



## MSPL LIMITED

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hand in hand





## MSPL LIMITED

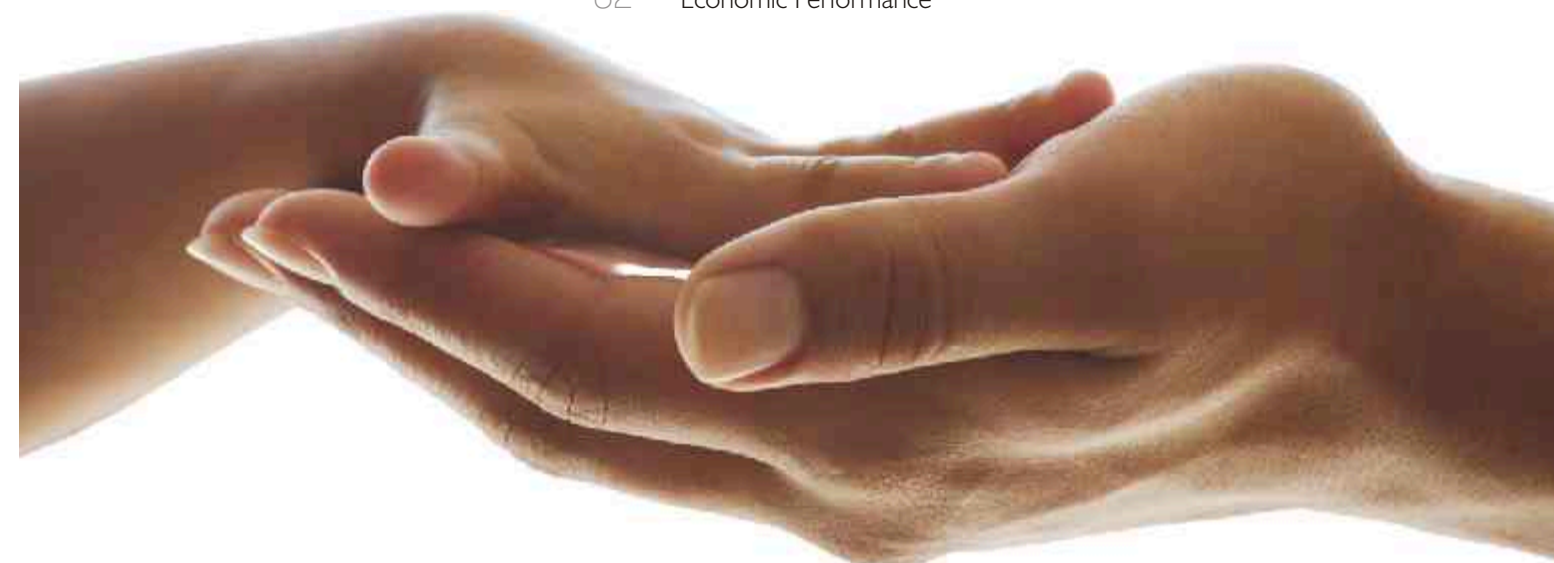
CORPORATE SUSTAINABILITY REPORT

2005-06

Responsibility walks hand in hand with capacity and power.  
Learning and innovation go hand in hand.  
Freedom goes hand in hand with mutual respect.

Progress is true and long term only when  
ecology and economy both flourish hand in hand.

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We are committed  
to the principles of  
sustainable development.

## CHAIRMAN'S STATEMENT

We have always believed that it is essential for a dynamic company such as ours to comprehend and appreciate the interaction between economic viability, environmental stewardship and social responsibility. In this report we transparently reflect on our performance across non-financial dimensions: **the triple-bottom-line**. We have begun to consolidate our progress around this philosophy and I am delighted to share with you the progress we have made so far.

We see sustainable development as an essential business practice, and hence with the support and talents of our people we will build on the strengths that are outlined in this report.

Last year has been very dynamic in terms of business growth. Iron ore production got a boost and touched the 2 million metric tonnes mark. We were recognised by the Karnataka Renewable Energy Development Limited as the highest investor in the field of renewable energy in Karnataka, with a total installed capacity of 85.6 MW and another 26 MW under implementation.

Overall we made good progress during the last financial year by achieving a turnover of INR 6,350 million, net profit after tax of INR 1,408 million (an increase of 88 percent from that of last year) and increasing export income by 88 percent to touch INR 5,513 million mark.

Enthused by this growth and guided by our principles of five Cs, i.e. Creativity, Commitment, Concern, Care and Core Values, we continued to create an exciting environment at the workplace and for the surrounding communities to usher in a better tomorrow. We maintained commendable operating and financial discipline and continued to deliver admirable shareholder value.

Our focus has increasingly broadened to embrace sustainable development, which we see as a key growth platform for us. We demonstrated our commitment to sustainable development through our environmental and social initiatives.

Environment protection and community development have been amongst our topmost priorities since inception. These pillars of sustainable development form an intrinsic part of our core operations and basis for our diversified endeavours.

We understand that our mining operation involves various activities that have significant impact on environment, and come with a lot of risks for our workforce. We have been investing in appropriate technologies to improve safety standards and environmental performance. For example, we have developed plans for minimising waste at our mines using a two-pronged strategy: first to reduce waste generation by optimising excavation operations and second by developing innovative products using overburden.

We believe that our people are the pillars of our progress and we ensure that they enjoy a safe workplace environment. We extend this responsibility to the communities around our operations. We recognise their needs and have invested appropriately to ensure their accessibility to primary education and healthcare facilities. We are working towards putting a structure to our interactions with the communities, with the belief that meaningful progress can be made when we take them along.

At MSPL, setting new standards of performance and achieving tough milestones has been a tradition. With this sustainability report we have begun a new journey and have placed environment and social performance disclosure alongside our financial reporting. We welcome your suggestions and ideas to improve our sustainability performance.

Narendrakumar A. Baldota  
Chairman and Managing Director







OUR VISION

Be valued as  
one of world's leading  
resource companies.



Beginning as a core mining company in 1962, we have grown from strength to strength. Today we have a leadership position in iron ore mining and have diversified into wind power generation.

Our journey has been influenced by globalization, changing external environment, fierce competition, peer pressure, social and environmental concerns and many more factors. We faced these challenges and opportunities with a will to win and to manage. We are driven by a vision that envisages the needs of the future and drives us to live beyond our vision.

## OUR MISSION

To become the leading iron ore supplier in the country by meeting the direct and implied needs of domestic and global customers to their best satisfaction, through the employment of state-of-the-art technology and services of committed and knowledgeable team members.

1

2

3

4

5

To align our activities  
in line with our vision  
and mission,  
we have developed

# 5Cs

## Creativity



Innovatively harnessing resources  
to find creative solutions that  
augment business operations.

1

## Commitment



An unflinching promise of  
providing nothing short of the best  
in quality and quantity through  
state-of-the-art R&D and  
continuously upgrading the skill  
quotient of managers and workers.

2

## Concern



A genuine and meaningful interest  
in the environment, by embracing  
green technologies, afforestation  
programs and air, water & soil  
management.

3

## Care



Initiatives that make a real  
difference at the grass-roots level  
of the community we work in;  
covering areas of education,  
healthcare and overall  
enhancement in the living  
standards of the community.

4

## Core values



Quality, customer relations,  
safety, care for environment and  
ethical business practices,  
form the basis on which the  
group functions and supports  
the framework of its operations.

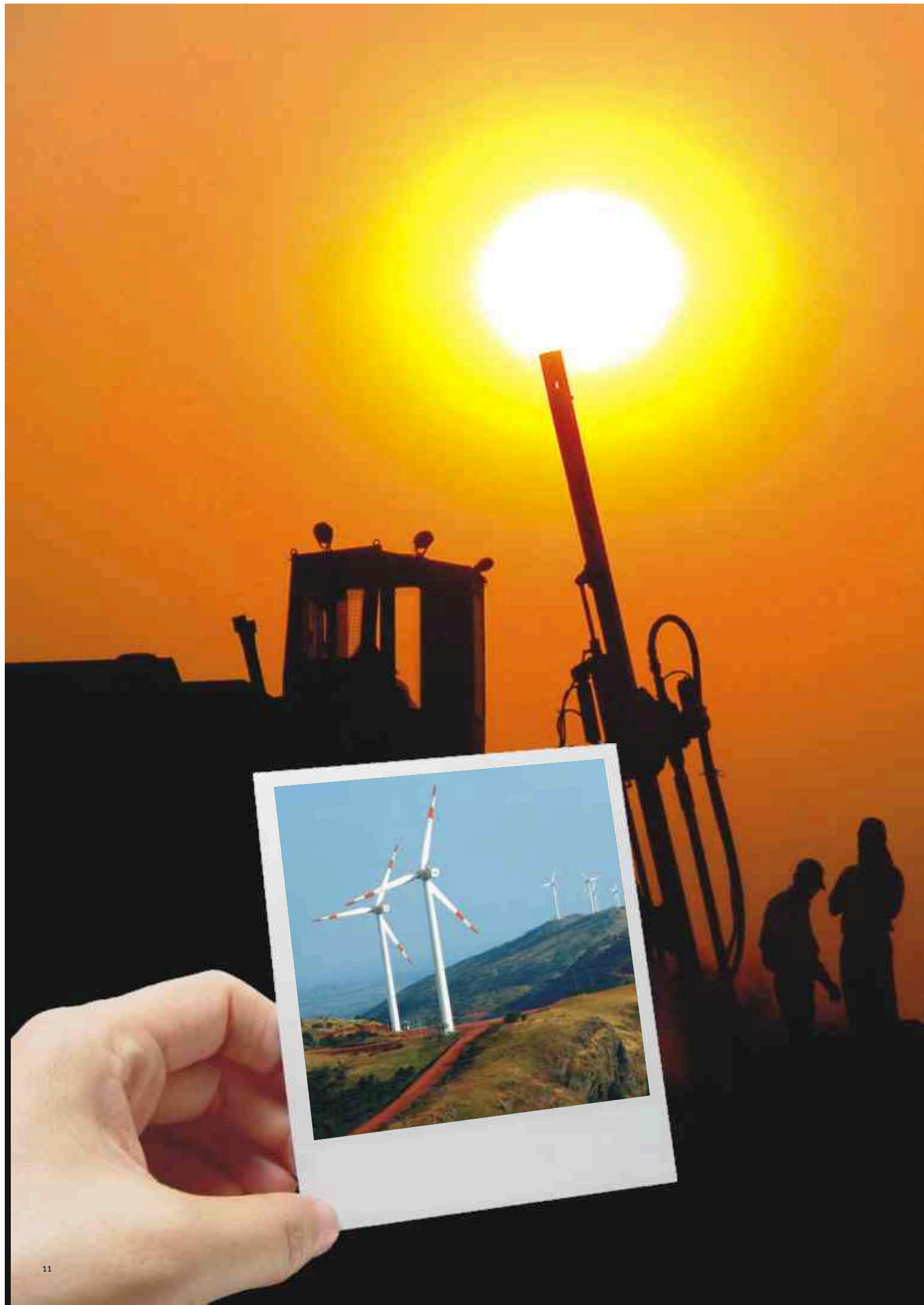
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## Report Scope and Profile

We understand the concept of sustainable development and we are aware of the fact that our actions today will have direct and indirect consequences on the generations for years to come. Sustainability forms the foundation for all our business endeavours and we try to achieve a balance between our economic, environmental and social performances. We have been monitoring our sustainability footprint and with this report we present to you a glimpse of our triple-bottom-line performance.



This report includes information on two of our businesses:

## Iron Ore Mining and Wind Power

We have not included the Industrial Gas division as we have separated out this division with the name MSPL Gases Limited with effect from April 2006. The information presented in this report is for the period from February 2005 to January 2006. We have presented relevant case studies to bring in unique features of each business unit.

We have attempted to highlight the environmental concerns and social issues we face and our approach to extenuate them.

The Economic performance section includes information on our net sales; the geographic breakdown of our markets; our payroll; taxes paid to the local and national exchequer and donations as a part of our social investment. The Economic performance section is for both the mining and wind power businesses. However, for a further understanding of our economical performance, please refer to our annual report and other financial statements.

Sustainability aspects of our mining business are presented after the economic performance. Environmental performance at mines has been elaborated by presenting data on energy and water consumption, GHG (Green House Gases) emission, impact on biodiversity, use of ozone depleting substances, air emissions and waste generation. We have also given a brief account of safety and training under this section.

