

**TATA METALIKS**

Seventeenth Annual Report 2006 - 07

**Board of Directors  
(As on 25<sup>th</sup> April 2007)**

Dr.T.Mukherjee (Chairman)  
 Mr.A.C.Wadhawan  
 Mr.P.K.Jha  
 Mr.Debasish Som (Financial Institutions' Nominee)  
 Mr. Ashok Kumar  
 Mr.Manish Gupta  
 Mr.Dipak Banerjee  
 Mr.Ajoy Kumar Roy  
 Mr. A K Basu  
 Mr. Harsh K Jha (Managing Director)

**Management  
(As on 25<sup>th</sup> April, 2007)**

Mr.Harsh K Jha .....Managing Director  
 Mr.Amit Ghosh .....Vice President (Fin. & Accts.)  
 Mr.V.B.Singh .....Vice President (Project & Operation)  
 Mr.Subhasis Dey.....GM(Corp.Serv.) & Company Secretary  
 Mr.Sudhin Miitter ..... GM (Marketing & LSCM)  
 Mr. Rajesh Mishra.....Chief ( D I Pipe Project)  
 Mr.Debasish Mishra.....Chief of Manufacturing System  
 Dr.Saroj Mahapatra..... Chief of Human Resource (Corporate)

**REGISTERED OFFICE**

Tata Centre, 43, Jawaharlal Nehru Road  
Kolkata – 700 071.

**BANKERS**

State Bank of India, Citibank N.A, UTI Bank  
 Indian Overseas Bank, Bank o f India  
 Hongkong & Shanghai Banking Corpn. Ltd.

**AUDITORS**

M/s Deloitte Haskins & Sells  
 Chartered Accountant  
 Kolkata

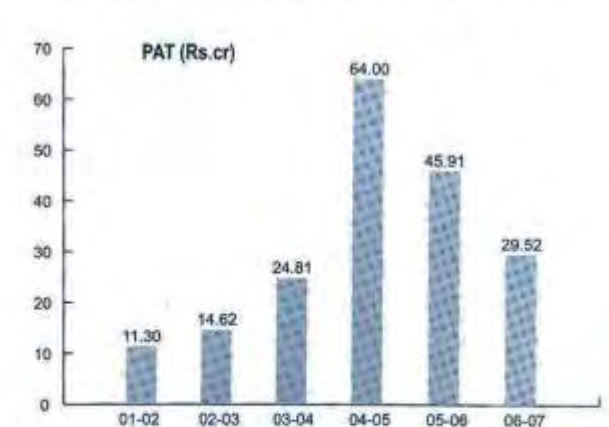
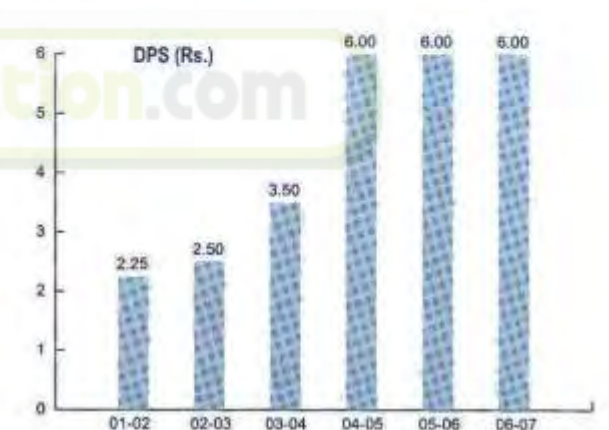
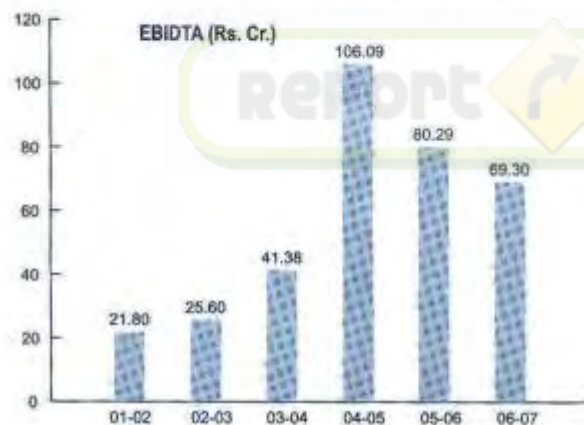
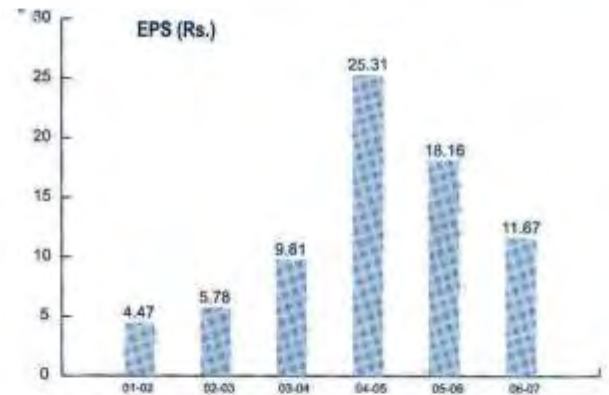
**SHARE REGISTRARS**

M/s R & D Infotech Pvt. Ltd.  
 22/1 Nakuleshwar Bhattacharjee Lane  
 Kolkata – 700 026.

**Board Committees  
(As on 25<sup>th</sup> April 2007 )**

<b>Audit Committee</b>  Mr.A.C.Wadhawan - Chairman Mr.P.K.Jha - Member Mr.Dipak Banerjee - Member	<b>Investment / Borrowing Committee</b>  Mr.Harsh K Jha - Chairman Mr.P.K.Jha - Member Mr.Amit Ghosh - Member
<b>Remuneration Committee</b>  Mr.A.C.Wadhawan - Chairman Dr.T.Mukherjee - Member Mr.P.K.Jha - Member Mr.Dipak Banerjee - Member	<b>Shareholders'/Investors' Grievance Committee</b>  Mr.Manish Gupta - Chairman Mr.Harsh K Jha - Member Mr.Ajoy Kumar Roy - Member
<div align="center">   <b>Share Transfer Committee</b>  Mr.Ajoy Kumar Roy - Chairman  Mr.Harsh K Jha - Member  Mr.Subhasis Dey - Member </div>	
<div align="center"><b>Investor Service Centre</b></div>	
Tata Metaliks Limited Tata Centre 43, Jawaharlal Nehru Road Kolkata – 700 071 Phone : 033-22884014/6014/6016 Fax : 033-2288-4372	M/s R & D Infotech Pvt. Ltd. 22/1 Nakuleshwar Bhattacharjee Lane Kolkata – 700 026. Phone : 033-2463-1658 / 1657 Fax : 033-2463-1657

# Performance Highlights 2006-2007







From the Chairman's Desk

I am particularly pleased to inform you that your company has recorded an annual production of 419,138 tonnes of pig iron in 2006-07, a significant increase of 31 per cent as compared to the figure of the last year.

