

**ELEVENTH
ANNUAL REPORT
2000-2001**

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TATA METALIKS

TATA METALIKS LIMITED

Eleventh Annual Report 2000-2001

Board of Directors

(As on 2nd June, 2001)

Dr. T. Mukherjee (*Chairman*)

Mr. Dinesh Bahl

Mr. L.M. Chatterjee

Mr. D. P. Patra

Mr. Satyajit Mitra

Mr. A. C. Wadhawan

Mr. P. K. Jha

Mr. Harsh K. Jha (*Managing Director*)

Management Team

Mr. Harsh K Jha - Managing Director

Mr. Harsh Kumar - Vice President (Marketing)

Mr. Amit Ghosh- General Manager (Finance & Accounts)

Mr. V. B. Singh - General Manager (Works)

Mr. Sunit Sengupta - Company Secretary

Registered Office

Tata Centre, 43 Chowringhee Road, Kolkata - 700 071

Bankers

Indian Overseas Bank

State Bank of India

Citibank N. A.

Bank of India

Auditors

Messers A. F. Ferguson & Company

Chartered Accountants

Share Registrars

ABC Computers Pvt. Ltd.

National Council of Education Building

Jadavpur University Campus, Jadavpur

Kolkata - 700 032



NOTICE

Notice is hereby given that the ELEVENTH ANNUAL GENERAL MEETING of TATA METALIKS LIMITED will be held at Kalamandir, 48, Shakespeare Sarani, Kolkata - 700 017 on Monday, the 30th July, 2001 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, 2001 and the Balance Sheet as at that date together with the reports of the Directors and Auditors thereon.
2. To declare a dividend on shares.
3. To appoint a Director in the place of Dr.T.Mukherjee who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr.D.P.Patra who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

6. **Appointment of Mr. Harsh K. Jha as Director**

To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Harsh K Jha be and is hereby appointed a Director of the Company."

7. **Appointment of Mr. Harsh K. Jha as Managing Director**

To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of Sections 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves of the appointment and terms of remuneration of Mr.Harsh K Jha as Managing Director of the Company for a period of five years with effect from 1.9.2000 upon the terms and conditions set out in the draft Agreement submitted to this meeting and for identification, signed by the Chairman thereof, which Agreement is hereby specifically sanctioned with authority to the Board of Directors to alter and vary terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors of the Company and Mr.Harsh K Jha."

8. **Retirement benefits for Managing Director / Executive Directors**

To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT sanction be and is hereby accorded to the payment of retirement benefits to Managing /Executive Directors of the Company on their retirement, including such Directors, who have retired during the year, which benefits, as set out in the Explanatory Statement hereto, will only be provided to them at the discretion of the Board in each individual case on the recommendation of a Committee of the Board appointed by it, and which benefits are subject to the terms and conditions set out in the Explanatory Statement."

Kolkata, 2nd June, 2001

Registered Office:

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

By Order of the Board of Directors

Sunit Sengupta
Company Secretary

Notes :

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under 6 to 8 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 number(s), 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 Agents (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 Tuesday, the 17th July 2001 to Monday the 30th July 2001 both days inclusive.
- i) If the dividend on shares as recommended by the Directors is passed at the meeting, such dividend will be paid on and after 31st July, 2001 to those members whose names are on the Company's Register of Members on 30th July, 2001. In respect of shares held in the electronic form, the dividend will be payable to the beneficial owners of shares as on 16th July, 2001 as per details furnished by the Depositories for this purpose.
- j) 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.
- k) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies of Annual Reports to the meeting.
- l) Shareholders are hereby advised that while opening a depository account, they should give their bank account details, which will be used by the Company for printing on the warrants. This would ensure that warrants even if lost or stolen cannot be used for any purpose other than for depositing in the account specified on the warrant. For the safety of the investors, it is important that the details of the bank accounts are correctly provided to the depository participants. The bank mandate for shares held in physical form will not be automatically applied for shares held in electronic form.



ANNEXURE TO THE NOTICE

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

ITEM NO. 6

Mr. Harsh K Jha was appointed as Additional Director of the Company with effect from 28.7.2000.

