Ore mine
- No assured source for stable quality
- Lower value addition due to bought out ore and higher cost of logistics. Main activity of Pellet making is not considered as value addition, resulting our claim for mine clubbed with sale of Iron Ore by the mine owners.
- Non-availability of required quantity of Iron ore. This restricts Company from entering into long term sales contracts with assured quality.
- Applied Mining Leases are under litigation.
- Pig Iron plant has no forward integration
- Holding assets and skilled manpower at closed Kudremukh mine.

Opportunities

- Utilisation of Mechanical Ship Loading System.
- Expansion of mining activities with available core competence.
- Reduced threat of recession
- Value addition namely producing Ductile Iron Spun pipes at BF Unit.
- Venturing into new business areas namely - Coke Oven Plant, Setting up of Integrated Steel Plant.
- Assets and skilled man power readily available.

Threats

- Delay in getting new mining leases.
- Infrastructure – Dependence on Railways for allotment of rakes for movement of raw material.
- Sourcing of water from Lakya Dam.
- Delay in withdrawing from Kudremukh in view of Supreme Court order.
- Migration of trained manpower.

iii) PRODUCT-WISE PERFORMANCE

The following table summarises the production performance during the past three years:-

Year	MOU target		Actual production		Capacity utilisation of installed capacity in %	
	PP	PI	PP	PI	PP	PI
2009-10	2.650	0.170	1.273	0.062	36	29
2008-09	2.850	0.196	1.316	0.118	38	55
2007-08	2.600	0.199	1.927	0.157	55	73

iv) OUTLOOK

The Company has a large Equity base with no long term Debt to service. This is a source of strength to the Company. In order to fruitfully deploy its financial and technical strength for the future growth of the Company, your Company is exploring the possibilities of entering into new areas of business, acquiring new mining leases and formulation of diversification schemes for implementation.

In line with the decision of the Board of Directors, the existing global tender under consideration for installation and commissioning of DISP plant was cancelled. Further, based on the Board's direction, for identification of a JV partner for DISP project, the process to fix a Consultant and identify a JV partner has been initiated. An offer from M/s MECON Limited has already been received for expert consultancy services towards the formation of JV. An EOI has been floated for setting up of Ductile Iron Spun Pipe plant in the JV at Blast Furnace complex.

Government of Karnataka had granted mining lease over an area of 116.55 ha in Hombalghatta and Hosahalli villages in favour of KIOCL. Indian Bureau of Mines has already approved mine plan on 23rd September 2008. De-reservation proposal submitted in Form "A" to Nodal officer, Forest department, Govt. of Karnataka for diversion of entire forestland for mining purpose is under process with State Forest Department. Ministry of Environment and Forest, Govt. of India accorded Environment clearance for the project for mining of 1.0 million tonne per year of Iron Ore and 5000 tonne per annum of Manganese Ore. Karnataka State Pollution Control Board has also accorded consent for establishment of the project under Air Act, 1981 and Water Act, 1974.

The Company is trying to get mining leases at Ramanadurg, Karnataka and in Sundargarh District, Orissa subject to resolution of legal disputes. The Company is also in the process of selection of a JV partner for Equity participation for setting up of an Integrated Steel plant in the State of Karnataka.

v) RISKS & CONCERNS

The main risks and the area of concern for the Company is non-availability of long-term mining lease. The Company is examining various options like JV in Steel sector, Contract



Mining, Coal Mining etc which are yet to materialise. Constant pressure from local authorities to stop drawl of water from Lakya Dam. Stoppage of water will lead to complete closure of both the plants at Mangalore.