-T. Mukherjee.



## Dear Shareholders,

These are indeed exciting times for the Indian economy. The economy is buoyant and has registered a growth of 9.2 per cent in the last fiscal. Although your company is part of an industry which is subject to cyclicity in demand, I am pleased to inform you that this industry in India, is presently gearing up for an unprecedented surge in demand. Industry experts have predicted a healthy growth of the industry in 2008. Although China and Brazil continue to be the leading players in pig iron industry, India is fast emerging as a manufacturing hub for pig iron.

In this context, I may add that Tata Metaliks has demonstrated healthy and sustained growth both in domestic and in global markets. Our offshore footprints have strengthened through strategic positioning of our products and customisation. I am particularly pleased to inform you that your Company has recorded an annual production of 419,138 tonnes of pig iron in 2006-07, a significant increase of 31 per cent as compared to the figure of the last year. The Redi plant has significantly contributed to this growth.

While the Kharagpur unit in West Bengal continues to enjoy its reputation as a leading producer of quality pig iron for markets in East and North, the Redi unit in Maharashtra – a brown-field acquisition made in January 2006 has already made its presence felt in the Western and Northern markets. The Redi unit needs further nurturing. With the blowing in of the third furnace in May 2007, I am confident that Redi will become the pillar of strength of your Company.

The process of integration of Redi unit with the rest of your Company, is almost complete. Your Company will draw considerable strength from the geographical location of the two plants – one in the East and the other in the West.

The demand for the Ductile Iron (DI) pipes is projected to grow at a CAGR of 18% p.a., and as a part of forward integration strategy, the Company has entered into a joint venture agreement with M/s Kubota Corporation and M/s Metal One, Japan for manufacturing DI Pipes in India. The 110,000 tpa manufacturing facility for this project will be situated at Kharagpur, near the existing plant. It is expected to be operational by early 2009. A part of the liquid iron produced from your Kharagpur unit would be diverted to the production of DI pipes.

The Company is consolidating its position as the leading producer of pig iron in the country. It is going through the challenge of commissioning new projects and upgrading older units. This had temporarily impacted the apparent performance in F.Y. '06-'07. However, let me assure you that the Company continues to be fundamentally strong. The Company has, therefore, proposed the same dividend as in the preceding two years.

Your Company remains committed to adopt the philosophy of Total Productive Maintenance (TPM), and has internalised the tenets of the Tata Business Excellence Model and TATA Group Policy for

Corporate Governance and Social Responsibility. The Code of Conduct on Affirmative Actions has been put in place in its business practices. Although your Company's success in transplanting the TATA work culture at the Redi plant is creditworthy, we recognise that this is an on-going journey, requiring both vigilance and patience. As a responsible corporate citizen, we have also not lost sight of our responsibilities towards our community and environment we operate in. But it gives me great satisfaction to see that all our successes have been the result of a team effort of the management, the employees and the union.

Today, your Company has a more focused approach for long-term growth strategies. It is poised for substantial growth, expecting to play a significant role in the pig iron, DI pipes and castings industries, both in India and abroad. I thank you for your continued confidence in Tata Metaliks. I also express my appreciation for all members of the management, the union and every single employee for nurturing a result-oriented, cordial relationship, so important for the success of the Company.

T. Mukherjee

Chairman  
16 May 2007



## Corporate Social Responsibility

“No success or achievement in national terms is worthwhile unless it serves the needs or interests of the country and its people.- JRD Tata”

### TRUST THROUGH TRUSTEESHIP The TATA Group Philosophy

- To improve the communities we serve
- Returning to society what we earn
- Leadership with trust

### Sustainable Development for Stakeholder Surplus

For the past 17 years, Corporate Social Responsibility is integrated into the DNA of Tata Metaliks through the "triple bottomline" approach to business. Our initiatives in corporate governance, environmental and community projects are not about on-the-surface, feel-good activities, but in-depth measures that bring about a holistic change in the way things are done. For us, development needs to be sustainable to create a surplus for all our stakeholders. At Kharagpur, it is already a 17-year-old tradition; for the one-year-old Redi plant, it is becoming the norm.

Our broad agenda includes:

- Injecting responsible operational practices like "Reduce, Recycle, Reuse, Restore and Remake"
- Making our plants at both Kharagpur (Gokulpur) and Redi worker-friendly, pollution-free and self-sufficient in power resources
- Understanding location-specific environmental issues at both Kharagpur (Gokulpur) and Redi and promoting their proactive mitigation
- Empowering the communities we are based in through inclusive growth: economic upgradation, basic civic amenities and initiatives in health, education and even recreation

In all our activities, we strive to map the success of our corporate sustainability, complying with:

- The Global Reporting Initiative (GRI), which evaluates corporate performance holistically

- The U N Global Compact, which comprises ten forward-looking principles related to labour and human rights

- The TATA Index for Sustainable Human Development, which annually quantifies our efforts towards community initiatives

As a result, Tata Metaliks Limited not only believes in implementing systems and processes to promote responsible and holistic growth, but also in being open to scrutiny and suggestions for improvement.

### A PAT ON OUR BACK Awards and Recognition

The Accolades won by the Company during the past year of operation are as follows:

- During 2006, EEPC, Eastern Region has awarded the Company for the highest exporter for the year 2004-05.
- The company has also been awarded the ISO 17025-Lab.Standards .
- The Quality Management System of the Company has been upgraded to ISO 9000:2004
- TML has been awarded the prestigious "Innovation" Award at the TBEM International Summit of the TATA Companies at Phuket, Thailand.
- In 2006 the Company has been Awarded the second Runners' up award for the excellent process of effective customer Segmentation in the TBEM International Summit of all the TATA companies at Phuket, Thailand.

### PLANET-FRIENDLINESS Environmental Initiatives

Given the nature of its business, protecting the environment is a critical responsibility for the Company. Manufacturing pig poses severe challenges

to the environment: scarce resources like iron-ore, coal and coke are used, effluents are released during the manufacturing process. For every tonne of hot metal, 1.4 tonnes of iron ore and 0.72 tonnes of coke are used.

Proactive about the environmental issues, the Company has endeavoured constantly to ensure that its prosperity is not at the cost of depleting precious natural resources. We ensure that the raw materials used in the manufacturing process are mostly recycled input materials, least injurious to the environment. Through the ISO 14001, the Company recognises the adverse impacts of its manufacturing operations on the community and thus has instituted Environment Management Programmes (EMPs) to minimise these impacts.