In terms of Section 260 of the Companies Act, 1956, Mr. Harsh K Jha, as Additional Director shall hold office till the ensuing Annual General Meeting.

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

None of the Directors other than Mr. Jha has any interest or concern in the proposed resolution.

Your Directors commend passing of the proposed resolution.

ITEM NO. 7

In accordance with Article 108(b) of the Articles of Association of the Company, Tata Steel nominated and the Board by resolution dated 28.7.2000, appointed Mr. Harsh K Jha as Managing Director of the Company for a period of five years with effect from 1st September, 2000. An intimation under section 302 of the Companies Act, 1956 dated 2nd September, 2000 was sent to every member of the Company.

Prior to his appointment as Managing Director of the Company, Mr. Jha (51 years) was the Executive- in-Charge (Bearings Division), Tata Steel. He is a B.Sc. (Eng.) (Mech.); PGDBM from Xavier Labour Relations Institute. He has 27 years experience in various functional areas of management including 5 and 1/2 years as a profit - center head in Tata Steel.

The draft Agreement between the Company and Mr. Jha for his appointment as Managing Director contains the following terms of remuneration:

SALARY :

The salary of Mr. Harsh K. Jha shall be Rs.47,500/- per month, in the scale of Rs.25,000/- - Rs. 75,000/- per month, with authority to the Board or the Remuneration Committee thereof to fix his salary within the scale from time to time (with proportionate increase in the value of the benefits related to salary). The annual increment will be merit based and take into account the Company's performance.

COMMISSION

In addition to salary and perquisites and allowances, commission would be paid between half and twice the annual salary paid to the Managing Director, depending upon the performance criteria as may be settled by the Board or the Remuneration Committee and will be payable annually after the Annual Accounts have been approved by the Board and adopted by the members of the Company in General Meeting. The commission would depend upon the net profit of the Company in a particular year, subject to overall ceiling laid down in Sections 198 and 309 of the Companies Act, 1956.

"OR in addition to salary and perquisites and allowances, performance linked remuneration would be paid, not exceeding twice the annual salary paid to Mr. Harsh K. Jha, as may be determined by the Board or the Remuneration Committee thereof, within the ceiling limit specified under Schedule XIII of the Companies Act, 1956."

PERQUISITES & ALLOWANCES :

In addition to the salary and commission or performance linked remuneration, payable, the Managing Director shall also be entitled to perquisites and allowances like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical reimbursement, leave travel concession for himself, and his family, club fees, medical insurance, and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board or the Remuneration Committee thereof and the Managing Director, such perquisites and allowances to be restricted to an overall limit of 125% of the annual salary of the Managing Director.

Provided that -

- i) for the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income-Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost;



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- ii) provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling; and
- iii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income-tax Act, Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure, shall not be included in the computation of the said ceiling.

Where in any financial year during the tenure of the Managing Director, the Company has not made any profit or its profits are inadequate, the remuneration payable to the Managing Director shall not exceed the limit specified in Section II of Part II of the Schedule XIII to the Companies Act, 1956 as modified from time to time.

The extent and scope of the remuneration, commission or performance linked remuneration, perquisites and allowances, including monetary value thereof, specified above may be enhanced, enlarged, widened, altered or varied from time to time by the Board or a Remuneration Committee thereof, as the Board or the Remuneration Committee thereof may in its discretion deem fit, within the maximum amount payable to the Managing Director in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made thereto.

Mr. Jha shall be allowed leave as per rules of the Company; leave accumulated and not availed of during his tenure as Managing Director shall be allowed to be encashed at the end of his tenure as per rules of the Company.

So long as he acts as Managing Director, Mr. Jha shall not be entitled to sitting fees for attending meetings of the Board or any Committee thereof.

If at any time Mr. Jha ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director of the Company and this Agreement shall forthwith terminate.

This Agreement may be terminated by either party by giving to the other party six months notice in writing of such termination or by the Company by giving Mr. Jha six months salary in lieu of such notice.

Unless otherwise determined by the Board, the head quarters of Mr. Jha will be in Kolkata.

In compliance of Section 301 of the Companies Act, 1956 the terms of the remuneration payable to the Managing Director are now being placed before the Members for their approval.