On the social sphere, we have included indicators such as work force diversity, employment generation and community initiatives. A brief account of Abheraj H. Baldota foundation is outlined in the report along with various social initiatives.

On our wind power business we have given an overview of the business, market served and current & future generation statistics.

We have based this report on our perceived need of communication with our stakeholders on sustainability matters. This year we are developing our maiden report based on "GRI Guidelines 2002". We intend to broaden the scope to comply with "in-accordance" GRI requirements in the forthcoming year, for which this report would form the baseline.

<sup>1</sup> Global reporting initiative is a long term, multi stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines.





## Company Profile

At MSPL we add value to some of nature's valuable resources and harness them for productive performance. We have built core competence in the core sectors of iron-ore mining and wind power generation.



# MSPL

We are the flagship company of the Baldota Group of Companies. Our core business is mining and for over four decades we have been mining, processing and exporting iron ore. We have the distinction of being the first private sector company in India to receive a license for export of high grade iron ore inspite of the fact that iron ore was a restricted commodity for exports.

Our mining operations are in Karnataka state in India and are certified for ISO 9001:2000. MSPL Limited got certified for its quality standards ISO 9002:1994 version in 1997.

We own and operate wind farms with an installed capacity of 84.6 MW in Karnataka state and 1 MW in Maharashtra. We received the "Highest investor award in the field of Renewable Energy" for 2004-05 from Karnataka Renewable Energy Development Limited.

MSPL Limited is the first  
mining company  
in India to get certified  
for the new version of  
quality standards  
ISO 9001:2000, ISO 14001:2004  
and occupational health  
and safety management systems  
as per OHSAS 18001:1999.

In the market we are renowned as:

- First private company to export high grade iron ore
- Largest wind power generator in the country



## Iron Ore Mining

We are pioneers in the field of mining and export of Iron Ore from Bellary-Hospet sector of Karnataka State in India covering a total area of 347.22 hectares. We have been constantly and consistently implementing international principles and modern techniques in our businesses to keep pace with changing times. We are exporting high grade iron ore fines to China. Ministry of Commerce has recognized our efforts and conferred the “Three Star Export House” status on us. Chemical and Allied Product Export Council (CAPEXIL) has awarded us the “Special Export Award” consecutively for the past 6 years for our performance in exports. We have also received the coveted State Award for Excellence in Exports for the period of 1996-2000.

According to the Behre Dolbear<sup>2</sup> review of our iron resources and reserves, the Vyasanakere mine is estimated to have 20.83 million tonnes of proven iron ore reserves at a grade of 65% Fe, and 8.53 million tonnes of probable iron ore reserves at a grade of 64.5% Fe, for a total of 29.36 million tonnes reserves.

The Ministry of Commerce, Government of India has awarded a “Three Star Export house” status to us as per Foreign Trade Policy 2004-09. This certificate is valid for five years and underscores our substantial foreign exchange contribution to the national exchequer.

We are actively growing our mining business and seek to acquire additional mining assets. We have recently entered into run-of-mine purchase contract in respect to Banashankari Iron Ore Mines, and also with another third-party lease holder in West Singhbhum in Jharkhand.

## Mining Products

Our product profile includes:

1. High Grade Iron Ore Fines (Fe +65)
2. Calibrated Iron Ore Lumps (Fe +65)
3. Medium Grade Iron Ore Fines (Fe +63)
4. Calibrated Iron Ore Lumps (Fe +63)
5. Iron Ore Concentrate (Fe +66)



MSPL Limited's concentrate is high grade iron ore powdered below 1 mm size beneficiated to 66 percent Fe content. The product is ideal for pellet making and is already being exported to China. We see a bright future for our beneficiated iron ore concentrate with high-grade reserves depleting and economics getting constrained due to increasing ocean freight.

<sup>2</sup>Behre Dolbear was established in 1911 and they are mineral industry consultants based out of London.





## Wind Energy

We diversified into power generation using Wind Energy as a part of our commitment to develop sustainable energy, to balance economic progress with environmental care and social responsibility.

The company initiated its wind power foray with a 1.0 MW wind farm at Satara, Maharashtra in Dec 2001. This initiative has been augmented by commissioning large wind farms at Jogimatti in Chitradurga district, at Sogi in Bellary district and at Jajikalgudda in Davangere district. Total installed capacity stands at 85.60 MW.

Our wind farms are situated in Karnataka with a capacity of 46.25 MW in Harpanhalli and 38.35 MW in Chitradurga. We are in the process of investing in additional 16 turbines of 1.25 MW capacity each in Maharashtra and 10 turbines of 0.6 MW capacity each in Karnataka.



According to the Directory of Indian Wind Power, published by Consolidated Energy Consultants Limited, (March 2005), we had the largest installed wind generation capacity in India.







## In Conversation with Rahulkumar Baldota

The success of a sustainable development program depends on the approach taken and the commitment demonstrated by the top management. In an insightful interview, Executive Director Rahulkumar Baldota shares the ethos, the approach, the strong belief and the passion that drive this initiative at MSPL.





**It is interesting to see MSPL's core values in place. Why are values important in relation to the Corporate Social Responsibility (CSR) and Sustainable Development (SD) agendas?**

Values are important for the success of any organization. We felt the need for defining clear set of core values primarily because we wanted to make our people understand clearly what the company's vision is and how it could be achieved with a clear set of values. Unless they have clarity it would not be possible for them to contribute and find acceptable solutions. These values were there since inception but we have not communicated it to our employees, formally. Now that we will be a listed company, there would be a broader range of stakeholders who would want to know our approach towards community, efforts in improving environment and the way we work. It is about time that we communicate these values differently.

**In your view what is sustainable development? Is it more pain than gain? Is it another jargon in the corporate world?**

Sustainable development to me is "working in harmony with nature". It may be a pain if not implemented rightfully. If we recollect the day-to-day life of our ancestors and the way they used to worship trees and value five elements of life, we get the answer. This concept is not something very new; the mention of this is there in our Vedas as well, which identify humanity within the cosmos, society and the natural environment.

Yes, I agree that corporate world has realized this link now and has reaped benefits of integrating sustainability in the business strategy. In my view it is definitely a GAIN.

**Today growing number of companies globally, and back home in India, are talking about sustainability. What do you think their drivers could be and what are your drivers for implementing sustainability?**

As I see, the biggest driver could be the introspection; understanding your position in the sustainability domain. Other driver could be the pressure from informed stakeholders who have interest in your organisation. It could also be the peer pressure.

For us, we want to consolidate our triple-bottom-line performance and make it an everyday activity. We also want our stakeholders to understand our stand on sustainability.

**Who are the key stakeholders to you and how do you engage them in consolidating your sustainability performance?**

In fact anyone who has interest in our organization is a stakeholder to us. But as you have put it correctly, key stakeholders who have an impact or are impacted by our activities include: employees, customers, suppliers, regulatory authorities, local community, and shareholders.

We have been having a dialogue with all of them in different forums.

**What are your immediate target areas under sustainability?**

Mining is our core business. The fact that we have invested in renewable energy elucidates our approach towards sustainability. We have plans of expanding our wind power generation capacity in near future.

Our immediate target is to have a sustainability charter in place, strengthen dialogue with our stakeholders, and give it a structured approach.

We also plan to integrate our existing quality, environment, health and safety management systems.

**Where do you see the biggest CSR and SD risks for MSPL in near future?**

The biggest risk is lack of communication with stakeholders, especially with neighbouring communities. We need to make them understand our business and partner with them for better solutions.

The other risk could be from changing market dynamics, international business environment and customer expectations.

**Do you think this concept of sustainability is here to stay?**

Definitely yes!

Sustainability triggers innovation. It defines new parameters for business which otherwise are considered intangible and thus never get accounted. It establishes link between business, society and environment, which are essential ingredients for success.



Sustainable development to me is "working in harmony with nature"







## Corporate Governance

We endeavour to base our Corporate Governance practices on the core values of honesty, openness and hard work.

We have always believed in sustainable development and are aware of the fact that robust corporate governance systems and processes are the backbone of such a development.





For us the key to creating wealth and maintaining a balanced triple-bottom-line **economic viability, environmental stewardship and social responsibility**

primarily lies on the same path, the path of wielding accountability in our corporate governance. Our ultimate goal is to continually create and enhance value for our stakeholders.

#### BOARD OF DIRECTORS

|                                |                              |
|--------------------------------|------------------------------|
| Shri. Narendrakumar A. Baldota | Chairman & Managing Director |
| Shri. Rahulkumar N. Baldota    | Executive Director           |
| Shri. Shrenikkumar N. Baldota  | Executive Director           |
| Shri. R. H. Sawkar             | Director                     |
| Shri. M. Ravindra              | Director                     |
| Shri. Anirudha R. Barwe        | Director                     |

During the year under report Shri. Abheraj Hirachand Baldota who was Chairman & Managing Director resigned as Managing Director of the company with effect from 9th September, 2005 but continued as the Chairman and Director of the company till his demise on 29th September, 2005.

Though not a listed company, we have adopted a proactive approach to include in the scope of our Audit Committee, the items stated in clause 49 regarding Corporate Governance of the Listing Agreement. We plan to get listed with The National Stock Exchange of India Limited and Bombay Stock Exchange Limited this year.

Under MSPL Limited, we have mainly two business divisions viz. Mining Division and Wind Power Division. Industrial Gas Division is not being considered as we plan to launch a separate company for this business in the name of MSPL Gases Limited in the next financial year.



We present to you the organization structure for the two divisions:

#### ORGANIZATION STRUCTURE FOR MINING

| EXECUTIVE DIRECTOR - MINES |       |                     |        |             |
|----------------------------|-------|---------------------|--------|-------------|
| Excavation                 | P & A | Geology             | Survey | P & P       |
| R & D                      | M & M | Material Management | QC     | Environment |

#### ORGANIZATION STRUCTURE FOR WIND POWER

| GENERAL MANAGER - ENERGY |                       |                 |                   |                  |
|--------------------------|-----------------------|-----------------|-------------------|------------------|
| Chitradurga Wind Farm    | Harpanhalli Wind Farm | Dhule Wind Farm | Harihar Wind Farm | Satara Wind Farm |

## Walking the talk

We have introduced various management systems to realize our vision, which is to be recognised as the most preferred resource company across the globe, operating in a framework of ethics, transparency and socio-economic development. We seek to achieve world-class standards in our operations, especially in relation to environmental and social issues. We implemented various management systems to give structure to our approach to achieve what we have envisioned.

We hold the distinction of being the first mining company in India to get certified for the Quality Management System ISO 9001 : 2000; Environmental Management System ISO 14001 : 2004 and Safety and Occupational Health Management System OHSAS 18001 : 1999. This fact has been endorsed by BVQI, a leading certification agency.

The following pages present a glimpse of our management systems, which form an integral part of our organization's functioning.





# Quality Management Systems

Our mining division has been certified for ISO 9001 : 2000, quality management systems. We have a dedicated R&D cell to explore iron ore deposits and create new products to suit different steel industries and other related industries. The R&D cell also explores the possibility of developing new products from the waste we generate as a result of our activities. To ensure continual quality of our products we have established an instrumental laboratory equipped with latest instruments managed by experienced and well-trained personnel. We ensure periodic training, systematic documentation, equipment calibration and analytical procedure validation for continual upgradation of our quality standards and processes. We also engage in an annual dialogue with our customers, vendors and suppliers wherein we try to map and understand their requirements and expectations from us. Based on the dialogue we initiate changes in our systems to be able to meet customer requirements.

QUALITY POLICY

**MSPL is committed to:**

- Produce quality products with a strong emphasis on customer satisfaction.
- Carry out mining operation in total conformity with applicable regulations.
- Continuously improve products and processes through establishment of quality objectives for relevant functions, facilitate and monitor achievement.
- Build total quality concepts in all activities by creating a strong awareness among all employees through involvement, training, motivation and commitment.

Date: 01.01.2001

Rahulkumar N. Baldota

# Management Information Systems

We have an efficient and secure information system to generate, collate and store important information related with our activities. This ensures easy and classified information flow among our managers at all levels. This system comprises of the latest hardware and software interfaces, and communication systems.

