

ANNUAL REPORT 1999-2000





TATA METALIKS LIMITED

Tenth Annual Report 1999-2000

Board of Directors

(As on 27th May, 2000)

Dr. T. Mukherjee *Chairman*

Mr. Rajeev Dubey *Managing Director*

Mr. Dinesh Bahl

Mr. L. M. Chatterjee

Mr. M. V. Srinivasan

Mr. D. P. Patra

Mr. Daljit Singh

Mr. Satyajit Mitra

Mr. A. C. Wadhawan

Mr. P. K. Jha

Management Team

Mr. Rajeev Dubey – Managing Director

Mr. Harish Ahuja – GM (Works)

Mr. Harsh Kumar – GM (Marketing)

Mr. Amit Ghosh – Controller (F&A)

Mr. Sunit Sengupta – Company Secretary

Company Secretary

Mr. Sunit Sengupta

Auditors

Messers A. F. Ferguson & Company
Chartered Accountants

Bankers

Indian Overseas Bank
State Bank of India
Citibank N. A.

Registrars

ABC Computers Pvt. Ltd.
National Council of Education Building
Jadavpur University Campus, Jadavpur
Calcutta - 700 032

NOTICE

Notice is hereby given that the TENTH ANNUAL GENERAL MEETING of TATA METALIKS LIMITED will be held at Kalamandir, 48, Shakespeare Sarani, Calcutta - 700 017 on Friday, the 28th July, 2000 at 11.00 a.m., to transact the following business: -

ORDINARY BUSINESS

1. To receive and adopt the Audited Profit and Loss Account of the Company for the year ended 31st March, 2000 and the Balance Sheet as at that date together with the reports of the Directors and Auditors thereon.
2. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

3. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED THAT the vacancy caused on the Board of Directors due to the retirement of Mr. M.V.Srinivasan, a Director of the Company, who was liable to retire by rotation at this Annual General Meeting, be not filled."
4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :
"RESOLVED THAT the vacancy caused on the Board of Directors due to the retirement of Mr. Daljit Singh, a Director of the Company, who was liable to retire by rotation at this Annual General Meeting, be not filled."
5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. A.C.Wadhawan be and is hereby appointed a Director of the Company."
6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. P.K.Jha be and is hereby appointed a Director of the Company."

Calcutta, 27th May, 2000

By Order of the Board of Directors

Registered Office :

Tata Centre,
43, Chowringhee Road,
Calcutta - 700 071.

Sunit Sengupta
Company Secretary

Notes :

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item Nos. 3 to 6 is annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- c) Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting.
- d) The instrument appointing a proxy should however be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- e) Members are requested to notify immediately change in their addresses, pin code numbers, e-mail addresses and telephone numbers, if any, to the Company, at its Registered Office by quoting their folio numbers.
- f) Section 109A of the Companies Act, 1956, has extended nomination facility to individuals holding shares in Companies. Shareholders, in particular, those holding shares in single name, are requested to avail of the above facility by furnishing to the Company the particulars of their nominations.
- g) Members of the Company who have multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificates to the Registrar & Transfer Agent (ABC Computers Pvt. Ltd.), or to the Registered Office of the Company for consolidation of all such shareholdings into one account to facilitate better service.
- h) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 17th July 2000 to Friday, the 28th July 2000 both days inclusive.
- i) Shareholders desiring any information as regards the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
- j) Shareholders are requested to kindly bring their copies of Annual Reports to the meeting.

Annual Report 1999-2000



ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NOS. 3 & 4

Mr. M.V.Srinivasan and Mr. Daljit Singh, Directors of the Company, were liable to retire by rotation at this Annual General Meeting. Both Directors have informed that they do not wish to seek reappointment. The Board of Directors is of the view that the vacancies caused on the Board of the Company due to the retirement of Mr.Srinivasan and Mr.Singh, be not filled, at this meeting.

ITEM NO. 5

Mr.A.C.Wadhawan was appointed as Additional Director of the Company with effect from 29th October, 1999. In terms of Section 260 of the Companies Act, 1956, Additional Directors hold office only up to the date of the next Annual General Meeting of the Company. Accordingly Mr.A.C.Wadhawan shall hold office up to 28th July, 2000.