The draft Agreement between the Company and Mr. Jha is available for inspection by the Shareholders of the Company at its Registered Office between 11 a.m. and 1 p.m. on any working day prior to the date of the meeting and also at the meeting. None of the Directors other than Mr. Jha is concerned or interested in the resolution.

ITEM NO. 8

At its meeting held on 7th April, 2001 the Board of Directors have approved of a Retirement Policy and payment of retirement benefits to its Managing /Executive Directors (collectively called Whole-time Directors) under which certain benefits could be provided to such Directors of the Company on their retirement as Whole-time Directors as also Directors of the Company.

The benefits to be provided to the retiring Whole-time Directors will be at the discretion of the Board in each individual case on the recommendation of a Committee appointed by the Board from time to time and subject to the condition that the retiring Director undertakes not to engage in or start, directly or indirectly, any business or activity competing with the business of the Company.

The retirement benefits may include compensation in the nature of a monthly payment related to last drawn salary and length of service with the Tata Group (and on the death of the Director, a portion thereof to the spouse for lifetime); ex-gratia payment related to length of service; medical benefits; residential accommodation for Executive Chairman (if any)/ Managing Director during his lifetime on such terms and conditions as may be decided by the Board.

It is considered appropriate as a measure of good corporate practice that the Shareholders' approval be sought to the said payments.

The Resolution is commended for acceptance by the Shareholders.

Mr. Harsh K Jha, Managing Director of the Company to the extent that he may be entitled to these benefits, may be deemed to be concerned or interested in the Resolution at item No. 8 of the Notice.

Kolkata
2nd June, 2001

By Order of the Board of Directors
Sunit Sengupta
Company Secretary

**CHAIRMAN'S STATEMENT**

Dear Shareholder,

The Indian economy, last year exhibited a mixed trend. Some segments of economy like Information Technology and Pharmaceuticals indicated reasonably good growth, while core sector industries e.g. Power, Capital Goods and Infrastructure showed low or negative growth. However, exports grew at a healthy rate of about 20%. The not very promising performance of agriculture has compounded the problem for the economy. The impact of slowing down of the American economy coupled with persistent high international oil prices is casting its shadow on certain segments of the Indian economy. It has the potential to become severe.

Tata Metaliks kept its promise. It pursued with vigour, dedication and determination, the goal of remaining in the forefront of the pig iron industry. The longest campaign life of its mini blast furnace, the shortest relining period, and the fast ramp up of production thereafter, point to the sincere efforts of the Tata Metaliks team. Continuous innovation in the plant, and efforts to commoditise its prime product, pig iron, enabled Tata Metaliks to emerge as a force to reckon with, in the industry. It is assessing various options to move up the supply chain and to continue to remain the lowest cost producer amongst pig iron producers, in the country.

The encouraging financial performance of the Company has made it possible for us to propose a maiden dividend this year. The Company will strive to be an example of appropriate balance of operational excellence, business sense and industrial harmony.


(T. Mukherjee)
Chairman

Kolkata
2nd June, 2001

MANAGEMENT DISCUSSION AND ANALYSIS

1.0 Industry structure and developments

1.1 The pig iron industry in India may be classified into two broad categories :

- Integrated Steel Plants (ISPs) who essentially produce **basic grade** of pig iron suitable for steel making and/or steel castings, and,
- Mini Blast Furnaces (MBFs) who essentially produce **foundry grade** of pig iron suitable for iron castings.

1.2. The overall demand - supply scenario for pig iron (incl. captive consumption and basic grade) during 2000-2001 was :

	(t)
Secondary producers (MBFs)	24,60,000
Main producers (ISPs)	9,40,000
	<u>34,00,000</u>
Demand	32,30,000
Export	<u>1,70,000</u>

1.3 The demand - supply scenario for **foundry grade** of pig iron (excluding captive consumption) during 2000-2001, however, suggests a marginal excess availability.

1.4 Import / export of foundry grade of pig iron was negligible during the year.

1.5 As on date, out of 26 MBFs in the country, 6 MBFs remain inoperational.

1.6 The year witnessed the start up of two major producers of basic grade of pig iron and one producer of foundry grade of pig iron.