At mines we have commissioned DATAMINE, a mining software which involves data capture, analysis & updation, exploration, geology, geochemistry, surveying, ore body modeling, open pit mine design, and production planning. This software helps in optimal utilisation of available resources and has an in-built link with quality control at mines.



# Environment Management Systems

Environmental management system forms the backbone of our commitment towards improving our ecological footprint. Mines division is certified for ISO 14001 : 2004, environmental management systems. We have driven several initiatives aimed at improving environmental footprint of our activities. Some of the major initiatives include:

- Afforestation based on advanced biotechnological methods aimed at transforming the harsh mining terrain into forest areas, with proper post-plantation care to ensure self sustenance of the flora.
- Terracing of waste dumps into benches in order to fully stabilize them.
- Construction of a series of gully plugs and check-bunds to control soil erosion, to collect run-off from the mines as well as dump area. These plugs and bunds ensure that the entire run-off is contained within our lease area and only clear water is allowed to be discharged.
- Dump yard stabilisation by using 'Coco Soil Erosion Control Blanket'.
- Recycling of water used for beneficiation with thickeners and ponds, thus ensuring zero liquid waste effluents.
- Use of Tamrock Pantera 800 drill for zero pollution drilling activities.
- Regular ambient air monitoring in the mining area.
- Regular noise monitoring in the mining area.

ENVIRONMENTAL POLICY

**MSPL is committed to:**

- Control pollution caused by mining activities and protect environment.
- Reduce, in particular, air, soil and noise pollution to sustainable levels through continual improvement of operations.
- Reduce spillage and wastage of iron ore during various processes.
- Undertake afforestation activities to balance disturbance due to mining and further improve ecology.
- Comply with all applicable legal requirements and with other requirements to which MSPL subscribes.
- Provide a framework for setting and reviewing environmental objectives and targets.
- Document, implement, maintain and continually improve its environmental management system.
- Make available the environmental policy to the public.

Date: 02.05.2005

Narendrakumar A. Baldota





## Occupational Health and Safety

MSPL is certified for OHSAS 18001 : 1999, occupational health and safety management system. The safety and health management system helped us in systematically monitoring and improving our safety performance. It also helped us in controlling and mitigating the hazards that our activities may pose to employees and the surrounding community. As part of this management system, we have a sound blast evacuation plan, which helps our blasting operations to be executed with minimal risk. The key initiatives implemented last year include:

- Maintaining one way traffic conditions inside the mine area to eliminate chances of any accident.
- Optimization of blasting techniques to reduce average explosive charge per meter.
- Prohibition of cleaners inside mining areas.
- Mobile service vehicles to take care of heavy machinery and to manage breakdown of vehicles.
- Specially designed lighting tower for late evening hour operations.
- Special fluorescent outfits for mine personnel involved in late evening operations.
- Comprehensive training sessions on safety related aspects.
- Our efforts in safety management have helped us to prevent any accident and maintain ZERO accident status for last 7 years.

### HEALTH & SAFETY POLICY

#### MSPL is committed to:

- Achieve zero accident level.
- Provide adequate steps towards safety and health of the employees by implementing OH&S management system requirements in all our activities.
- Comply with all applicable rules & regulations.
- Take proactive steps to identify hazards, assess risk levels and implement control measures.
- Train all employees on safe work practices.
- Continual improvement of safe work practices.
- Communicate OH&S policy and safety management system to all employees and interested parties.

Date: 01.11.2002

Rahul Kumar N. Baldota

## Economic Performance Indicators

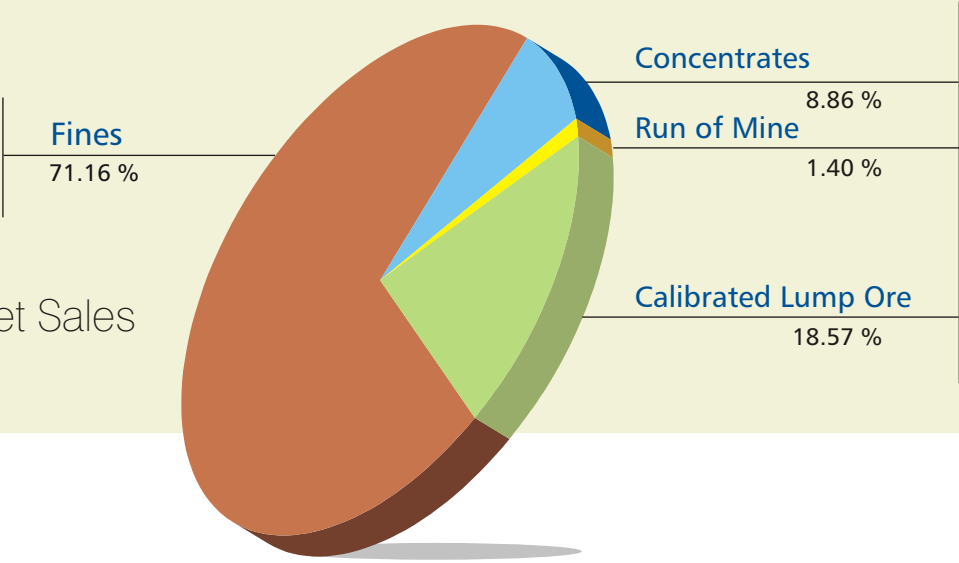
MSPL creates business value by executing competitive and market strategies to maintain share of sales, grow new markets and diversify in new promising sectors. Rapid economic growth and successful commercial strategy created a vibrant business environment for MSPL in 2005. The company's competitive strengths include high quality iron ore products, geographical proximity to the world's largest consumer of iron ore, access to iron ore reserves and its large installed capacity for wind power generation.



Last financial year i.e. 2004-05, we witnessed phenomenal growth; 96 percent in terms of total revenue and 88 percent in net profit. Financial performance scaled new heights and stood at INR 6350 million. We have been successfully catering to markets in China and have established strong position in that market. Last year our export income touched INR 5513 million which is up by 88 percent from that of last year. We could establish this market position by undertaking several initiatives in the areas of marketing, logistics, branding and most important of all maintaining quality.

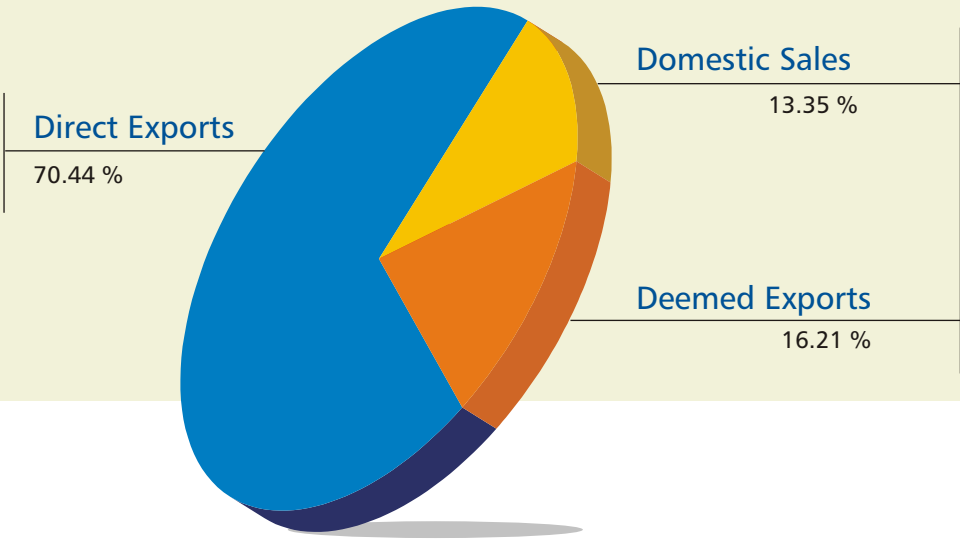
Our customers in China include steel manufacturers and Traders like Nanjing Iron & Steel, Xingcheng Special Steel, Great Harvest Asia Resources, Noble Resources Limited, Cargill International Trading Pte., Bao Steel Hong Kong, etc. which account for a major share of our exports. We also sell processed ore to MMTC, which are accounted as deemed exports. Our domestic customers include, Kirloskar Ferrous Industries Limited (KFIL), Aparant Iron & Steel, Tata Metallica, etc.

Mining Division - Net Sales  
EC1



During the reporting period we produced 2.43 million tonnes of iron ore and exported 2.44 million tonnes. We are planning to expand our production and strengthen our position in the global market. In our ongoing quest to increase exports we have entered into a memorandum of understanding with three new steel companies for supply of iron ore. We are also actively growing our mining business by seeking to acquire additional mining assets and by reorganising our business.

Iron Ore Markets  
Geographic Breakdown  
EC2



Since one of our units have been registered as a 100 percent export oriented unit (EOU) with effect from April 1, 2005, we enjoy several fiscal concessions such as:

- Tax free earnings from export until March 2009
- Nil customs duty on the import of plant and machinery
- Several other tax benefits

In wind power we have presence in Maharashtra and Karnataka, the latter being dominant with 99 percent share.

Payroll

We have 997 employees working with us both at iron ore mines and wind farms. During the reporting period we disbursed INR 114.05 million towards their salaries and other benefits.

Donations

Our social contribution has been in the form of donations. We have been supporting neighbouring communities in terms of promoting sports, education, healthcare and infrastructure development. We donated INR 44.34 million, majority of which was spent towards healthcare and community initiatives.





## Mining Business

If you can't grow it or hunt it, you have to mine it.

Mining provides the raw materials and energy resources needed to sustain modern civilization. On an average, an individual in a developed nation requires approximately 40,000 pounds of mineral products each year.

Environmentally responsible mining and processing of minerals is vital to a nation's economy and to a better quality of life. Mining is a core activity of MSPL and we strive to integrate economic activity with environmental integrity to nurture sustainable development.





With our ongoing mandate of expansion, we have initiated various actions and activities in the area of environment and social development at our mines. By acting responsibly in these areas, we have contributed to socio-economic development by creating opportunities; environmental improvement by extensive greening initiative and improved quality of life of our employees and people in neighbouring communities.

We adopt a precautionary approach by including risk management in our day-to-day operations. Last year we did not witness any accident and achieved our goal of zero accidents, thus retaining our belief that injuries are preventable. We have a mining lease area of 347.22 ha in reserve forest area and we have taken adequate care in not disturbing the existing floral species in the area and have initiated an extensive greening programme.

We procured the lease for iron ore mining in Vysanakere village in the year 1962. Initially we started with float mining and continued that till 1976. The reef mining was initiated in the year 1970 and is continued till date. Total production capacity of mines stands at 2.5 mtpa. We estimate the reserves by cross sectional methods and our reserves as on 1st October, 2005 stood at 29.36 million tons with 64.85 % Fe content.

The lease stratigraphy belongs to Ramanmalai geological formation comprising of amphibolites intruded by quartz chlorite schist, BFQ (banded ferruginous quartzite), metagabbro (basic intrusions), BMQ (banded magnetic quartzite), chlorite schist, ferruginous shale, massive iron ore body, basic intrusions (gabbro), friable iron ore, BHQ (banded haematite quartzite), and phyllite. The total strike length of the ore body is 2.8 kms. The area has been divided into three blocks viz. north block, middle block and south block on account of ore exposure. The general strike of ore body is NW -SE and dipping easterly. The dip varies from 60° to 85°.

## Mining Operations

We practice a mechanized open cast method of mining. We have deployed Tamrock Pantera 800 and Atlas Copco F7/11 top hammering machines for drilling activities, which generate minimal air pollution. We have adopted a technique of combining slurry explosives with ANFO for optimized blasting activity. Between rows and in the same row, cord relay devices are used to minimize the number of holes being blasted at a given time and thus reduce noise as well as vibration levels.

The handling and transportation of the blasted material is done by hydraulic excavators and dumpers respectively. We have 10 excavators, 38 Tatra dumpers - each of 30 tons capacity, 1 motor grader; 9 water tankers for spraying water to suppress dust, and 9 wheel loaders.

The blasted material called as run of mine (ROM) is fed to primary jaw crusher. The crushed ore is screened by vibrating screen to get two products. Further oversize of vibrating screen is fed to secondary cone crusher. Finally output of cone crusher is re-fed to vibrating screen to get two products viz. fines (size 10 mm or less) and calibrated ore (size 10 mm to 35 mm). The fines are beneficiated by spiral classifier and two stage hydro-cyclones to get value added product called as concentrate.