The Company has received notice in writing from a member signifying his intention to propose Mr.A.C.Wadhawan for the office of Director of the Company, as required under Section 257 of the Companies Act, 1956.

Mr. Wadhawan, aged 62 years, retired as Chairman cum Managing Director of Hindustan Zinc Limited after a stint of more than ten years, in that post. Following his retirement in the year 1996 from Hindustan Zinc Limited, Mr. Wadhawan was appointed by the Govt. of India as a member of the Public Enterprises Selection Board (PESB). In the year 1998, Mr. Wadhawan was appointed Chairman of PESB where he completed his tenure in July' 99. Mr.Wadhawan is an Honorary Member of the Indian Institute of Metals, a Member of the International Association for Energy Economics, U.S.A. and a Fellow of the Indian National Academy for Engineering. He is also associated as Chairman or member of several research councils, governing councils and advisory boards of the Government of India.

The Board considers it desirable to avail the services of Mr.A.C.Wadhawan as Director of the Company.

Mr.A.C.Wadhawan is concerned or interested in the resolution under Item 5.

ITEM NO. 6

Mr. P.K. Jha was appointed as Additional Director of the Company with effect from 29th October, 1999. In terms of Section 260 of the Companies Act, 1956, Additional Directors hold office only up to the date of the next Annual General Meeting of the Company. Accordingly Mr. P.K. Jha shall hold office up to 28th July, 2000.

The Company has received a notice in writing from a member signifying his intention to propose Mr. P.K. Jha for the office of Director of the Company as required under Section 257 of the Companies Act, 1956.

Mr. Jha, aged 56 years, is a Fellow of the Institute of Chartered Accountants of India. He is presently General Manager (Corporate Accounts), Tata Steel. Mr. Jha has got thirty-two years of executive experience. Mr. Jha is associated with several institutions as treasurer or member of their governing councils.

The Board considers it desirable to avail the services of Mr. P.K. Jha as Director of the Company.

Mr. P.K. Jha is concerned or interested in the resolution under Item 6.

Calcutta, 27th May, 2000

By Order of the Board of Directors

Registered Office :

Tata Centre,
43, Chowringhee Road,
Calcutta 700 071.

Sunit Sengupta
Company Secretary



CHAIRMAN'S STATEMENT

Dear Shareholder,

There are clear signs that the Indian economy is on the upswing.

The economy is now, undoubtedly, more liberalised and knowledge driven than ever before. Its health does not seem to be linked only to traditional lead indicators, such as the monsoon. In such an economy, there seems to be a scramble to seek out linkages to understand emerging trends, but the key issue for all companies, in my opinion, is the inevitability of business cycles. Since business cycles are now inescapable, the euphoria of an economic upswing needs to be tempered with plans and preparations for the next down turn.

The team at Tata Metaliks is aware of this onerous responsibility, and I believe they will not rest on their recent laurels, which include enviable production, turnover and profit records. These records could not have been attained without a significant thrust on cost reduction and productivity enhancement, as also without improved management of the market place. Indeed, the business results are a manifestation of excellence in all facets of management, as is also borne out by the many awards that Tata Metaliks has received, be it in the areas of Innovation, Total Quality Management, Human Resources Development or Environmental Management. The company is committed to continue on its path of operational excellence and has undertaken a powerful program in TPM- Total Productivity Management, in association with the world renowned Japan Institute of Plant Maintenance.

When there is an upturn in the economy, it also behoves companies to make structural adjustments to drive future growth and business longevity. The company plans to undertake relining and upgradation of the blast furnace next year. Moreover, with a view to reduce uncertainty and to shape the future, ways and means to extend the company's influence within its value chain are being carefully assessed, and I am upbeat that the employees and the management, both committed to strengthening the future of the Company will find ways of making the business prosperous.

Tata Metaliks is, in its own small way, a torch bearer of the Tata ethos in West Bengal, and I am certain, in days to come, your Company will do the country proud.