During manufacture, the Company prioritises waste reduction and maximises re-use of by-products, continuously setting stricter norms than what is statutorily required.

Measures for environmental protection are on at full swing in both the Redi and Kharagpur plants.

### Broad initiatives at the Kharagpur plant include:

- Development of rose and vegetable garden
- Continuous spraying of water in stockyard and other nearby places
- Minimum attempts in handling coke and iron-ore
- Development of green belt

At the Redi Plant

- Development of green belt;
- Proper storage of solid waste like ETP slurry, lumpy slag etc
- Continuous water spraying in plant

- Regular monitoring of ambient air and stack (twice a month)
- Water Harvesting Attempt

Besides these, an Energy Audit is being carried out thorough competent authorities at the Redi plant. TML has also applied for ISO 9001.2000 & 14001-2004 certifications for the Redi plant.

### SPOTLIGHT Aspect Impact Analysis

In Tata Metaliks, the Aspect Impact Analysis (AIA) refers to a thorough scrutiny into all areas of manufacturing to check environmental hazards. Each department probes its processes and systems, rates the importance of findings and remedies flaws through an Operational Control Procedure (OCP). Small wonder, the Company has already received the prestigious ISO 14001-1996 certification.

Besides broad areas of concern, TML also addresses specific issues like air pollution management, water management, solid waste management, noise pollution management and energy management. These initiatives are well-entrenched at the Kharagpur plant. The one-year-old Redi plant aims to emulate its 'model older sibling' at Kharagpur.

Initiatives at the Kharagpur plant include:

### 1. Air pollution management

During the manufacture of pig iron, there is an uncontrolled release of carbon dioxide from the boiler, stoves and DG units. Over the years, the Company has streamlined systems and processes to minimise this emission of greenhouse gases. TML ensures and monitors processes so that no BFG gases are evolved from flair stack.

Key initiatives included:

- The installation of a hot blast stove as a regenerative heat exchanger to reduce the requirement of heat in the blast furnace, otherwise supplied through coke.
- The optimization of boiler combustion, reducing the release of hazardous gases

### 2. Water management

As part of water resources management, the Company has commissioned a water harvesting project at its Kharagpur plant to harvest rain water and it also ensures zero discharge of plant waste water. The area's biodiversity is preserved with utmost care: independent third party certifications are obtained to benchmark the Company's efforts at environment management.

### 3. Solid waste management

The manufacture of tonne of iron generates 200kgs of solid waste. In view of this, the Company's responsible waste management initiative focuses on:

- The use of dust and sludge from the gas cleaning plant for land filling
- The use of iron ore fines for land filling and construction of road base
- The sale of coke fines to authorized dealers
- The sale of slag (released during the manufacturing process) to the cement industry for its use as a raw material.

### 4. Noise pollution management

Over the years, Tata Metaliks has made considerable changes in its manufacturing process, especially in the blower house with a view to reduce noise pollution.

### 5. Energy management

Pig iron manufacture involves the intensive use of energy derived from finite mineral sources. Hence energy management is a vital concern of the Company – and it addresses this concern with a

vibrant mix of traditional and out-of-the-box measures. Some proactive steps to minimise energy wastage and ensure energy saving include:

- Recycling of heat for drying coke
- Recycling of lime and graphite used in PCM
- Recycling of blast furnace gas to generate power
- Reduction of energy consumption by WF drive
- Recycling of flue gas at the boiler output which is taken at suction of a fan and then blown into the four of hoppers for drying of coke

**The Company utilises blast furnace gas to generate power for plant, eliminating the use of coal. Other power-saving measures include:**

- Installation of a low energy, high efficiency pump in the cooling water circuit.
- Installation of high tension capacitors in the high tension line to rationalise energy consumption
- Installation of low-weight FRP blades in the cooling tower fan to minimise energy consumption
- Elimination of the use of pumps for water transfer from the venturi to the thickener

As a result, energy consumption per tonne of hot metal declined attractively over the years.

Here are the 2-year figures that prove the Company's consistent commitment in producing 'green pig' – pig iron that causes the least harm to the environment.

- SPM in ambient air was 193 micrograms/ m<sup>3</sup> in 2005-06 and 150.10 micrograms/ m<sup>3</sup> in 2006-07, considerably lower than the prescribed West Bengal Pollution Control Board (WBPCB) standards of 500 micrograms/ m<sup>3</sup>.
- SO<sub>2</sub> in ambient air was 11 micrograms/ m<sup>3</sup> in 2005-06 and 22.91micrograms/m<sup>3</sup> in 2006-07, much lower than the prescribed WBPCB standards of 120 micrograms/m<sup>3</sup>.



- Nitrogenous (NOx) gases in ambient air was 22 micrograms/m<sup>3</sup> in 2005-06 and 28.72 micrograms/m<sup>3</sup> in 2006-07, much lower than the prescribed WBPCB standards of 120 micrograms/m<sup>3</sup>.
- COD in waste water was 41 mg/l 2005-06 and 40.32 mg/l in 2006-07, much lower than the prescribed WBPCB standards of 250 mg/l.
- The SHE index was a healthy 89 in 2005-06 and 91 in 2006-07.
- As during carbon monoxide in stack emissions remained at 0.2 mg/Nm<sup>3</sup> during 2006-07, as well a fraction of the prescribed WBPCB standards of 1 mg/Nm<sup>3</sup>.
- Greenhouse gas emission per THM was 2.1 in 2005-06 and 2 in 2006-07.

#### FOR COMMON GOOD Community Development

The Community Development projects of the Company are unique two-way processes: the Company undertakes all necessary societal projects and shares its learnings and best practices with industrial organisations like the CII, UNGC as well as other TATA Group Companies.

#### The Company's key target communities are:

- Employees
- Families of the employees
- The peripheral community within a radius of 10km from its Kharagpur plant

Community development initiatives are monitored through a system of "Performance Managements System", reviewed every month by the Managing Director. The Company's social activities are monitored by a CSR Committee, which meets every month.

The Company specifically carries out social activities in the following areas:

#### Civic Amenities

Civic amenities are the foundation to a community's 'wellness'. With the Redi acquisition in January 2006, the Company's activities in this sphere spans both Redi and Kharagpur. Its initiatives at Kharagpur include:

- Spending Rs.0.40 million towards upkeep and maintenance of the main road from NH6 to the Kharagpur plant
- Maintaining previously-installed solar power streetlights around the plant premises at Kharagpur
- Constructing a bus stand near Saha Chowk and a cycle stand
- Upgrading basic connectivity and civic amenities from its Kharagpur plant to Welman (1 km long)
- Coordinating with MKDA to widen the 3 km long stretch of road from Welman to NH-6

Its initiatives at Redi include:

- Repairing a one-km-long road from Garudi Mandir to Gaotale village
- Constructing toilets at the Shiroda village (in front of Dr. Gaekwad Hospital, Shiroda)

#### Healthcare

The Company makes a committed effort to strengthen the physical and mental health of the villagers by organizing regular health care camp, eye check up camp, sport activities. TML also has a system for occupational health monitoring at regular intervals. Initiatives of TML's medical service systems and practices include health education and awareness, first aid training, curative and preventive activities like running of First Aid Stations, toxoid immunisation and statutory medical/health examinations.