Our mines are certified for internationally recognised environmental management systems ISO 14001 and occupational health and safety management systems as per OHSAS 18001. We plan to integrate these systems and develop common integrated management plans in the coming year.





We believe that it is essential to integrate sustainable development into business thinking and planning.

To achieve this we have following key tasks to be completed in the year 2006-07:

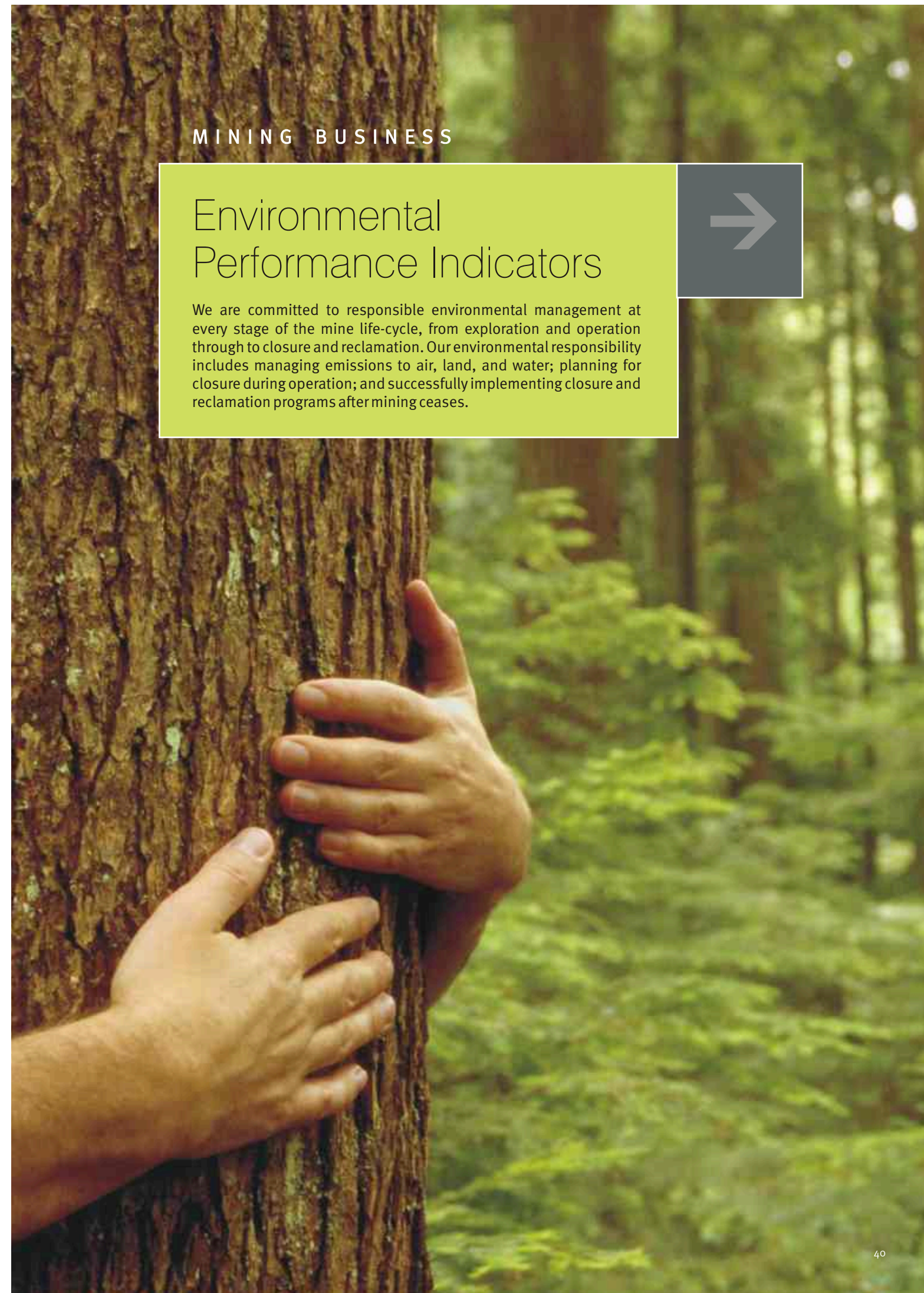
- Apply the sustainable development principles into decision-making
- Complete the major initiatives of the sustainable development strategy including:
  - » Ensuring integration of all the management systems
  - » Ensuring implementation of integrated management programmes
- Carry out an audit of our progress on environmental and social performance
- Conduct an annual review of the priorities for the sustainable development
- Raise management awareness of sustainable development



## MINING BUSINESS

### Environmental Performance Indicators

We are committed to responsible environmental management at every stage of the mine life-cycle, from exploration and operation through to closure and reclamation. Our environmental responsibility includes managing emissions to air, land, and water; planning for closure during operation; and successfully implementing closure and reclamation programs after mining ceases.





Environment protection is utmost priority for us and we take substantial care to minimise the impact of our activities on environment. Although mining is considered to be an inherently polluting activity, we strive to contain pollution and prevent degradation by optimising our operations. We have implemented environmental management systems as per ISO 14001:2004 and identified various management programmes under this system aimed at environmental improvement.

One of the main concerns we had was the fugitive dust emissions that are generated during transportation of the raw material. To combat this situation we initiated greening activity and today we can boast of over 1.6 million trees in an area of 240 ha, which was barren earlier. Satellite images of the area over ten year's period have revealed that the forest cover in our mining area has increased post our operations.

We regularly monitor ambient air emissions, noise and vibration, and modify our operations to minimise the impact. To help reduce soil erosion and hence water pollution we have constructed various gully plugs and check-bunds. We have taken care to procure heavy machinery that conforms to EURO II standards in noise levels.

In this section we are presenting environment footprint of our activities. This year we are reporting on the following indicators as per GRI guidelines:

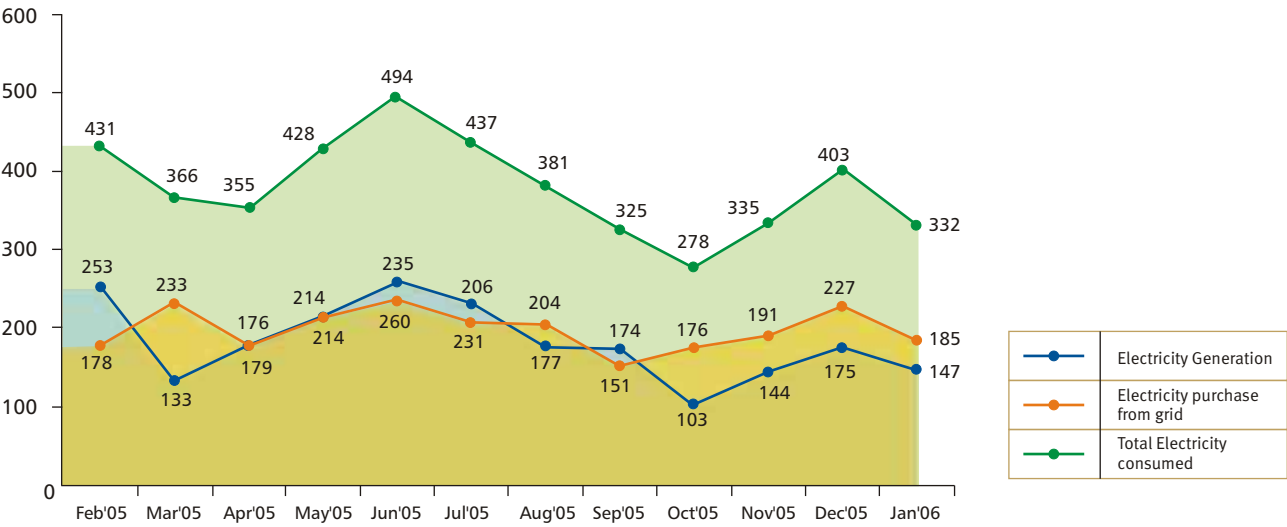


|      |  |
|------|--|
| EN3  | Direct energy use segmented by primary source.   |
| EN5  | Total water use.   |
| EN6  | Location and size of land owned, leased, or managed in biodiversity rich habitats.   |
| EN7  | Description of the major impacts on biodiversity associated with activities and / or products and services in terrestrial, fresh-water, and marine environments.   |
| EN8  | Green house gas emissions.   |
| EN9  | Use and emissions of ozone-depleting substances.   |
| EN10 | NOx, SOx, and other significant air emissions by type.   |
| EN11 | Total amount of waste by type and destination.   |
| EN12 | Significant discharges to water by type  |
| EN16 | Incidents of and fines for non-compliance with all applicable international declarations / conventions / treaties, and national, sub-national, regional, and local regulations associated with environmental issues. |

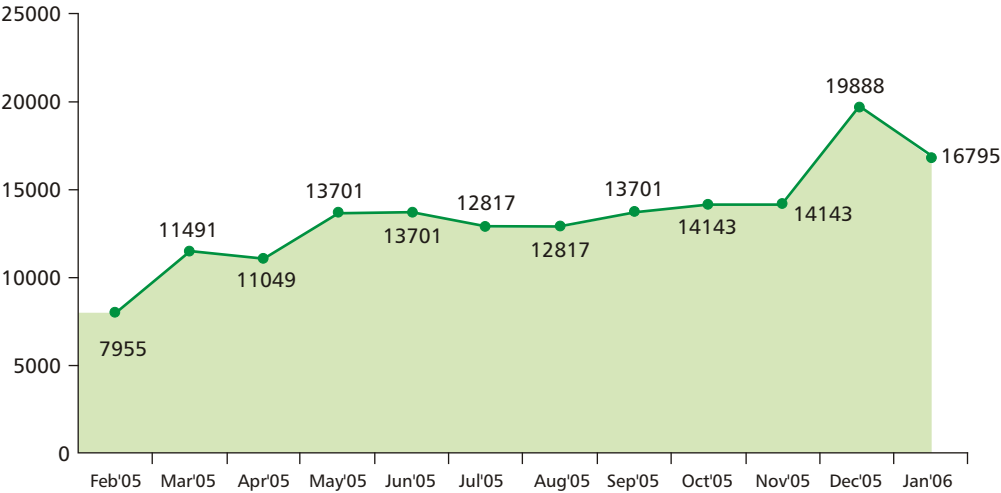
## Energy

The energy demands of our mining operations are met by electricity purchased from Karnataka Electricity Board and on-site generation from a diesel generator. Electricity purchased from grid during the reporting period was 2,375 GJ equivalent and in-house generation was 2,190 GJ equivalent. As for thermal energy consumption, total consumption of diesel (inclusive of electricity generation and machinery) was 4,404 kl which is equivalent to 162,202 GJ. Specific energy consumption during the reporting period stood at 70.15 MJ/t of iron ore produced. The following graph depicts our energy footprint in the reporting period.

ELECTRICITY CONSUMPTION, GJ eqv.