(T. Mukherjee)
Chairman

Calcutta
27th May, 2000

DIRECTORS' REPORT

TO THE MEMBERS

The Directors hereby present their Tenth Annual Report together with the Audited Accounts for the year ended 31st March, 2000.

1. FINANCIAL RESULTS

| | Current Year (Rs. lakhs) | Previous Year (Rs. lakhs) |
|---|-----------------------------|------------------------------|
| (a) Gross Income | 9376.07 | 8631.95 |
| (b) Gross Profit | 1028.98 | 773.73 |
| (c) Less: Interest | 420.57 | 494.52 |
| (d) Less: Depreciation | 266.04 | 263.48 |
| (e) Profit before tax/(Loss) | 342.37 | 15.73 |
| (f) Less: Provision for taxation | 42.10 | 1.65 |
| (g) Net Profit/(Loss) | 300.27 | 14.08 |
| (h) Less: Transfer to Debenture Redemption Reserve | 300.27 | 14.08 |
| (i) Add: Balance brought forward from previous year | NIL | NIL |
| (j) Balance carried forward | NIL | NIL |

The Directors have not recommended any dividend.

2. PRODUCTION PERFORMANCE

The Company achieved a record production of 1,16,216 tonnes, implying a capacity utilisation of 129%, with the best ever yield and net coke rate. This performance is attributable to the implementation of various quality systems adopted by the Company and the efforts of all employees.

3. MARKETING PERFORMANCE

With aggressive and innovative marketing strategies, the Company was successful in branding its products, on service related attributes. The Company took initiative in the marketing area on several fronts to significantly enhance its net realisation. The customers' profile too has seen a significant shift towards direct users and your Company now has a presence in hitherto unrepresented areas such as North India. To increase its market share, the Company has laid emphasis on value added niche products, and entered into long term customer relationships by offering service attributes like application engineering.

4. MANAGEMENT OF ASSETS

The campaign life of the Blast Furnace has exceeded six years, the highest ever achieved by any Korf Blast Furnace in the country.

The Company has programmed the first relining of its Blast Furnace during the year 2000-01.

5. WORKING CAPITAL MANAGEMENT

While the Company made a provision in the accounts for the year ended 31.03.2000 of Rs 1.20 crores towards doubtful debts, it has separately initiated legal proceedings for recovery of Rs 1.19 crores from the errant debtors.

By efficient inventory control and debt management, the company could function with nil borrowing of working capital, during the last two quarters of the year under review. The net Working Capital to Turnover ratio has come down to 13.85% from 18.13% in the previous year. The total interest to turnover ratio too has come down from 5.74% in the previous year to 4.49% in the current year.

6. CASH FLOW MANAGEMENT

To finance its cyclical working capital requirements, specifically with respect to bulk consignments of imported coke and imported coal for conversion into coke, the Company could arrange offshore financing for 180 days at very competitive rates.

Surplus funds generated during the year were put in short term deposits with banks and corporate bodies.



7. GROWTH STRATEGY

Taking advantage of the shutdown of the Blast Furnace for relining, the Company has planned major modifications of the existing facilities to -

- Enhance Blast Furnace capacity to 1,30,000 tonnes of hot metal per year.
- Enhance its power generation capacity to 2.7 MW.

The estimated cost of these two projects is Rs. 3.43 crores. IRR calculations for the projects are attractive. The Company has planned to finance both the projects from internal accruals.

In order to ensure a consistent source for conversion of coal into coke, your Company is exploring possibilities of entering into appropriate long-term arrangements.

As a long-term strategy for value addition, the company is pursuing its endeavour to identify a suitable joint venture collaborator for its proposed Foundry project, for manufacture of automobile castings. With this end in view, the following activities have already been undertaken :-

- Detailed feasibility study by an internationally reputed consulting firm.
- Study report for setting up a Pattern Shop.
- Market study by a reputed consulting company.

An expenditure of Rs. 83.90 lakhs incurred on this project has been considered as Capital Work-In-Progress.

8. CORPORATE GOVERNANCE

In keeping with the Tata Group philosophy, your Company has voluntarily adopted a code of best practices. In the last nine and half years since incorporation, the Company has complied with all the provisions of corporate laws and regulations.