In Kharagpur, the Company emphasised on the following healthcare activities:

- Organising medical camps and eye camps
- Giving family planning advice

- Providing wheel chairs, crutches and tricycles to handicapped;

- Organising health & hygiene awareness programme; and cardio-vascular check-up camps

In Redi, the Company emphasised on the following healthcare activities:

- Establishing a School Health Programme for Redi students – 366 students were covered under this project

- Organising a medical camp for 79 children from the labourer's colony

- Organising a survey for 280 women with gynecological problems
- Displaying AIDS awareness posters at a raw material unloading yard and truck parking area

#### Education

The Company believes in capacity building by concentrating on strong fundamentals. As a result, the Company provides necessary facilities for school infrastructure and scholarship scheme(s). TML proposes to give two computers to the Gokulpur School and the Amba Primary School for training in basic computers. Other thrust areas identified by the Company include:

- Adult literacy drives
- Library/books schools
- Promotion of education for destitute and street children through the TCCI
- Exhaustive computer literacy across the students, unemployed youth community in the nearby locality
- Scholarship to poor and meritorious local students
- Flower pot making training programme for village women ( 20 women in 2 batches )

#### Self Employment support Systems

The Company actively promotes vocational training

and employment generation programmes. Initiatives include, but are not limited to, promoting the interests of women, prevention of child labour, training youth etc. The Company also actively participates in:

- Training villagers including physically handicapped to maintain household equipment
- Employing local youth within plant premises

through contractors

- Supporting local traders and local transport operators by giving business

- Promoting ancillary businesses in the locality

TML actively supports self-employment training programmes by providing drivers' training and

behavioral training for local village youths. During 2006-07, TML trained 40 local youths, and aims to provide training to at least 20 more. The Company is also organizing self-help groups with below poverty level women with the help of local Pradhans.

#### SPOTLIGHT

##### Jagruti – The Awakening

From March, 2006 onwards, Jagruti, TML's community service initiative reaches out to Redi employees and their families through activities and a related in-house publication. Contents span views of icons like Mahatma Gandhi and Mother Teresa about the TATA Group, messages for employees from the Managing Director and the senior management, and monthly production and sales figures.

These are Jagruti's objectives:

- Communicating the TATA Group culture
- Fostering awareness on TML's vision and values amongst employees and their dependents
- Creating a platform of employee appreciation and one-on-one interaction
- Carrying articles to keep employees abreast of industry changes
- Encouraging employee creativity
- Empowering employees through Company and industry information



## Directors' Report

### To the Members

The Board of Directors have pleasure in placing the Seventeenth Annual Report of the working of the Corporation along with the statement of accounts and the Auditors' Report for the year ended 31st March, 2007.

#### 1. Financial Results :||

(Rs. Crores)		
Particulars	Current Year	Previous Year
a) Gross Income from sales and other operations	781.75	504.16
b) Profit on sale of surplus raw material	0.07	0.09
c) Profit before Interest, Depreciation and taxes	69.30	80.29
d) Less: Interest	14.18	4.33
e) Profit before Depreciation and taxes	55.12	75.96
f) Less: Depreciation	12.95	7.17
g) Profit before taxes	42.17	68.79
h) Less: Provision for taxes including deferred taxes	12.66	22.88
i) Profit after taxes	29.51	45.91
j) Profit and loss credit balance brought forward	60.35	36.74
<b>Balance  </b>	<b>89.86  </b>	<b>82.65</b>
Which the Directors have appropriated to:		
i) Proposed Dividend on Equity Shares	15.17	15.17
ii) Taxes on Dividend	2.58	2.13
iii) General Reserve	5.00	5.00
<b>Total  </b>	<b>22.75  </b>	<b>22.30</b>
<b>Balance to be carried forward</b>	<b>67.11</b>	<b>60.35</b>

#### 2. BUSINESS RESULTS

The demand for foundry grade pig iron in the global market is increasing. Pig iron being the basic raw material for the foundries, any change in the iron and steel consumption has a direct impact on the pig iron industry. Moreover, healthy growth forecasts for the future are indicators of a good growth opportunity for the pig iron industry and therefore for the performance of your Company.

For the financial year ended 31st March, 2007, your Company's profit before tax was Rs. 42 Crores (lower by 39%) as compared to the figure of the previous year. However, due to several corrective actions, the performance during the last quarter has improved considerably vis-à-vis the first three quarters of the financial year 2006-07. Profit Before Tax for the fourth quarter is Rs.22.39 Crores as against a loss of Rs.3.95 Crores in the third quarter of the financial year 06-07. TML's turnaround performance in the

last quarter has more than doubled the PBT on account of higher production and higher net realisation. Additionally, there has been an all round positive environment in productivity of the manpower and other assets of the Company.

Higher production and sales have enabled your Company to yield higher revenue as compared to the 2005-06 financial year. The Company recorded a production of 419,138 tons of pig iron and

despatch of pig iron was 418,916 tons during the year. However, the production at the Kharagpur plant could not reach the rated level due to the long shutdown of one blast furnace for relining. The Redi plant of your Company is operational now with two Blast Furnaces and has yielded a production of 180,845 tonnes during the last fiscal. Enhanced emphasis on customer satisfaction, by concentrating more on the customers' needs and demands and delivering customised products, has ensured premium price for the products from Kharagpur plant.

#### Diversification of business activities

To reduce the risk of being in a single product business, the Company is actively concentrating on seeking business opportunities in new areas. The Company is developing two new business opportunities – one for castings and the other for Ductile Iron (DI) Pipes.

To become a multi-product company, TML has proposed to enter the area of DI Pipe manufacturing. Thus it would enter a market, untapped by the Company till date. The project cost is estimated at Rs.150 Crores, out of which Rs. 75 Crores will be equity and another Rs. 75 Crores would be debt. The equity participation by the promoters of the new joint venture company would be as given below :

- Tata Metaliks, India : 51%
- Kubota, Japan : 44%
- Metal One, Japan : 5%

#### Castings business

As a measure of diversification of its product offerings, during the last year, the Company has concentrated on the following sectors during the last year :

- Automobile sector,
- Construction industry.

TML is supplying a noted group company with superior grades of castings. TML has further plans to expand its castings business.