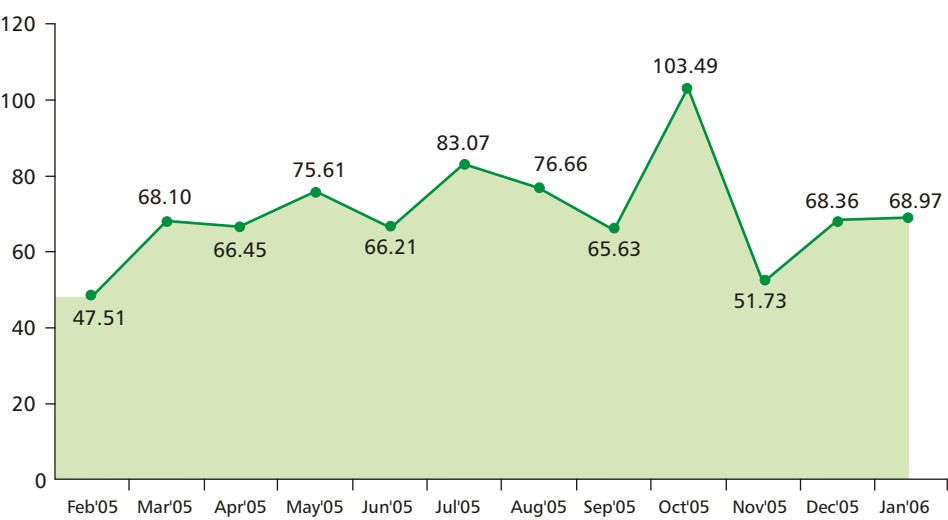


DIESEL CONSUMPTION, GJ (Total for electricity generation and machinery)

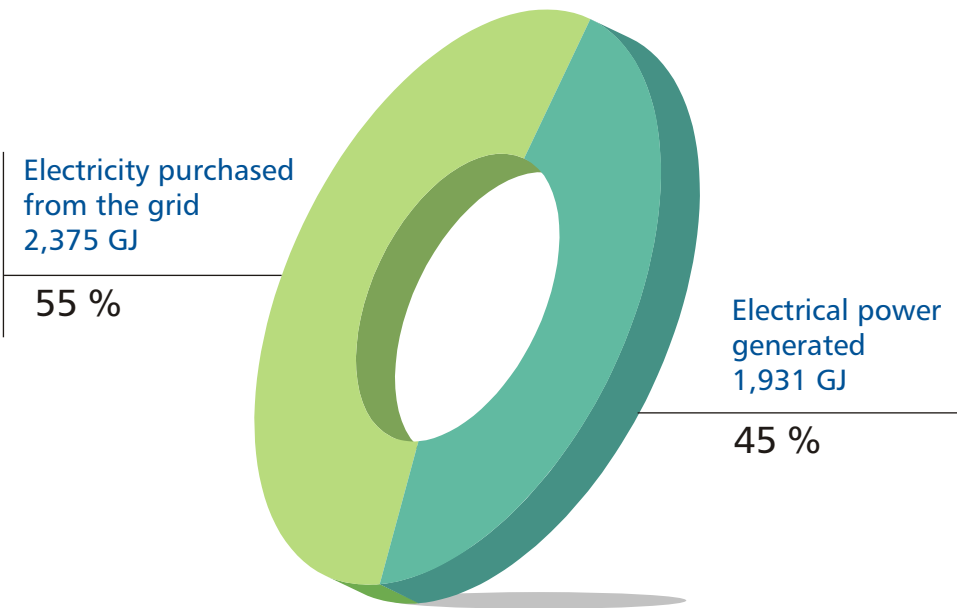




SPECIFIC ENERGY CONSUMPTION, MJ/t (Thermal eqv. of electricity + fuel)



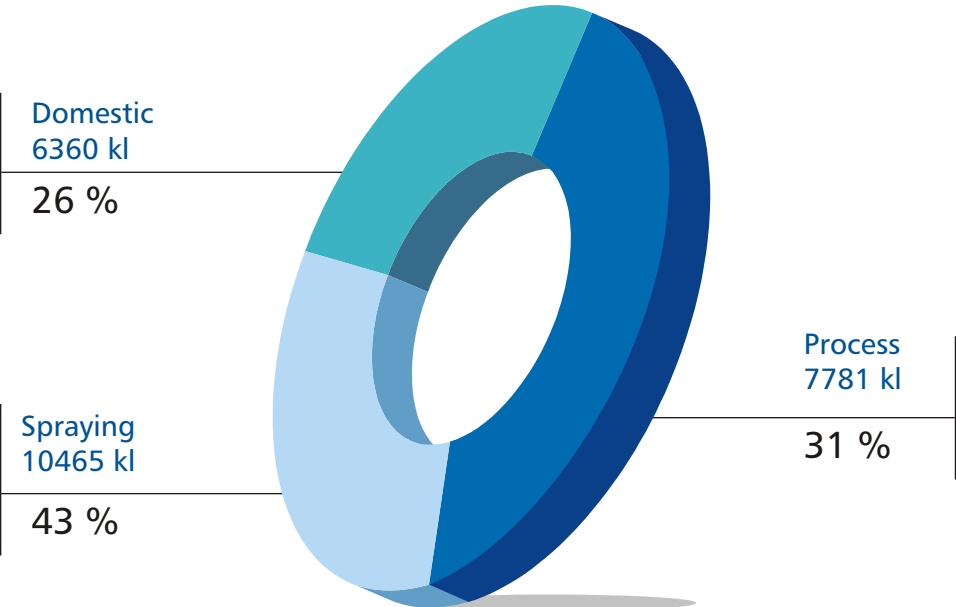
ELECTRICITY CONSUMPTION BREAKUP



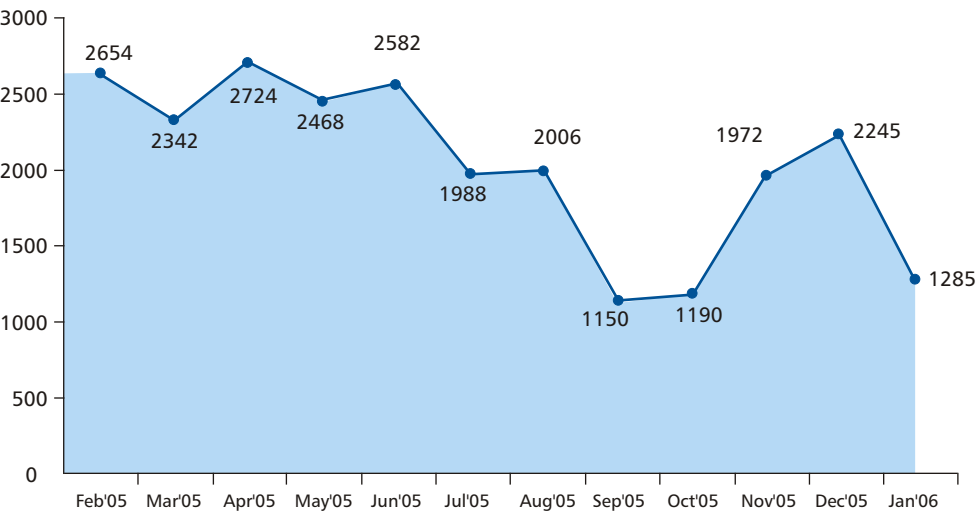
## Water

Water consumption is mainly distributed in three areas viz. beneficiation process, dust suppression, and domestic consumption (including horticulture). During the reporting period total water consumption stood at 24,606 kl, of which 7,781 kl was used in the beneficiation process, 10,465 kl was used for dust suppression, and 6,360 kl was used for domestic purpose.

WATER CONSUMPTION BREAKUP



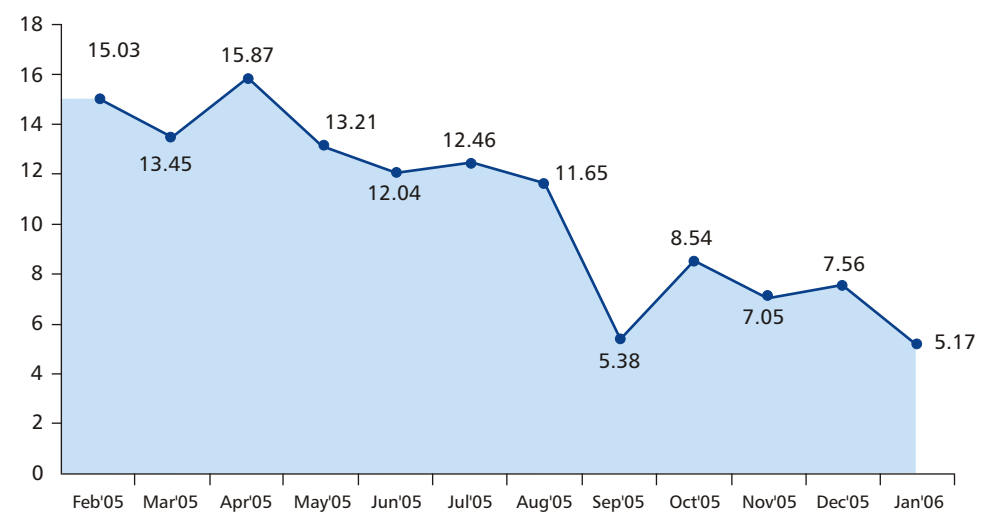
TOTAL WATER CONSUMPTION, kl



Specific water consumption per tons of processed ore during the reporting period was 10.62 l, as against 27 l permitted by state pollution control board. The following graphs show our water consumption trend. The downward trend is due to reduction of beneficiation hours.



SPECIFIC WATER CONSUMPTION, l/t



Biodiversity

MSPL operates over an area of 347.22 ha and is located in a reserve forest area. Apart from plant species grown through our afforestation activities, the naturally occurring plant species in our mining area are Eucalyptus, Gulmohar, Seemathangadi, Acacia, Mango, Nelli, Sapota and Banian. While the naturally occurring animal species in our lease area can be enlisted as Cobra, Rat Snake, Chameleon, Squirrel, Jungle Cat, Jackal, and the Indian Wolf. We have scheduled blasting operations during the day time to avoid disturbance to the nocturnal habitat. The land use pattern in our lease area is as follows:

We are aware of the fact that our mining activity has an impact on the natural habitat surrounding the mining area. To mitigate the impacts we have proactively initiated afforestation activities across the mining area right from the time of inception. Till date we have planted and maintained about 1.4 million trees. We have constructed a series of gully plugs and check dams to prevent soil erosion. To minimise impact of blasting we have developed in house blasting techniques. We have scheduled blasting operations during the daytime to avoid disturbance to the nocturnal habitat. The land use pattern in our lease area is as follows:

| NO | USE                          | AREA (ha)     |
|----|------------------------------|---------------|
| 1  | Mining Area                  | 81.25         |
| 2  | Overburden / Waste dumps     | 25.75         |
| 3  | Storage of Minerals          | 31.20         |
| 4  | Infrastructure               | 12.50         |
| 5  | Roads /Power Corridor        | 19.00         |
| 6  | Area left along the Boundary | 8.67          |
| 7  | Area Afforested              | 168.85        |
|    | <b>Total</b>                 | <b>347.22</b> |

We have developed a comprehensive plan for fauna management. Under this program we have initiated tasks such as protection of existing fauna, gap planting and providing watch and ward. To support fauna we created water holes in the form of gully plugs and check bund. We plan to plant species that are fruit yielding and flower bearing to attract birds in the region. For survival of some of the species we have plans to create hideouts. We have made this plan for 14 years starting from last year i.e. 2005.

Greenhouse Gas Emissions

Greenhouse gas emissions from the mining operations are a result of fuel consumption (both in captive power generation and use in machinery) and electricity purchased from the Karnataka Electricity Board. We have started keeping inventory of greenhouse gas emissions. During the reporting period greenhouse gases stood at 12,305 t CO<sub>2</sub> equivalent.

We have used the southern grid emission factor to calculate the emissions due to electricity purchased and used the emission factors for Diesel as stated by IPCC for India to calculate emissions due to fuel consumption.

Ozone Depleting Substances

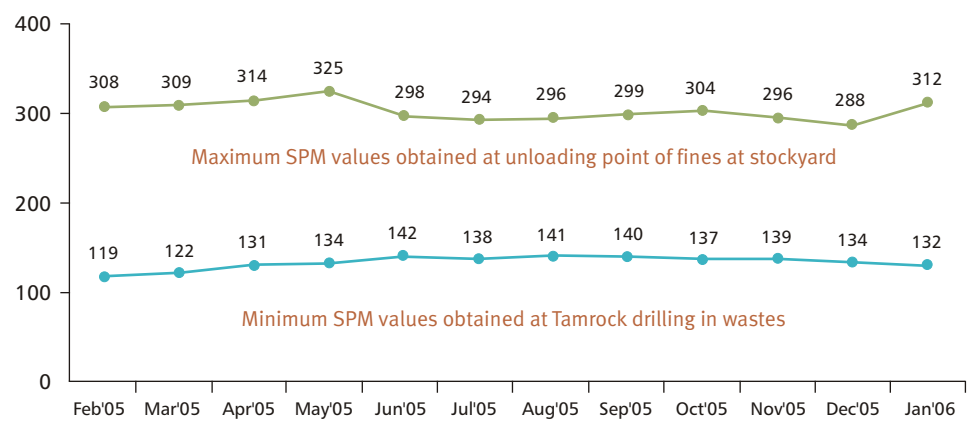
We have taken a conscious decision to eliminate the use of any ozone depleting substance in our mining operations. We use CFC free refrigerants in our air conditioners. Currently we are using Halon based fire extinguishers but plan to substitute them by CO<sub>2</sub> based through an environmental management program initiated under our ISO 14001 environment management systems by December 2006.