Slowdown in Domestic market is affecting the pricing of Pig Iron.

vi) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has a regular system of conducting Internal Audit by an external agency. The Internal Audit Department within the Company is also strengthened with induction of Officers at senior level. The Internal Audit system is commensurate with the growing size and nature of the business of the Company. The reports of the Internal Auditor are regularly placed before the Audit Committee for its review and further guidance.

vii) FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

a) The Financial performance of the Company for the year 2009-10 in brief is furnished below:

(Rs. in crores)

Particulars	2009-10	2008-09
Sales	992.72	1228.98
Profit /(Loss)before tax for the year	(194.95)	24.18
Profit /(Loss) after Tax	(177.27)	22.01

b) Cash Flow information

An abstract of Cash Flow statement for the year ended on 31st March, 2010 is as under:

Rs. in lakhs

A) Opening cash and cash equivalents as at 1-4-2009(OB)	119986.61
B) Net cash from operating activities	13371.67
C) Net cash from investing activities	6732.46
D) Net cash used in Financing Activities	(742.35)
E) Cash and Cash equivalent as at 31-03-2010 (CB)	139348.39

viii) MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATION FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

The Company aims at providing motivation and growth opportunities for employees. It also encourages them and creates an environment for best utilisation of their skills in achieving the Company's objectives. Training and Development is the key word of HRD. The achievement during the year under report was 879 Executive and 1497 Non-executive trained man days.

Industrial Relations situation remained peaceful throughout the year in all the establishments of the Company. Works Committees and Joint Plant and Shop Councils meet regularly and their discussions contribute towards improving industrial relations and resolving differences, if at all they arise.

The following table shows the total number of employees in different Groups on rolls of the Company as on 31st March 2010:-

Group	Total No.of employees on rolls	SC	ST	No.of women employees	Ex-servicemen	Physically Handicapped
A	430	52	10	24	01	06
B	33	03	01	05	--	--
C	823	120	36	21	11	09
D	67	15	09	03	--	03
D(Sweepers)	09	01	--	03	--	--
Total	1362	191	56	56	12	18

Poaching of trained manpower at Kudremukh is a source of concern for the Company.

IX. CODE OF CONDUCT - CLAUSE 49 I (D)

In compliance with Clause 49 I (D) of the Listing Agreement, the Board of Directors has laid down the code of Business Conduct and Ethics for the Board members and senior Management of the Company. The Copy of Code is displayed on the website of the Company [http// www.kiocltd.com](http://www.kiocltd.com). All Board members and key officials of the company have affirmed their compliance with the code. A declaration by the Chairman-cum-Managing Director in this regard is at Appendix-I.

X. FINANCIAL AND CASH FLOW STATEMENTS – CLAUSE 49 V

A Certificate signed by the Chairman-cum-Managing Director and the Director (Finance) to the effect that the Financial and Cash Flow statements do not contain any materially untrue statement and that they present a true and fair view of the Company's affairs and are in compliance with existing standards, applicable laws and regulations is at Appendix-II.



KIOCL Limited

KIOCL Limited

(Formerly Kudremukh Iron Ore Company Limited)
(A Government of India Enterprise)

Registered Office :

II Block, Koramangala, Bangalore - 560 034

Telephone : 080 - 25531461 / 70

Fax : 080 - 25532153 / 25535941

Website : kudremukhore.co.in



ISO 9001, 14001
and OHSAS 18001 Company

Appendix - I to Annexure II

The Shareholders,
KIOCL Limited
II Block, Koramangala,
Bangalore - 560 034.

Sub: Code of Conduct.

In compliance with Clause 49 I (D) (ii) of the Listing Agreement, the Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management of the Company. I hereby declare that the Board Members and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct during the year 2009-10.

(K RANGANATH)

Chairman-cum-Managing Director

Place : Bangalore

Date : 01-06-2010

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Appendix - II to Annexure II

The Board of Directors,

KIOCL Limited,
II Block, Koramangala,
Bangalore-560 034.

Sub : Financial and Cash Flow statements.

Dear Sir,

- a) We hereby certify that we have reviewed the Financial statements and Cash Flow Statements for the year 2009-10, and to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or certain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b) to the best of our knowledge and belief, no transactions were entered into by the Company during the year 2009-10 which are fraudulent, illegal or violative of the Company's Code of Conduct;
- c) we accept the responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and we have taken steps to rectify these deficiencies;
- d) We have indicated to the Auditors and the Audit Committee-
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in Accounting Policies during the year 2009-10 and that the same have been disclosed in the Notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

This certificate is issued in compliance with Clause 49 (V) of the Listing Agreement with the Stock Exchanges.

(K RANGANATH)

Chairman-cum-Managing Director

(TMGK BHAT)

Director (Finance)

Place : Bangalore

Date : 07-05-2010