#### Ductile Iron Pipe Business

As mentioned earlier, as a part of forward integration, the Company has agreed to enter into a joint venture agreement with M/s Kubota Corporation and M/s Metal One, Japan to manufacture DI Pipe in India. The demand for DI pipes is likely to grow at an estimated compounded annual growth rate of 18%. The 110,000 tpa manufacturing facility for this project would be situated at Kharagpur, near the existing plant of the Company and the project is likely to be operational from early 2009. A part of the production of pig iron from the Kharagpur plant is likely to be used in the production facilities for the DI Pipes.

ICRA has assigned a credit opinion of LA- to the proposed joint venture project, which reflects adequate credit quality and carries average credit risk.

#### Efforts towards backward integration

The Company has applied for Iron ore mines in Jharkhand and Orissa. The applications are in different stages of processing.

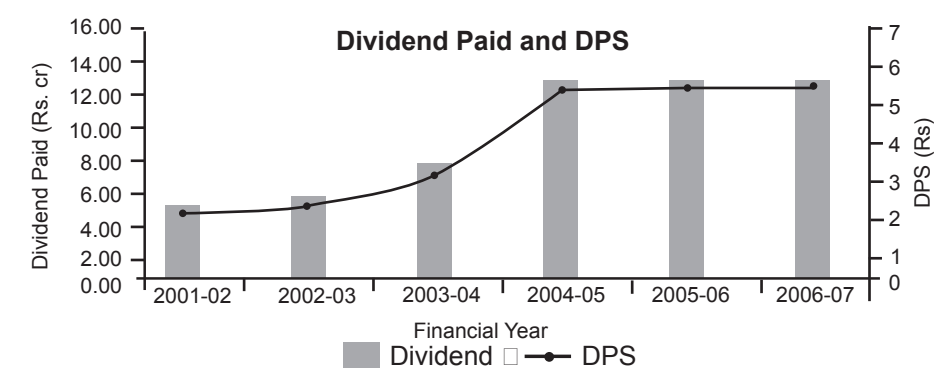
In Maharashtra, TML applied for Mining Leases and Prospecting Leases in the Sindhudurg district. TML is also negotiating with parties in Karnataka and has applied for Mining Leases in Hospet Sector.

For coking coal, TML has approached the West Bengal Government, to seek coking coal supply arrangements through the West Bengal Minerals Development and Trading Corporation Limited, West Bengal. TML also participated in tendering process for getting empanelled for the formation of JV Company with JSMDCL to obtain secured supply of coking coal. In Madhya Pradesh, TML has applied for coking coal blocks. In Sohagpur, Madhya Pradesh, coalfields are to be allotted through screening committee route.

#### 3. DIVIDEND

TML has been declaring dividend consistently for the last 6 years. The Company's dividend policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with cash dividend and of retaining adequate capital to meet the Company's future investment needs. Keeping in mind the future expansion plans, the ongoing capital expenditure plans, profit earned during the financial year and necessary financial prudence, the Directors of the Company are pleased to recommend a dividend at the rate of 60% for the financial year 2006 – 07. The dividend will be paid on 2,52,88,000 shares and will be distributed within the specified period of 30 days from the date of approval in the ensuing Annual General Meeting to be held on 13th July, 2007.

The following has been the dividend outgo of the Company and dividend per share during the last few years:



As per the Finance Act, 2007, Dividend Distribution Tax has been enhanced to 15%. This is payable by the domestic companies on the amount of dividend to be distributed and accordingly the Company has appropriated the amounts of Rs. 15.17 Crores and Rs. 2.58 Crores on dividend and tax thereon, respectively (inclusive of surcharge and education cess). The dividend payout ratio works out to be 60.15% as compared to 37.68% for the financial year 2005-06.



#### 4. DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm having:

- followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanation relating to material departures, if any;
- selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company at the end of the financial year and of the profit of your Company for that period;
- taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities; and
- prepared the annual accounts on a going concern basis.

#### 5. CORPORATE GOVERNANCE

Tata Metaliks is one of the pioneers in the Tata Group in setting high standards of Corporate Governance.

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section titled 'Corporate Governance' has been included in this Annual Report, along with the reports on Management Discussion and Analysis and Shareholder Information. All board members and senior management personnel have affirmed compliance with the code of conduct for the year 2006-07. A certificate from the Statutory Auditors of the Company regarding compliance of conditions and provisions of the Corporate Governance is enclosed as Annexure 'A' to this report.

#### 6. STATUTORY DISCLOSURES

None of the Directors are disqualified under the

provisions of Section 274(1)(g) of the Companies Act, 1956. The Directors have made the requisite disclosures, as required under the provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The information given under 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, as amended, is enclosed as Annexure "B" of this Report.

Statutory and other regulatory compliances in respect of the Kharagpur and the Redi plants are made separately and disclosed before the Board periodically.

#### 7. REDI PLANT

The Company had acquired the assets of the pig iron plant at Redi, Maharashtra, from Usha Ispat Limited, under the SARFAESI Act, 2002, from the IDBI. This brown-field acquisition has completed a year. Looking back, we find that in the eventful past one year, the unit has demonstrated improving performance in all the key areas of operation.

Two out of three blast furnaces of Redi are operating now. The production was 180,845 tonnes during the last fiscal. The third blast furnace was blown-in in May 2007. Since TML took over the Redi plant in January 2006, it has worked every single day despite challenges and improved the operational practices by operators.

Other initiatives at the plant include:

- Empowering workers through continuous training, creating a Knowledge Forum and a platform to leverage knowledge and skills for working smart;
- Ensuring compulsory and comprehensive medical check-ups for all employees;
- Voluntary commitment to adopt ISO and OHSAS systems;
- Continuous improvements in plant safety and

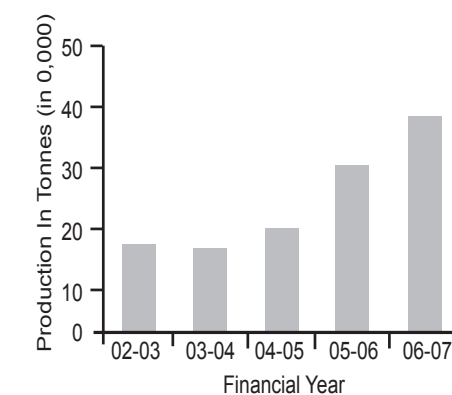
environmental standards;

- Adopting community initiatives (preventive health check-ups, free medical advice to school children etc.);
- All the tested productive IR systems existing at Kharagpur smoothly replicated at Redi unit;
- ERP upgradation from SAP to MySAP completed in record time, aligning and integrating business operations at both the units simultaneously.

The plant produced reasonable results, embracing the Tata culture. ATM facility has been installed within the works premises at Redi. This has helped in bringing modern-day banking facility to the rural areas. TML has also made a railway siding agreement with the Konkan Railways to make the Sawantwadi loop line operational.