Air Emissions

We continuously monitor the ambient air in our lease area at nine locations for suspended particulate matter (SPM) and respirable particulate matter. For continuous ambient air quality monitoring, we have four air quality monitoring stations inside the mining area and five in the buffer zone. We have carried out a dust fall measurement study which indicates a dust fall rate of 5.62 tons per square kilometer per month in the mining area and a dust fall rate of 1.76 tons per square kilometer per month in the buffer zone.

Concentration of SPM in ambient air quality during the reporting period ranged from 119 µg/m<sup>3</sup> to 325 µg/m<sup>3</sup> which is well below the stipulated limits<sup>3</sup>.

AMBIENT AIR QUALITY, SPM µg/m<sup>3</sup>



To minimize fugitive emissions during transportation of ore we had installed downhill conveyor system way back in the year 1991. We have adopted measures like optimized loading of trucks; sprinkling water on the top surface of loaded ore; tarpaulin covers to prevent emission of dust enroute. Our crushing and screening plant has hood and mechanism for dust suppression using water sprays.

<sup>3</sup>The National Air Quality Monitoring (NAAQM) standard for SPM in industrial area is 500 micrograms per cubic metre.



## Waste Generation

Overburden forms the majority of the wastes generated from our mining activity. We have an efficient overburden management plan wherein all the material is dumped in designated dumping areas. The dumps are managed by proper terracing and afforestation. Retaining walls have been constructed at the foot of dumps to arrest runoff. This overburden removal is strictly as per the mining plan which is approved by Indian Bureau of Mines. We have excavated about 2.5 million tonnes of overburden during the reporting period and dumped it in the designated sites. To prevent ground water contamination we have constructed check bunds below these dumps so that during the rains, water is collected in these check-bunds. Inactive dumps are regularly strengthened by seed broadcasting. We have implemented a unique method of soil stabilising wherein coco coir blanket is used to contain soil erosion.

We use various dumpers, heavy earthmoving machines and heavy duty vehicles in mining activities. The overhauling and maintenance of these vehicles generate considerable quantities of waste oil in our premises. Small part of this used oil is used for making explosive ANFO and almost three fourth of this oil is stored in a secured manner. This eventually will be sold to authorised recyclers.

## Waste Water

We have a zero discharge mining facility as the waste water from the beneficiation process is recycled back into the process through a thickener mechanism while the thickener tailings are used as drilling mud.

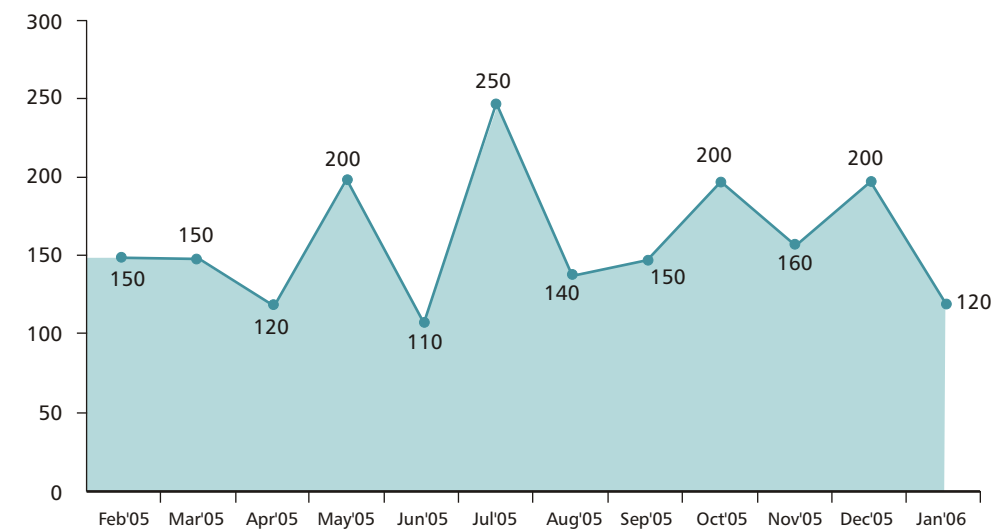
To ensure that rain water runoff is retained within the mining area, we have constructed a series of water retaining structures in form of 18 check-bunds and 52 gully plugs. These structures not only reduce soil erosion but also recharge ground water. The water retaining capacity of these structures is about 300,000 cubic meter.

## Compliance

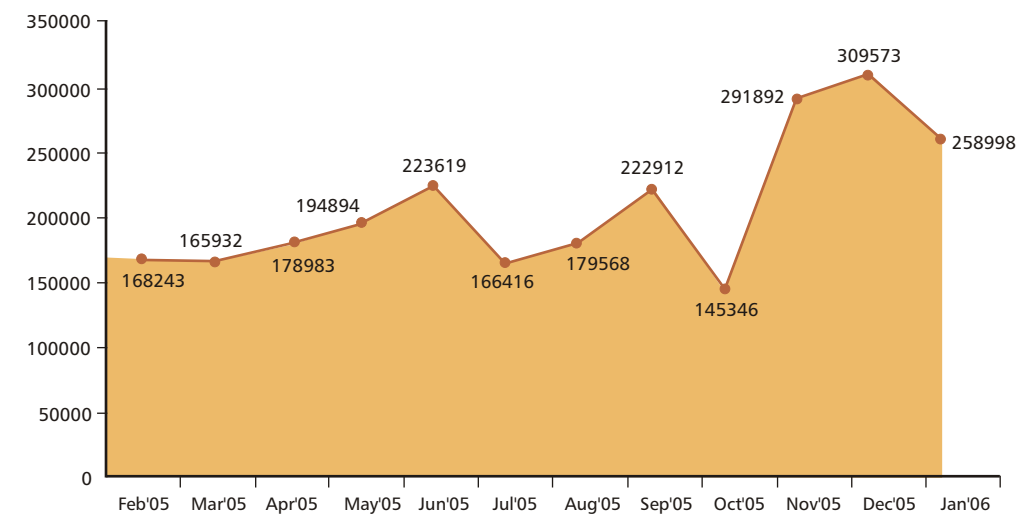
We have taken a proactive approach in dealing with the environmental issues arising from our operations. As a result of this, till date we have not received any complaints related to any non-compliance on any environmental parameter.



WASTE OIL (L)



OVERBURDEN GENERATED (Tons)



## CASE STUDY 1

### Coco soil erosion control blanket technique for dump stabilization and rehabilitation

Soil erosion is a major problem in areas where overburden is dumped. This is also one of the reasons of scarce vegetal growth on the dump slopes. Due to the loosely packed state of the soil there is no anchorage of plant roots. To tackle this problem we introduced an innovative and natural method of dump slope stabilization to control soil erosion and to enable vegetal growth. This method is called as the Coco-ECB technique.

Coir is a fiber obtained from the tissues surrounding the seed of coconut palm, *Coco nucifera*. The coir contains the highest lignin content, which decays in 3 to 5 years as compared to other organic vegetable fibers. Hence it is suitable for soil erosion control and also in other environmental protection applications. Coco-ECB technique involves the use of coir woven in to a blanket form spread over the slopes to control soil erosion.

#### The technique involved the following steps:

- The slope was graded and made uniform by removal of boulders and stones.
- Top soil and soil conditioner was uniformly spread on the entire slope.
- Coco-erosion Control Blanket was laid on the slope.
- Native seeds were broadcasted evenly on the entire slope area.
- Metallic U hooks and Glyrecidia/native cuttings were used for anchoring the blanket on the slope surface of overburden dump.
- The entire area was watered and monitored till initial growth of plants for 12 weeks.

#### Following benefits were observed after Coco-ECB installation:

- It provides perfect mulch on the seeds and saplings.
- It is effective in prevention of soil erosion due to both water runoff and heavy wind.
- It facilitates water infiltration.
- It improves soil moisture condition by reducing evaporation.
- It enhances the nutrient supply thereby increasing the soil fertility for faster growth of grass/cuttings
- It helps in re-inoculating micro-organisms into the soil.
- It is compatible with any type of plant development, improves germination conditions and protects seedlings and soil temperature amelioration by its insulating properties.
- It suppresses herbaceous vegetation growth and thus eliminating competition between undesirable weeds and trees.

The greatest advantage of Coco-ECB was that the stability of the dump slope was very fast compared to conventional stabilization by plantation, which normally takes about 5 years for achieving the same result as achieved by this technique.

## CASE STUDY 2

### Bio-technological afforestation

We have introduced a bio-technological method for rehabilitation and afforestation of the old dumps in our mines. Based on the in-house experiments it was observed that the dump soil was deficient of humus and bio-enzymes. To counter this we introduced bio-digested mass along with agricultural species like jowar, ragi, maize, green gram, horse gram, red gram, bengal gram, etc. These species were selected because of the hygroscopic nature and nitrogen fixing capacity of the fully grown plants. Such agricultural species were planted along with the forest species. The agricultural species bear fruit in a short time. At the end of their life span they decompose and release biochemicals into the dump soil. The biochemicals disintegrate the complex minerals of the dump soil thereby conditioning and enriching the dump soil enabling its use for growth of forest species.







MINING BUSINESS

# Social Performance Indicators

The social dimension of sustainability concerns an organisation's impact on the social systems within which it operates. Social indicators strongly influence the organisation's intangible assets, such as its human capital and its reputation as a preferred employer.

We at MSPL are committed to constantly enhance the quality of the work environment and value of the relationship for every team member through progressive HR policies, which include health, safety and training.



This year we are reporting on the following social indicators as per GRI guidelines:

|     |   |
|-----|---|
| LA1 | Breakdown of workforce  |
| LA2 | Net employment creation and average turnover  |
| LA3 | Percentage of employees represented by independent trade unions   |
| LA6 | Description of formal joint health and safety committees  |
| LA7 | Standard injury, lost day, and absentee rates and number of work related fatalities (including subcontracted workers) |
| LA9 | Average hours of training per year per employee by category of employee   |



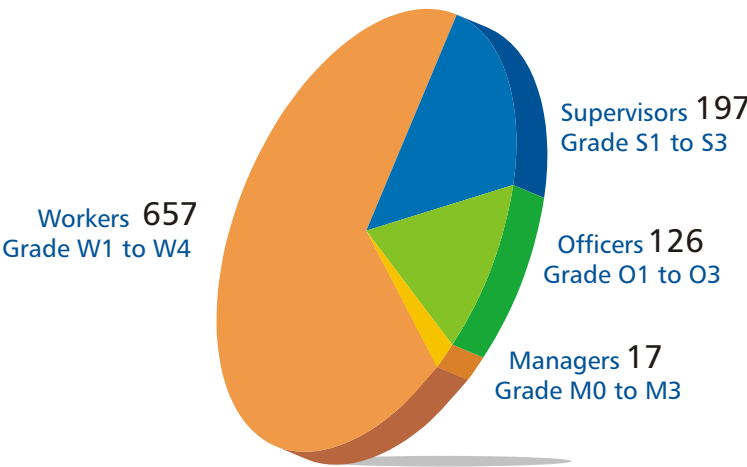
## Human Resources

Our people are the most valuable resource to us and we have a dedicated human resource team that ensures development of right skills and recruit and retain resources capable of implementing our business strategies successfully. We have implemented several policies aimed at employee welfare and ensure that our employees enjoy the work environment available. This we have seen has helped in optimising their productivity and keeping them satisfied. This is evident from the low employee attrition rate we have witnessed in the past.