From inception, the Board was comprised of a Managing Director, non-executive directors and independent directors of proven calibre who played a major role in the decision making of the Company. A corporate governance statement was adopted by the Board of Directors in March 1997, and this is under constant review and updating.

9. TATA BUSINESS EXCELLENCE MODEL

In pursuit of business excellence, the Company has adopted the Tata Business Excellence Model (TBEM) and is committed to implement it fully and to keep on improving its performance against various parameters of the model.

10. ACCOUNTING POLICIES

All applicable accounting standards have been adopted in compiling the accounts and a disclosure of significant accounting policies is given in the notes to the accounts.

11. RISK MANAGEMENT

The MBF industry in India operates on thin operating margins. Its profitability and cash flows are seriously impacted by even slight changes in external environmental factors including taxes and duties. We are highly sensitive to any change in the duty structure for imported low ash metallurgical coal and coke.

Pig Iron industry is a cyclical industry. As this industry depends largely on the state of the country's economy, no company can on its own change the course of a business cycle. As a proactive measure, therefore, your company has branded its products on service-related attributes. The Company has also initiated several cost reduction measures to remain cost competitive in the market.

Foreign exchange exposure towards import consignments were covered by forward exchange contracts with authorised dealers. The accounting of profit or loss on such forward exchange contracts was in accordance with accounting standards.

Your Company has now shifted to a 'cash-only' regime for almost its entire product portfolio, significantly reducing its credit exposure in the market.

All assets, movable and immovable, are adequately insured, with loss payee endorsement in favour of lenders of secured loans.

Your Company's business outlook in the near term remains positive. Based on initiatives already in place, and others in the pipeline, your Company can look forward to overcoming the few constraining factors outlined above.

12. ENVIRONMENT

The Company having received ISO 14001 certification, and having firmly put in place its environmental policy, is constantly pursuing all steps to ensure fulfillment of its commitment to achieving a sound environmental management system.

The Company ensures the maintenance of specified norms for :-

- Ground water consumption
- Discharge of waste water
- Emission
- Generation of hazardous/ solid waste
- Maintenance of a green belt

13. COMMUNITY DEVELOPMENT

The community development group at the factory together with the village panchayat and Tata Steel Rural Development Society (TSRDS) took up the following activities in the villages surrounding the factory :

(a) tree plantation (b) medical check up of school students and health talks to village school teachers (c) eye camp for cataract patients (d) hygiene training for women (e) poultry and fishery projects (f) sports and talent contests for children and youth (g) talks on financing (h) library at the village school (i) chlorination of water wells (j) maintenance of school buildings.

The Company is an active member of the Tata Council for Community Initiatives (TCCI) at Calcutta, and played a major role in providing voluntary services at a 40 day camp of the hospital train - Lifeline Express- at Canning, South 24 Parganas, West Bengal, organised jointly by TCCI with the Confederation of Indian Industry (Eastern Region).

14. AWARDS

Your Company was the proud recipient of the following awards :-

- The Golden Peacock Innovation Management Award 1999-First prize , in the small and medium scale enterprises category, conferred by the Institute of Directors.
- The Confederation of Indian Industry (Eastern Region) Human Resources Development Award 1999-2000 – Winners Trophy , in the category of medium scale industries.
- The Confederation of Indian Industry (Eastern Region) Quality Award 1999-2000 — Certificate of appreciation in the category of large and medium scale industries.
- The World Environment Foundation– Golden Peacock Environment Management Award-2000 – Winner in the Medium Scale Industries category.

15. HUMAN RESOURCES & INDUSTRIAL RELATIONS

The Company has implemented an employee performance management system as per the central Tata Human Resources guidelines. A rigorous system for continuous identification of employees for their technical and behavioural training needs has been put in place, with corresponding training programmes. The Company has a well defined approach to address workplace, health, safety and ergonomic issues.

Industrial relations were harmonious throughout the year and the Directors wish to place on record their sincere appreciation for the co-operation extended by all employees and by the Tata Metaliks Ltd. Workers Union in maintaining cordial industrial relations.

There were 295 permanent employees in the Company as on 31.03.2000.