#### 8. PRODUCTION PERFORMANCE

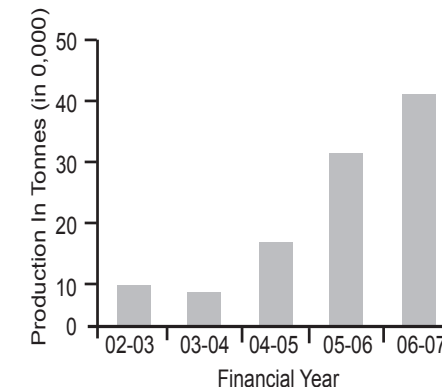
During the year ended 31st March, 2007, the Kharagpur and Redi plants produced 441,280 tonnes of hot metal. The production of hot metal for the last five years has been shown in the figure below:



#### 9. MARKETING PERFORMANCE

During the year, the Company sold 417,647 tonnes of pig iron as compared to 304,560 tonnes in 2005-06. The sales figures for the past five years has been represented graphically below :

#### Marketing Performance



As in the previous years, this year also the Company has conducted an independent Customer Satisfaction Survey (CSS), wherein yet again the Company has featured favourably. The Company has received an award for its effective customer segmentation, at the TBEM Summit of all the TATA Companies.

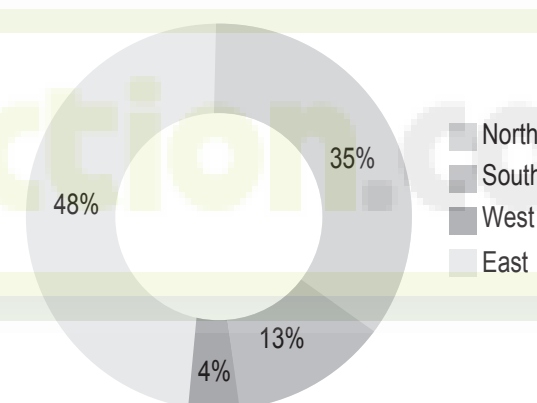
#### Performance : Domestic market

During the last year, Redi plant of the Company catered to the market in the West significantly. This helped the Company establish itself in the Western Indian market. 76% of the pig iron sold from Redi

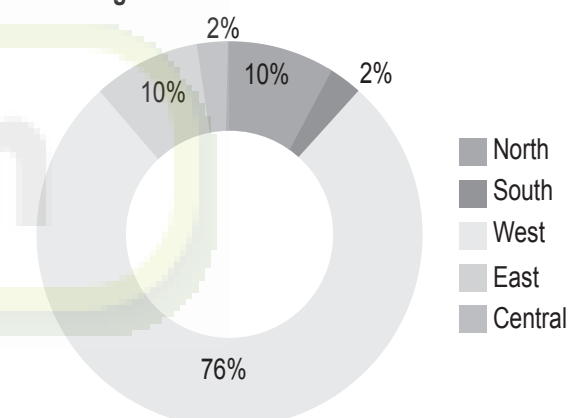
was for the West, while South India and exports accounted for 10% each. With a sale of 158,673 MT of pig iron, the Redi unit achieved a turnover of Rs. 283 Crores.

The Kharagpur plant, sold 223,091 MT of pig iron in the domestic market, out of which almost 48% and 35% were for the East and the North Indian markets respectively. The figure below shows the region wise sales made by the two plants. The turnover for the Kharagpur plant was Rs. 464 Crores.

#### Regionwise Sales KGP 2006-07

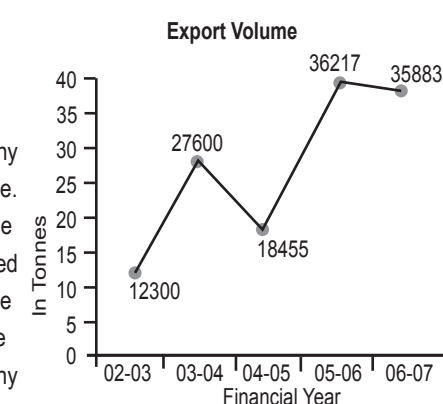


#### Regionwise Sales REDI 2006-07



#### Performance : Export market

The year under review was another significant one for export performance, wherein the Company maintained its level of export in terms of volume. TML consciously chose to limit its exports to the freight-unfriendly destinations. The exports clocked a lower rate of growth due to extremely adverse prices during the earlier part of the year. Hence during the first half of the 2006-07, the Company exported lesser volume as compared to the later half of the year. However, the exports picked up due to favourable prices during the last quarter of 2006-07. The following figure shows the export performance of the Company during the past years:



#### 10. CAPITAL INVESTMENTS AND COMMITMENTS

During the last year, TML made significant capital investments. In order to facilitate transport of input material through rail movement, TML constructed an additional loop line (approx. cost of Rs.3.5

Crores), at the Sawantwadi station, for the Redi plant. This has contributed to savings in road transportation cost and savings over private siding expenses.

The Company also invested in relining of the MBF# 1 at the Kharagpur plant and refurbishing of MBF#3 (172 M<sup>3</sup> capacity) at Redi at a combined cost of Rs. 47 Crores (Rs.16 Crores for MBF#1 at KGP and Rs.31 Crores for MBF#3 at Redi).

#### 11. FINANCE

The Company's performance during the first half was below target. With specific action plans, the performance during the last quarter turned around as compared to the first nine months of the F.Y. 2006-07. There is scope for improvement in your



Company's performance and actions are being initiated to enhance the same. The Company's turnover was 55% higher than the last year's turnover of Rs.504 Crores. However, Profit Before Tax (PBT) was 39% lower, compared to the performance for the financial year 2005-06, due to lower level of operations on account of shut down of MBF#1 at the Kharagpur plant due to relining.

The other details of financial performance of the Company have been highlighted below :

#### (i) Capital Expenditure

As reported in item no. 10, the Company has made some notable capital investments. Besides, an external desulphurisation unit has been constructed at the Kharagpur plant at a cost of

Rs.3 Crores. Over and above, the Company has also carried out a housing project (for its employees) at Kharagpur.

#### (ii) Fund Management

To fund the extensive capital expenditures incurred during the last year, in order to enhance the Company's production capacity and production performance, the Company's debt level has increased. To finance the MBF relining, the Company arranged for a short term Corporate Loan of Rs. 25 Crores from State Bank of India, CAG Branch, Kolkata. Moreover, the requirement of stocking additional raw material at the Redi plant for the monsoon season required the Company to provide additional funds for working capital. The present debt equity ratio of the Company stands at

1.28 : 1. The hardening of interest rates is an additional burden on the Company's financials. Added to this, the additional depreciation charges have also created a downward pressure on the profit.