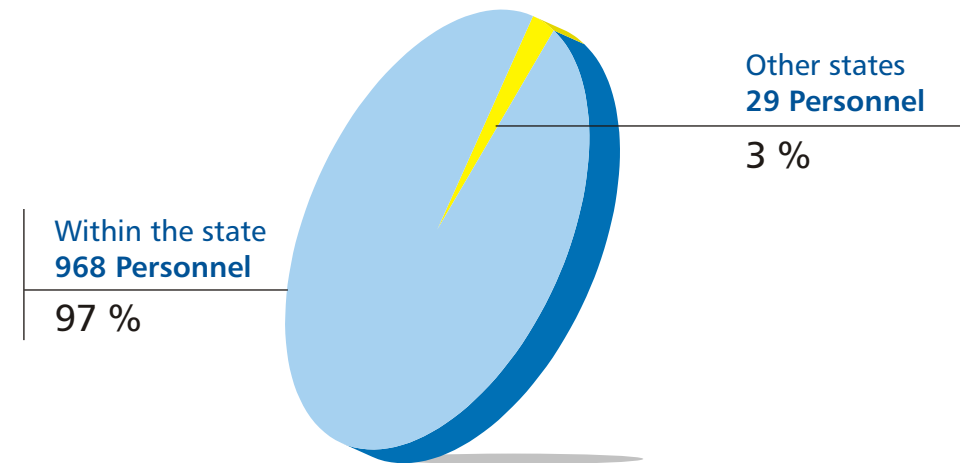
We neither believe in understaffing as it negatively affects the performance of the employees nor in overstaffing as it is wasteful and expensive. We have an optimized number of employees with well defined job profiles and responsibilities.

We are open to recruiting people from any part of the country but we do give preference to the local people. This is apparent from the fact that 97 % of our employees are from the state of Karnataka.

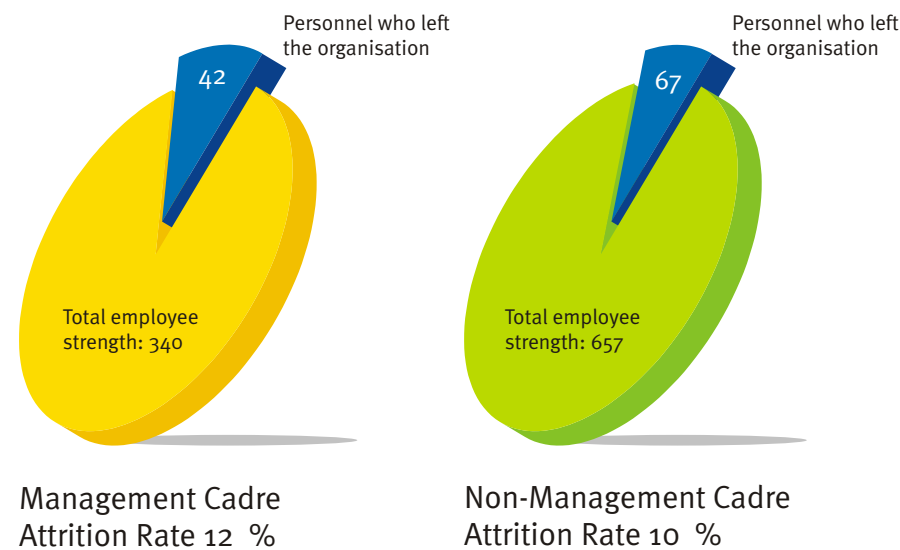
### GRADEWISE BREAKDOWN OF WORKFORCE



## REGIONAL BREAKDOWN OF WORKFORCE



We generate employment on continuous basis across all the grades. During the reporting period our employee attrition rate stood at 12% for the management cadre and 10 % for the non-supervisory staff. As illustrated below, we have a lower attrition rate.



We believe in equal opportunities principle and do not practice gender bias. Despite our operations being in the rural area, we had 34 female employees during the report period. We are a responsible organization and proscribe child labour. We have deployed systems to check and verify the age of our personnel right from the inception of the mines.

Our mine workers are our own employees and do not represent any independent trade union.

## Upgradation of Performance Management



Keeping in mind our vision of providing the best working environment to our employees and for continual improvement of their performance, we have revised our existing appraisal system to an all round performance management system. We have developed this system based on the best HR practices followed in the mining sector.

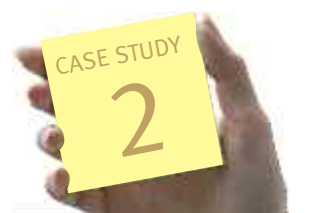
We have a special team of managers from various departments who supervise the performance appraisal procedure. For managers and above, the appraisal procedure is supervised by the respective head of departments and then by the executive director. This is more or less a centralized system applicable to all the three business divisions.

We have tried to focus on a 360 degree approach while developing this performance management system. The salient features of the system can be enlisted as follows:

- Every new employee is attached to a mentor to prepare the employee for the next position.
- The system has a self-appraisal section wherein each employee is required to set his or her own objectives and responsibilities apart from normal appraisal criterion and achieve the objectives within the scheduled timeframe.
- Each employee is assessed on the basis of a performance rating matrix wherein the employee is evaluated on a set of core and personal attributes like job knowledge, decision making ability, leadership quality, integrity, conduct, etc.
- We have a job profile based skill development program where the focus is to improve the technical, administrative and behavioural skills.

In case of any discrepancy with the appraisal system we have a grievance redressal system in place wherein the concerned employee can approach the related head of department for seeking solution.

We have implemented performance appraisal systems in the year 2005 and we continue to carry forward the same in the current year and in the years to come.



## Employee Dialogue

We have introduced a new scheme of employee dialogue during the reporting period wherein personnel from HR department have an open dialogue with our employees to understand their expectations, suggestions, and grievances either personal or professional. Our people also visit the mine workers' quarters to understand their families' concerns, problems and expectations under this scheme. The learnings from such a dialogue have helped us to improve the relation between the top management and our employees and at the same time helped us to develop a proactive approach in handling employee grievances.

Following the success of the dialogue, we have initiated an open door policy wherein any employee can come and discuss their problems at any given time with the HR personnel.

Further we plan to establish a hotline for our employees to interact with the HR department to resolve their queries.



## Health and Safety

We have adopted a systematic approach towards occupational health and safety management system by adopting OHSAS 18001 health and safety management system. We have developed a proactive approach for mitigating risks by conducting detailed hazard identification and risk assessment exercises and adopting control measures for high risk areas. The entire setup of the mines including personnel and machines deployed, height and width of working area is as per the Mines Act, 1952 and rules and regulations thereof, with an aim to achieve safe working conditions. We have reaped the benefits of our actions by achieving the state of zero accidents consecutively for last seven years.

Our mines are manned by competent personnel like Mines Manager, Asst. Managers, Mine Foreman, and Mine Mates to supervise the operations. All the personnel here have competency certificates issued by Directorate General of Mines Safety. In addition every person employed in the mine is given training on safety at the training centre established in the mines.

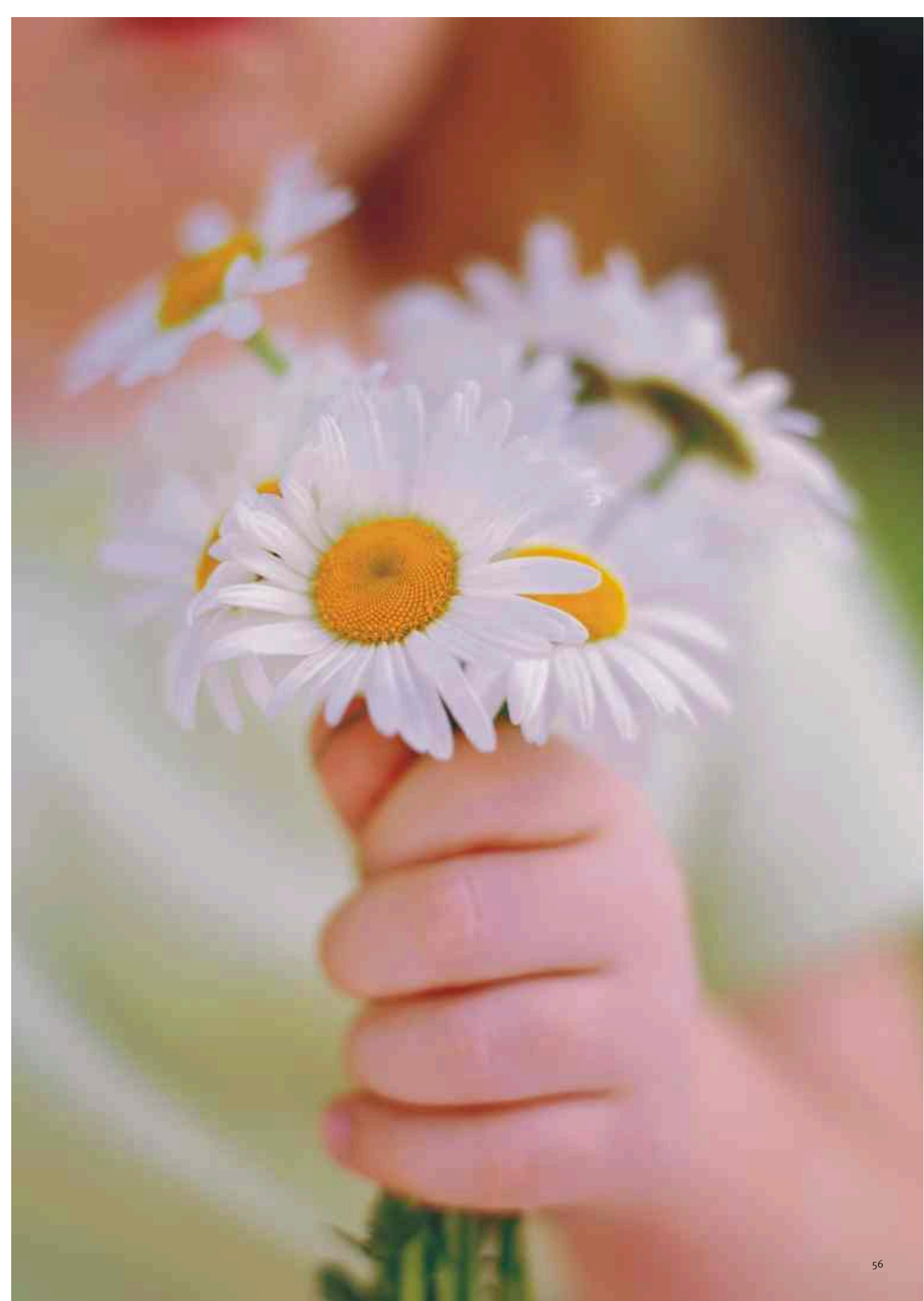
To achieve zero accident levels, we have developed an elaborate safety plan and have ensured that all the mine operations strictly follow the set plan and guidelines.

For handling and transportation of explosives, as per mandatory requirement, we have deployed an explosive-van onsite.

## Improved Internal Logistics

Increasing production leads to an increase in the traffic of conventional tippers to transport the processed ore. We introduced 30-tonne capacity tippers from Tatra onsite to avoid traffic congestion and thereby reduce the occurrence of accidents. Till date 38 such tippers have been introduced (16 introduced in the reporting period) with a vision to reduce risk of accidents, optimize the productivity and maintain safe working environment for the mine workers. This is possible due to the following features of the Tatra tippers:

- Air-conditioned cabin to provide comfortable work environment to the operators over prolonged work hours.
- Semi-forwarded vehicle chassis to ensure maximum operator safety in case of an accident.
- Self adjustable brake liner system and retarding brake system for descent on a down gradient.
- Air bellows system for load balancing with minimum working load at 6 bar air pressure.
- Differential lock arrangement to safeguard the tipper in mucky conditions.



## Mechanized Road Dosing and Leveling

We have introduced Motor Grader of Volvo make (G 710 B) for maintenance of roads with an aim to reduce the pollution, breakdown of machines and accidents in the reporting period.

## Installation of a HSD pump

Heavy machinery onsite requires HSD as fuel and requires refilling periodically. Prior to 2002, the refilling of fuel was done through barrels. HSD was filled in barrels from the HSD tanker after which the barrels were transported to site for refilling. This was a hazardous process as it involved unnecessary handling of fuel, increasing the chances of a fire or an explosion. In 2002, this handling of fuel was completely eliminated by installation of a refueling pump on the HSD tanker to enable direct refueling. This helped in eliminating direct contact of the mine personnel with the fuel and transportation of fuel inside mining area thereby decreasing the occurrence of any hazard.