1.7 The foundry belt in and around Howrah / Kolkata, a freight advantage area, accounted for almost 90% of our sale of pig iron during the year.

2.0 Segment / product -wise performance

2.1 As a matter of strategic choice, we have chosen not to have a presence in the price sensitive steel making segment. This segment is characterised by high volumes and low margins, whereas the grey iron and ductile casting segments are characterised by low volumes and high margins.

2.2 Tata Metaliks's share of the Eastern market was approx. 30%, limited by the production volumes on offer.

2.3 Our product portfolio matrix has shown a distinct shift towards value-added product offerings from a level of 7% in FY '99-'00 to 20% in FY '00-'01.

2.4 During the year under review, Tata Metaliks launched two rather successful branding initiatives : on service attributes and product customisation. While the former addressed the cash-through-delivery cycle for our customers, the latter endeavoured to create a pull for its product offerings with significant generation of repeat business.

2.5 Product and service differentiation has provided a key competitive edge in the market place to Tata Metaliks. A combination of superior product quality, customised offerings, branding on service attributes and a level of agility in our marketing effort has enabled Tata Metaliks to realise one of the highest net realisations in the pig iron industry.



3.0 Opportunities and threats

- 3.1 From a traditional East - based market presence, the year under review witnessed a significant entry by us in the North Indian market. This is a strategic initiative by us to sustain our future growth plans.
- 3.2 From being a manufacturer of commodity products, our emphasis has gradually shifted towards customised product and service offerings to suit individual requirements. These branding initiatives will enable us to carve out a niche for ourselves in the pig iron industry.
- 3.3 The gradual withdrawal of ISPs from the pig iron market in the near term will result in a realignment in the product profile of secondary producers, an opportunity area for us in the foundry segment.
- 3.4 To further build on our strength of being one of the lowest cost producers of foundry grade of pig iron in the country, we are currently undertaking a review of the feasibility of various options including volume - led growth and technological upgradation of our production facilities.
- 3.5 Slowdown in infrastructural growth and cyclical economic downturns adversely impact the intermediate pig iron industry. We are taking steps to address this by cost reduction measures, enhancing our geographical spread and creating a presence in multiple customer segments.
- 3.6 New entrants in the pig iron industry may tend to skew the demand - supply balance in the short term. We expect two start-ups during FY '01-'02, one of whom plans to sell pig iron until their steel making facilities are fully in place.
- 3.7 Though significant imports of pig iron have never taken place in the past, the possibility of dumping cannot entirely be ruled out. However, this may not present a significant threat to us in the foundry segment given the constraints of logistics and the unorganised nature of the foundry market.
- 3.8 The foundry industry has reasonably addressed environmental concerns w.r.t compliance to pollution norms. However, these norms are expected to become stricter in the medium to long term and may thus impact our market. Tata Metaliks is proactively looking at this threat, and we expect to firm up our plans during this year.

4.0 Financial performance with respect to operational performance

- 4.1 Tata Metaliks achieved an operating margin of 19% despite a month's shutdown for relining and capacity enhancement - related activities.
- 4.2 Your Company has demonstrated operational efficiencies in all its functional areas : operations, marketing and procurement. Our productivity indices and specific raw materials consumption rates have shown a consistently improving trend. Our ability to derive benefits from economies of scale in sourcing quality coke at rather competitive rates has helped us establish ourselves as an industry leader with the lowest delivered cost of pig iron, a competitive advantage which has been a critical factor in our success. In addition, we were not at all impacted by the imposition of Anti Dumping Duty (ADD) on importation of Low Ash Metallurgical Coke from China.
- 4.3 Despite being in a commodity market, your Company has successfully endeavoured to carve out a niche for itself, as described above, and this has translated into favourable financial results. One of our thrust areas has been working capital management wherein we have almost entirely shifted our focus from a credit-sale to a cash-only regime. We expect to continue to operate with nil working capital borrowings even in the near term.
- 4.4 We expect to build further on the gains already achieved in our operational and commercial functions and deliver to our stakeholders a positive return and improved market capitalisation. Your Company already operates at a significantly positive Economic Value Added (EVA) level and we expect this performance to be sustained.