#### (iii) Treasury Operations

The Company is availing internet based banking facility (E-channel) provided by the State Bank of India and HSBC Bank. This online facility is used for normal banking transaction like issuing cheques, advising release of payments, LC applications etc. The Company has been pro-actively managing its treasury operations to reduce foreign exchange exposures. Treasury operations were backed by appropriate control mechanisms including an independent check of all the transactions by the Audit functions.

#### 12. FIXED DEPOSITS

During the year under review, your Company has not accepted any deposit under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

#### 13. AVAILABILITY OF INFORMATION ON THE EDIFAR SYSTEM & DIRECTORS' IDENTIFICATION NUMBER (DIN)

Pursuant to Clause 51 of the Listing Agreement with the Stock Exchanges, the Company has been filing its quarterly shareholding pattern and unaudited/ audited financial statements at the end of each quarter, Annual Report along with the Balance Sheet, Profit and Loss Account and Corporate Governance Report on EDIFAR system maintained by SEBI in the manner and format and ahead of the deadline specified by SEBI.

Directors' Identification Number (DIN) is a person specific number to be obtained by all existing and prospective directors of Companies as per the new system of online filings introduced by the Ministry of Company Affairs, Government of India from 15th September, 2006. The Company has applied for DIN for its Directors and Company Secretary and obtained the same from the Central Government. The Directors have informed their DIN to the Company in Form DIN-2 and the Company has submitted the same to the Registrar of Companies in Form DIN-3, within the stipulated time.

#### 14. HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS

The Company's human resources management systems and processes are designed to create a responsive, customer-centric, market-focussed culture and to enhance organisational vitality. As always, the emphasis has been on defining performance parameters more accurately and monitoring the same through continuous performance monitoring systems. In addition, there was renewed emphasis on training and enhanced

communication, leading to continuous upgradation of both knowledge and skill sets of the employees.

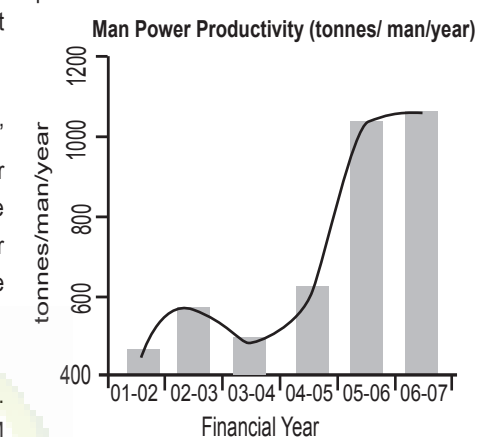
#### Training:

Empowering employees with growth opportunities through continuous training and skill enhancement was the tone for the year. Among new avenues for training and development that were created, the most notable was creation of a 'seminar club' for voluntarily sharing knowledge every week after duty hours. Other measures included bringing the learned IIT faculty to TML classroom at Kharagpur Plant. This was in addition to the continuing initiative of tapping from the knowledge resources of Tata Steel on a regular basis. ISO systems, TPM practices, TBEM basics were installed at Redi unit. TML provided 10 external assessors for the TBEM assessment to TQMS thus providing opportunity to learn the best business practices from assessee companies.

Man-days of specialized training provided during the year rose to 987 as against 730 last year, keeping up the trend of steady improvement. The training investment per man-day of training also rose from Rs.866 last year to Rs.904 in the current year. Value addition per employee remained steady and employee cost per tonne of hot metal continued to dip giving us that critical leeway for making adjustments in compensation. The Company invested in a talent development programme by selecting future leaders through the well-established Performance Management systems and the Talent Review mechanisms.

Cumulative impacts of providing employees with growth paths, training opportunities, awards and employee benefit packages, transparency in employee dealings has been a major reason for employee satisfaction, which has resulted in an enhanced manpower productivity for the last year, which went up from 1073 t/m/y to 1087 t/m/y, for both plants taken together. The manpower productivity for the last year clocked 303 t/m/y at

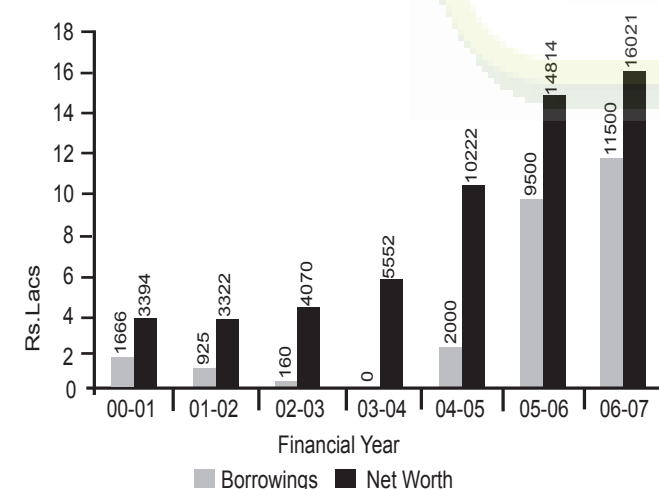
the Redi plant. Employee productivity at the Kharagpur Unit continued its upward trend seen last year though the furnace availability loss due to relining shutdown dampened the overall production.



Recruitment of professionals helped improve the mix of qualified employees at Kharagpur to 48% during F.Y. 2006-07, from 43% last year. Similar efforts have been launched to improve the qualification and skill mix of Redi employees. As against separation of 19 employees, 31 new employees joined at Kharagpur. The Company had 765 people on rolls as on 31.03.2007 – 463 at Redi unit and 302 at Kharagpur, Head office and branch offices taken together. Job rotation was also undertaken to demonstrate maturity on organisational talent capabilities to take up new roles and challenges.

Industrial Relations as usual have continued to be peaceful and conducive to uninterrupted production at both the production units – Kharagpur and Redi, and there were no man-days lost due to any kind of unrest. The established practice of structured monthly dialogue with recognized union, treating them with respect and as equal partners in improving the plant productivity as well as employee welfare and safety helped in insulating our production facilities from the impact of political calls for nation/state wide strikes and bandhs during the year.