## Introduction of a top hammer hydraulic drill

Initially we had engaged 6 wagon drills to achieve the quantum of drilling, which posed risk in terms of manpower involvement, transportation of wagon drills and compressors from drilling site to a safe place before beginning of blasting operations, air pollution and high noise & vibration levels. To minimize the risks involved in the drilling process we introduced a top hammer hydraulic drill - Tamrock Pantera 800. During this reporting period we procured one more hydraulic drill of Atlas Copco make. The benefits of the new drill include:

- It replaces 6 wagon drills thus eliminating to and fro displacement of the drills onsite, eliminating the risks involved with the transportation of the wagon drills.
- It has a cabin which is certified from ROPS (roll over protection system) & FOPS (falling object protection system) ensuring the safety of the operator.
- It has an air-conditioned cabin to create comfortable work environment for the operator.
- The drill is provided with five numbers of emergency safety pushbuttons at different locations on the machine to stop the machine during an emergency.
- The drill has a dust collection mechanism and an inbuilt wet drilling arrangement for zero air pollution during drilling operation.
- The drill has an inbuilt brake system for the track, which engages automatically when the tracks are not in motion.
- The drill has a sound proof operator cabin for safety reasons.

## Training

We are in the process of developing a dedicated training cell in congruence with the HR department. Apart from the regular training programmes, during the reporting period we have conducted two special training programs aimed at behavioural modification of the employees across the group with a view to change the lifestyle of employees and improve their interpersonal relations and communication skills.

The training on lifestyle modification covered the aspects of effective communication skills; attitude awareness & behaviour modification, dealing with emotions, interpersonal relationship management, and creative problem solving skills.

Following table gives a snapshot of various training programs organized during the reporting period:

| Subject                               | No. of training sessions |
|---------------------------------------|--------------------------|
| Behavioural Skill Training            | 7                        |
| Health, Safety & Environment Training | 14                       |
| Management Systems Training           | 15                       |
| Professional Development Training     | 15                       |







## Wind Power Generation

As global temperatures rise along with the voices to reduce emissions, the world is warming up to Wind Power - a clean and green source of energy. In the last two decades, wind energy has gone from an emerging source of fuel to a significant energy resource.

MSPL is committed to sustainable development and has the distinction of owning the largest installed wind power generating capacity in India.\*

*\*Directory Indian Windpower 2005, CECL, as at March 31, 2005*



In the last twenty years, wind energy has risen from an emerging source of energy to a significant energy resource mainly because of the progressively declining generation costs and the very fact that wind energy is a safe and clean source of energy. Indian Government is committed to the promotion of renewable energy generation and has introduced incentive schemes to encourage the growth of renewable energy sources. The incentives typically provided for wind farms are priority access into the electricity grid and other economic benefits, such as a price premium.

Over the past four years, Ministry for Non-Conventional Energy Sources, India, and various state governments have driven initiatives to provide a supportive and stable policy framework for investment in wind power. Recent regulatory enactments in India like the Electricity Act require all state level energy regulatory commissions to ensure that electricity distributors procure a specified minimum percentage of power generation from renewable energy sources.

With fossil fuel supplies evidently on the road to depletion, politically vulnerable, and proven sources of pollution; the focus lies on renewable energy. Among the available renewable energy sources, wind energy is currently making a significant contribution to enhance the installed capacity of power generation, and has emerged as a competitive option.

As part of our commitment to developing sustainable energy solutions, balancing economic progress with environmental care and social responsibility, we have diversified into generating power using wind energy. We have ventured into this field of inexhaustible natural resources by installing windmills at Satara in Maharashtra, and at Jogimatti, GR Halli, Sogi and Jajikallgudda in Karnataka. The total capacity as on January 2006 was 85.6 MW with plans to increase the capacity in months to come.

Our wind power generation operations provide us with a more diversified revenue stream. According to the Directory of Indian Wind Power, published by Consolidated Energy Consultants Limited, as on March 31, 2005, we had the largest installed wind generation capacity in India.

Wind energy is captured and converted into electricity by a wind turbine. The rotor of a wind turbine typically consists of three blades. The energy captured by the steadily rotating blades is transferred to an electrical generator. The generator, together with a gearbox, transformer and other control equipment, is housed in what is known as the “nacelle” of the turbine. Although a wind turbine is designed to operate continuously across a range of wind speeds, it does not always generate electricity at its rated capacity. A wind turbine normally does not generate electricity if the wind speed is below a certain threshold level. As wind speed increases, the wind turbine will gradually increase its electricity output until it reaches its rated capacity.

Our wind power division is engaged in the generation and sale of electricity from our wind farms. Our principal wind power assets and operations are concentrated in the state of Karnataka.

Our wind farms are located in Chitradurga, Davangere and Bellary districts in Karnataka state where we have leased the property from the Forestry Department, Government of Karnataka. For the wind farms located in Satara district in Maharashtra state, we have taken the property on lease from a private lessor.

Wind power generation is dependent on seasons. At our facilities, the strongest winds typically occur between May and September. For this reason, we have maximum generation between May and September, while minimum generation occurs between October and April.

We plan to expand our wind business by investing in an additional 16 turbines of 1.25 megawatts rated capacity each to be installed at Dhule, Maharashtra and 10 turbines of 600 kilowatts rated capacity each to be installed at Harihar, Karnataka by March 2006.

## Climate Change

On February 16, 2005, the Kyoto Protocol came into force in approximately 141 countries, accounting for 55 percent of the world's greenhouse gas emissions. Under the terms of the Kyoto Protocol, participants pledged to cut worldwide greenhouse gas emissions by 5.2 percent from 1990 levels by 2012. Of the three market based mechanisms under Kyoto Protocol, Clean Development Mechanism (CDM) is relevant for us, which contemplates credits being earned by investing in clean energy projects in developing countries.

We are currently evaluating CDM potential of our existing and future wind power projects. After our projects are registered with United Nation Framework Convention on Climate Change (UNFCCC), we would be eligible to earn Certified Emission Reduction (CER) which would provide additional revenue source to our wind power division.

We have completed documentations as per UNFCCC's requirement for a substantial part of our wind power generation projects; the validation of the project is now complete and the project is expected to be registered with UNFCCC shortly as the largest wind power CDM project in the world.







## Corporate Social Responsibility

Economic development begins with community development and is only sustainable if it comes from and is supported by all the members of these communities. At MSPL, we believe that doing well for shareholders also means doing right for customers, employees, neighbours and suppliers. With this in mind, we operate our facilities and market our product not only to increase shareholder value but also to promote development of the individual, the wellbeing of the community, and respect for the environment.

As a responsible corporate citizen we are cognizant of our role and responsibility in helping the community grow and develop to a self-sustaining level. We are responsible for our activities and try to ensure that our activities have a positive impact on the environment and society at large. We are planning to graduate our social activities from donation driven initiatives to self-sustaining programs aimed at overall development of the society. We know that only when the society grows, we grow.

“Hand in Hand” is our theme for this year and in congruence with that we have planned several initiatives with the thought that the society's problems are our problems and we take a proactive approach in unison with the people to solve those problems effectively. Our ultimate aim is to make the community self-sufficient so that it can support itself and always in extreme conditions depend on us for immediate relief.

We help the people when they approach us with a rational reason or concept. We however realise that this system lacks long term perspective and is not a wholesome approach towards sustainable development. This is one of the specific reasons why we plan to initiate a structured dialogue with our stakeholders in the following year. This will not only bring us closer to the problems and expectations of the stakeholders but also make our stakeholders realize our existence in their lives with an aim of improving their lifestyle.

## SOCIAL POLICY

### MSPL is committed to:

- Promote small family norms by giving substantial incentives.
- Provide free education to the children of the workers to eliminate child labour.
- Provide adequate steps towards safety and health of the employees and to contribute to the neighbourhood in maintaining good health and environment.
- Create congenial atmosphere where people of all caste and creed work without any discrimination.
- Comply with all the laws pertaining to hours of work, leave, wages, compensation, health, safety and environment, etc.
- Formulate a frame work in accordance with SA 8000 to achieve policy and programmes.
- Communicate internally and to interested parties about the policy, programmes and procedures adopted by the company.
- Implement this policy through training, involvement and motivation for continual improvement.

Date: 01.11.2002

Abheraj H. Baldota

## Abheraj Baldota Foundation

In 1976, we had taken a small step in building what today successfully spearheads our social initiatives, the Abheraj Baldota Foundation (ABF). ABF is a public charitable trust devoted to social welfare with the main objective of helping the community specially the deserving and needy people with medical aid, educational assistance, occupational opportunities, agricultural aid and other objects of general public utility. Shri. N. A. Baldota is the managing trustee of the foundation. The foundation has its offices in Mumbai and Hospet and is registered with the income tax authorities.

### The Abheraj Baldota Foundation was found with the principal objectives of social welfare like:

- Providing monetary assistance periodically to schools, colleges, vidyapeeths, research centres and other institutions for imparting education and training to students.
- Establishment and maintenance of hostels & boarding houses, with free boarding & lodging facilities to poor and deserving students.
- Providing textbooks, notebooks, stationery, school fees and clothes to poor and needy students.
- Setting up dispensaries and nursing institutions for treatment of patients suffering from disease or accident victims.
- Granting of subscriptions and donations to hospitals, dispensaries, convalescent homes, asylums, orphanages, family planning centres and other such institutions for administering medical relief to the poor & needy and the community at large.
- Promoting agriculture by providing seeds, fertilizers, insecticides, agricultural machinery, implements and all other agri-horticultural requirements at subsidized cost to the farmers.





We highlight some of our social welfare initiatives, which have helped in a small way to provide a better quality of life to the people around us.

## Employee Welfare

We recognise that our employees are our most valuable assets. To ensure that they have a better working environment, we have provided various amenities in the lease area. We have established a modern and hygienic canteen service for our employees at subsidized rates. We also run a primary school for benefit of mine workers' children. Further we provide them with free textbooks and notebooks every year. We have constructed fully furnished quarters for our workers with sufficient fresh water supply in the lease area. A playground and a temple are also maintained in the mine premises.

## Infrastructure Development

In the city of Hospet, we have taken the responsibility to develop and maintain the Tungabhadra Dam traffic circle, Hospet traffic circle, Children's park, and Gandhi circle.

We have also monetarily supported a World Bank project aimed at providing drinking water to villages near the mining area.

## Healthcare

We have established two dispensaries, one at mines and other at Hospet to cater to the medical needs of the employees, their dependents and the society at large. The dispensaries are equipped with equipment like ECG, Mobile X-Ray, Nebuliser, RA50 Chemistry Analyser, Cardiac Defibrillator, Otoscope, Spirometer, Minor operation theatre and blood testing equipment.

In association with the dispensaries we have successfully organised eye, heart and dental camps and will continue to do so in future.

We have constructed a blood bank in Hospet having full fledged laboratory and equipment to cater to the medical needs of the residents of Hospet town as well as surrounding villages like Dhanapur, Mariyammanahalli, Vysanakere, Kallahalli, Rajapur, Bellary, Koppal & Hampi.

As a moral responsibility we have initiated a drive to control and cure Tuberculosis or TB in Bellary district. Presently we have initiated this program in the drought prone area of MM Halli. A dedicated mobile TB prevention team equipped with necessary medical equipment and medicines visits the affected areas once in a fortnight. The medical officers examine and administer drugs to the affected. In parallel they also organise awareness drives to disseminate information on TB and how it can be cured.

## Education

We have monetarily supported and sponsored numerous awards in many educational institutes for motivating budding talent and helping the students to achieve their dreams.

We encourage and support sportspersons to perform at national and international levels and also sponsor several sporting events in the city of Hospet.

### We value your suggestions

This was the story thus far of MSPL Limited. This is the beginning of the new form of governance where people, nature and business are given equal importance. We have appropriately titled this report as “Hand in Hand”. We feel that it is our responsibility to maximize life of resources, use renewable sources of energy, and empower people the essential ingredients for long term value creation. We have been successful in our endeavour to minimize environment pollution arising out of our activities. We have achieved zero accidents and have complied with all the applicable norms set for our industry. We have consciously created a workplace environment that motivates our employees to innovate and achieve tough milestones.

One of the significant challenges ahead of us now is to give structure to our stakeholder dialogue. We plan to develop a framework for engaging them effectively in the coming year.

We have much more work ahead and we can take pride in what we have accomplished so far. This is the first time that we are sharing our non-financial performance with you. We would like to hear from you on our approach towards sustainability. You can mail your suggestions/views to me at [sn.baldota@mspllimited.com](mailto:sn.baldota@mspllimited.com). I promise to give personal attention to the same.

Shrenikkumar Baldota