16. DIRECTORS

In accordance with section 255 of the Companies Act, 1956, and the Articles of Association of the Company, Mr. M. V. Srinivasan and Mr. Daljit Singh retire by rotation at the ensuing Annual General Meeting of the Company. Both Mr. Srinivasan and Mr. Singh have informed the Company that they do not wish to seek reappointment. Resolutions pursuant to Section 256 of the Companies Act, 1956, for not filling the vacancies caused by retirement of Mr. Srinivasan and Mr. Singh have been included in the agenda of the forthcoming



Annual General Meeting. The Board placed on record its deep appreciation of the services rendered by Mr. Srinivasan and Mr. Singh during their tenure as directors of the Company.

Mr.A.C.Wadhawan and Mr.P.K.Jha were appointed as additional directors of the Company with effect from 29th October,1999. In accordance with Section 260 of the Companies Act, 1956, both additional directors will hold office up to the date of the Annual General Meeting.

Notices in writing, as required under Section 257 of the Companies Act, 1956, have been received from two members, signifying their intention to propose Mr.Wadhawan and Mr.Jha for appointment as directors of the Company.

Mr.A.C.Wadhawan, aged 62 years, retired as Chairman cum Managing Director of Hindustan Zinc Limited after a stint of more than ten years in that post. Following his retirement in 1996 from Hindustan Zinc Limited Mr.Wadhawan was appointed by the Govt. of India as a member of the Public Enterprises Selection Board (PESB). In the year 1998, Mr.Wadhawan was appointed Chairman of PESB where he completed his tenure in July '99. Mr.Wadhawan is an Honorary Member of the Indian Institute of Metals, a Member of the International Association for Energy Economics, U.S.A. and a Fellow of the Indian National Academy for Engineering. He is also associated as Chairman or member of several research councils, governing councils and advisory boards of the Government of India.

Mr.P.K.Jha, aged 56 years, is a Fellow of the Institute of Chartered Accountants of India. He is presently General Manager (Corporate Accounts), Tata Steel. Mr.Jha has got 32 years of executive experience. Mr.Jha is associated as a treasurer or member of governing councils of several institutions.

The Board considers that the Company will benefit immensely from the contributions of Mr.Wadhawan and Mr.Jha.

17. AUDITORS

M/s. A.F. Ferguson and Company, Chartered Accountants, auditors of the company, retire and being eligible, offer themselves for reappointment.

18. Y2K COMPLIANCE

The Company achieved Y2K compliance of its computer hardware and software before the end of the calendar year and the rollover to the year 2000 was smooth. All systems and equipment have since been functioning in normal manner. Disclosure in accordance with clause 32 of the listing agreements with Stock Exchanges is given in Annexure 'A' to the Directors' Report.

19. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure 'B' to the Directors' Report.

20. EMPLOYEES

The statement of particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is enclosed with this report as Annexure 'C'.

21. ACKNOWLEDGEMENT

The Directors place on record their gratitude for the valuable assistance and co-operation extended to the Company by the shareholders, the Company's bankers, the South Eastern Railway and the Government of West Bengal.

Your Directors deeply appreciate the efforts put in by employees of the Company at all levels. Their dedication and commitment have been, and continue to be, instrumental in our success.

Calcutta
27th May, 2000

On behalf of the Board of Directors

T. MUKHERJEE
Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT**Disclosure of status on Y2K preparedness level as required under clause 32 of the listing agreements with Stock Exchanges.****1. Risk to the Company due to year 2000 bug**

The Company had addressed the Y2K issues from beginning of the year and had taken necessary steps to meet Y2K compliance requirements. Most of the computer based systems of the Company were made Y2K compliant by 30th September, 1999. The Company achieved total Y2K compliance of its hardware and software by the end of the year and the transition to year 2000 was successful.

2. Cost to address the Company's year 2000 issues

The cost to address the Company's year 2000 issues was estimated to be Rs.22 lakhs (approx.). The actual expenditure was Rs. 20,43,120/-.

3. Company's contingency plans

The Company has developed contingency plans using internal resources to minimise the risk of disruption due to Y2K issues.

