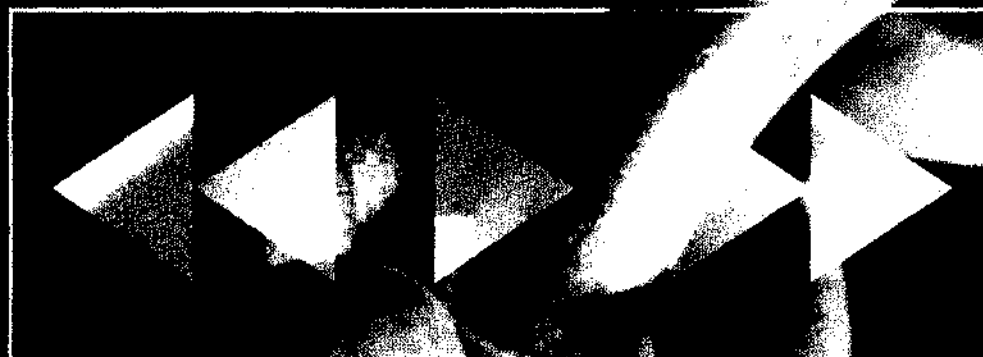




TATA METALIKS

16th Annual Report
2005-06

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forging links to the future

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TATA METALIKS LIMITED



The TPM Corner at Kharagpur



Report Junction.com

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LINKED TO LEAD

“One must forever strive for excellence, or even perfection, in any task however small, and never be satisfied with the second best” – JRD Tata

At Tata Metaliks Limited, 2005-06 was one of the busiest years in recent times.

The Company busied itself to be the brightest despite challenges: from a Rs. 312 cr Company last year it grew to a Rs. 504 cr Company in the year under review. In other words, Tata Metaliks made proud strides towards reaching its Rs. 2500 cr target in 2011.

In the iron and steel industry, the brightest of figures, however, have a lot to do with the size of operations. Consequently, the Company busied itself to be the biggest with a four-pronged strategy – acquisition, product diversification, integration and reverse engineering. The most significant expansion initiative was acquiring a second plant in Redi, Maharashtra, with which its production capacity will double. With this acquisition, the Company looks forward to consolidating its operations in West and South India. With its nearness to the western ports, the job of exports becomes much easier than before.

But what adds sheen to our size is the quality and range of our offerings. From a single product Company, we are now a multi-product Company. To stay ahead of competition, the Company is evolving itself into a 'one-stop shop'. Not content with producing world-class pig iron, the company is diversifying its product bouquet by making castings. A planned integration strategy – both forward and backward – aims to lower costs and maximize profitability.

Looking back, 2005-06 will be remembered as the year when the Company busied itself to be the best. Beating the clock to forge links with the future.

INTRODUCING THE

Tata Metaliks Limited is poised to become the largest foundry grade pig iron manufacturer in the world.


A member of the Tata Group of Companies, India's largest industrial conglomerate for a century, Tata Metaliks Limited was jointly promoted by Tata Steel and the West Bengal Industrial Development Corporation in 1990 with headquarters at Kolkata. It has been recognised as the fastest growing mid-cap company. Promoters and subsidiaries hold a 47.64% stake in the Company.

Engaged primarily in the manufacture of foundry-grade pig iron, the Company manufactures 11 pig iron grades customised to customer needs. As a part of its forward integration initiatives, the Company has also started manufacturing machined grey iron castings through partner foundries.

The Company operates at Gokulpur, near Kharagpur in West Bengal with a present capacity of 320,000 tpa of pig iron. Now, the Company also operates a plant at Redi, Maharashtra, increasing its total capacity to 425,500 tpa.



IRONMAKERS



The Company sells its products in all major foundry markets in India and exports to 16 countries, including those in South East Asia and Europe.

Volumes have jumped up to 310,061 MT in this fiscal from 163,483 MT in 2004-05. From a Rs. 312 cr Company last year, Tata Metaliks is now a Rs. 500 cr Company. With acquisition and increased customisation the Company and its shareholders are expected to enjoy growth in both volumes as well as value. When the Redi blast furnaces are fully utilised, the Company will become the largest foundry grade pig iron manufacturer the world over.

Credible certifications like ISO 9001:2000 (quality management), ISO 14001:2004 (environment management), OHSAS 18001:1999 (operational safety), best-in-class customer ratings in surveys conducted by reputable organisations like IMRB and prestigious awards like the TPM Consistency Award, 2005 (1st category) enhance our standing in the industry and community.

The Company's shares are listed on the Calcutta, Bombay and the National Stock Exchanges. Market capitalization stood at Rs.38,791.79 lakhs (BSE, 31 March 2006).

PERFORMANCE

Tata Metaliks performed well on these broad performance indicators – productivity, liquidity and investment.

The Company is one of the **top wealth creators** measured in terms of its EVA (Economic Value Added). Businessworld (April, 2006) ranked the Company 39th in the industry comprising sectors of steel, metal and mineral.*

The Company's Return on Capital Employed (ROCE) was a high 117.96% for the Company, indicating that the Company **used its capital wisely** to generate high profits, fetching the Company 5th rank in the Businessworld (April, 2006) survey.*

Return on Net Assets was 31.41%, fetching the Company the **6th rank in the industry** in the Businessworld (April, 2006) survey.*

The Company produced 3, 27, 801 tonnes of hot metal in 2005-06, **an increase of 95%** on a year-to-year basis.