Borrowings and Net Worth

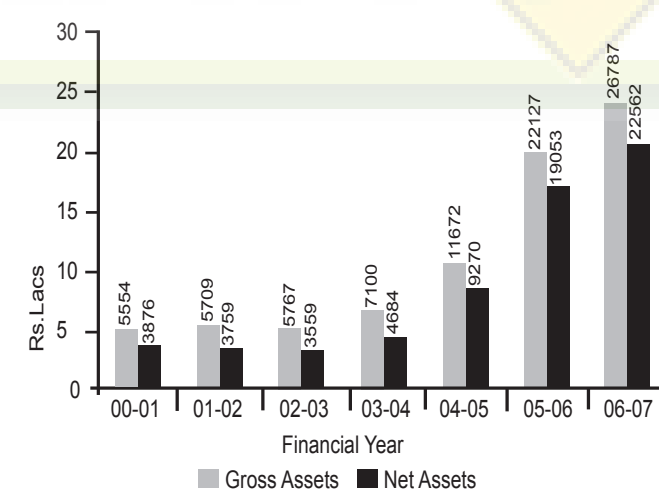


Both net worth and borrowings of the Company have gone up during the year ended 31st March, 2007. While Net Worth has increased following enhanced reserves and surplus base, while the borrowings have had to be enhanced to finance the capital expenditure and working capital. Both gross assets and net assets of the Company have grown. However, the growth in net assets (19%) as compared to 2005-06, has been lower than

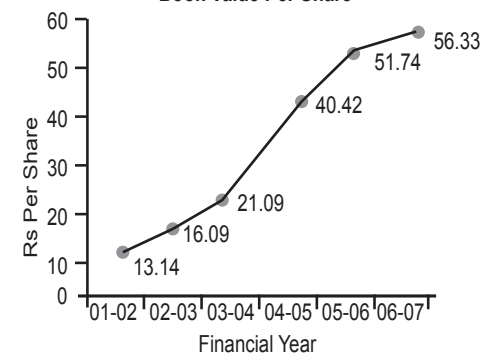
the growth in gross assets (21%) for the same period, owing to depreciation charges.

This year, the Book Value per Share of the Company has gone up to Rs.56.33 from last year's value of Rs. 51.74 per share. However, the impact of deferred taxation has not been considered while computing the book value per share.

Net Assets and Gross Assets



Book Value Per Share



**15. || CORPORATE SOCIAL RESPONSIBILITY**

TML is a socially responsible company – it believes in giving back to society what it has earned from it. Following the TATA Code of Corporate Social Responsibility, Tata Metaliks strives to make a difference in the rural community in and around its Gokulpur and Redi plants. It has identified four principal areas of activity –

- increasing self-employability;
- boosting health and wellbeing of children || and women;
- providing proper educational facilities; and
- providing rural people with greater access || to markets through civic amenities like || roads and electricity.

Apart from these, adult education is and continues to be a priority. ATM facility has also been installed adjoining to the works premises at the Kharagpur plant. This would extend the consequential help of odd-hours' banking facility to the stakeholders.

**16. || GRI INITIATIVES**

In the past few years, the Company has embarked upon a new initiative to further reinforce its commitment to "improving the quality of life of communities we serve", by adopting the GRI Framework for Corporate Sustainability Reporting. The Company has followed the recently introduced G3 guideline this year in its Corporate Sustainability Report and its assurance process.

The Company has engaged M/s Pricewaterhouse Coopers to evaluate and assure the Company's Corporate Sustainability Initiatives and reports thereon. TML's Corporate Sustainability Report is acclaimed as the benchmark for other companies in the Tata Group.

**17. || AFFIRMATIVE ACTIONS**

The Company has in place a Code of Conduct on Affirmative Actions and has been following the

same in its business practices. The pro-active actions of the Company are also being reported to the Board on a quarterly basis. The number of SC/ST employees being employed by the Company is 5.22% and 2.01% of the total number of people employed in KGP and Redi respectively. It was reported that the location of the Redi plant is surrounded by OBC. The total percentage of OBC, SC and ST employees would be over 36% at Redi.

**18. || INVESTOR SERVICES**

The investor service facility of the Company, manned by dedicated team of professionals, strives continuously to improve its high quality services through constant upgradation of its infrastructure and systems.

The Company has launched a special investor service drive by creating a separate electronic messaging facility, where the investors can lodge their complaints directly to the Compliance Officer of the Company. Additionally, through the Company's website, the investors can also reach the website of the registrars and share transfer agents of the Company and lodge any complaints as well as post their queries. Official news releases are also displayed on the Company's website as well as on the Company intranet. It is also published in one/ two newspapers that enjoy wide circulation in the State where the registered office of the Company is situated – one is in English and other one in the vernacular language of the State.

**19. || DIRECTORS**

Mr. Ajoy Kumar Roy has been appointed as a Director of the Company to fill the casual vacancy created by the sudden demise of Late Mr. Satyajit Mitra. Mr. Roy has been appointed as a non-executive director at the Board meeting held on 15th December 2006.

Dr T. Mukherjee, Mr. P.K. Jha and Mr. Dipak

Banerjee are liable to retire by rotation in accordance with section 256 of the Companies Act, 1956 and Article 110 of the Articles of Association of the Company and are eligible for re-appointment.

Mr. A K Basu, an IAS (Retired), was appointed Additional Director by the Board of Directors with effect from 29th March, 2007. Mr. Basu has recently retired from the post of Chairman, Central Electricity Regulatory Authority, Government of India. He has served as a Secretary in various departments of the Government of India. With this appointment, the number of non-executive and independent directors has been increased to 6, thereby taking the total percentage of non-executive and independent directors to 60%.

**20. || AUDITORS**

Due to merger, M/s A.F. Ferguson & Co. Chartered Accountants, the erstwhile Auditors of the Company, are now a part of M/s Deloitte, Haskins and Sells, Chartered Accountants, and it has been decided that henceforth, M/s Deloitte, Haskins and Sells, Chartered Accountants would be the Statutory Auditors of the Company. Accordingly, M/s A.F. Ferguson & Co, Chartered Accountants have expressed their unwillingness to be re-appointed at the conclusion of the ensuing Annual General Meeting. M/s Deloitte, Haskins and Sells, Chartered Accountants have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1)(B) of the Companies Act, 1956.

**21. || CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo as per 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 is given as Annexure "B" of this Report.

**22. || 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 herewith as Annexure "C".

**23. || A NOTE OF APPRECIATION**

Your Company's Board and the employees are enthused by their vision of "Reaching Tomorrow

First", while creating enduring value for all its stakeholders, including the shareholders and the society. The Company has been striving hard to outperform the industry in a challenging year and it has also been surpassing all international quality and cost benchmarks and continues to build shareholder value.

The Directors place on record their appreciation for the overwhelming co-operation and assistance received from investors, customers, business associates, bankers, vendors, Tata Metaliks' union, shareholders, railway authorities and Government of West Bengal as well as other Regulatory, Public

and Government authorities. They also thank the employees at all levels, who, through their dedication, co-operation, support and smart work, have enabled the Company to achieve rapid growth. Propelled by your Company's strong vision and powered by internal vitality, your Directors look forward to the future with confidence.

On Behalf of the Board of Directors

Kolkata ||  
25 April 2007 ||

Dr. T Mukherjee  
Chairman