The total despatch of pig iron for 2005-06 was 3,10, 061 tonnes, **an increase of 90%** from the previous year.

In February 2006, the recently-acquired unit at Redi, Maharashtra yielded a production of **13,660 tonnes** from one of its operational furnaces.

The Company's unit at Kharagpur is already operational with its newly acquired capacity of 320,000 tonnes of hot metal. With the additional produce from the Redi unit, the Company aims to produce **650,000 tonnes of hot metal by 2007-08**, thereby becoming the **largest global manufacturer** of foundry grade pig iron.

The Company performed well on behalf of its shareholders with a distributed profit of **Rs.6 per share**.

The Company is growing its business through acquisitions and **backward/forward integration** to generate greater economies of scale.

The Company captured a pig iron market share of 13% in India.

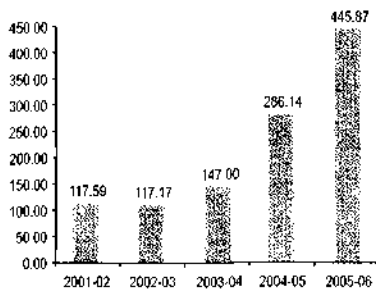
The Company started exporting to Sri Lanka and Bahrain, taking the tally to **16 countries in 3 continents** – Asia, Europe and Africa.

Customers rated the Company as **best in class** in the Customer Satisfaction Survey (East) conducted by IMRB.

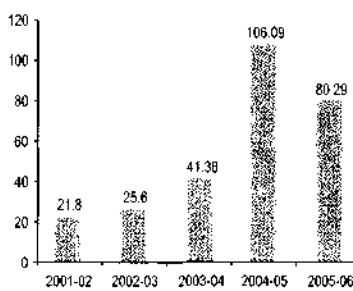
* Based on F.Y. 2004-05 results

HIGHLIGHTS, '05-06

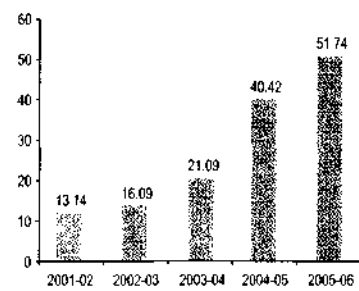
Revenue (Rs./cr)



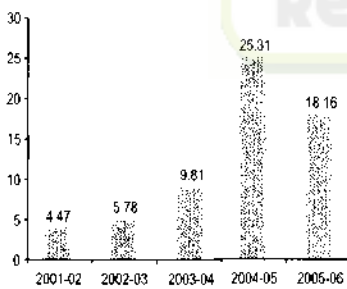
EBIDTA (Rs./cr)



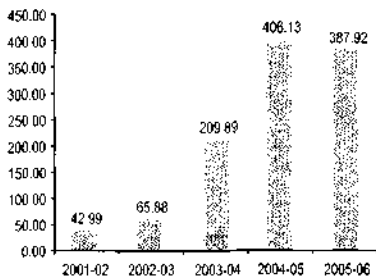
Book value (Rs./cr)



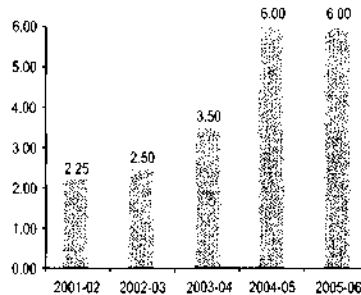
EPS (Rs./cr)



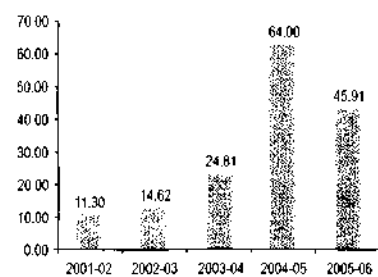
Market Capitalisation (Rs./cr)



DPS (Rs./cr)



PAT (Rs./cr)





Dear Shareholders,

With a robust GDP growth rate of 8.1%, the year gone by was indeed a manifestation of India's growing stature in global economy. However the steel industry was caught in the whirlwind of a global price slump and the pig iron market could not remain immune to this phenomenon. The prices went downhill, startlingly, due to poor demand and surplus supply.

Nonetheless your company made several smart moves to consolidate its strength and has undoubtedly performed well considering the adverse market conditions. The turnover increased by 61% as the volumes doubled. I am pleased to inform that Tata Metaliks has kept the promise it made to you.

The key initiative undertaken by the company, to redeem its position in a challenging market condition, is the acquisition of three blast furnaces in Redi, Maharashtra. This provided your company a foothold in the high demand market of Western India. At the same time, it opened the gateway for serving the potential export market. The existing production capacity of 326,000 MT of hot metal per annum at Kharagpur is expected to double, once all the three furnaces at Redi are operational. This will make Tata Metaliks, the world's largest producer of foundry grade pig iron and should double its topline. I thank the executives and the employees of the expanded company, for their rare feat of starting the operation of the blast furnace at Redi, within a fortnight of the acquisition.