

TATA METALIKS LIMITED



Primed^{for} the future

22nd Annual Report | 2011-12



OUR VISION

Reaching Tomorrow First

OUR VALUES

Speed and Agility
Learning and Innovation
Integrity and Candour

Corporate Information	2
Chairman's Statement	5
Primed for the Future	6
Notice of Annual General Meeting	9
Directors' Report	19
Management Discussion and Analysis	27
Corporate Governance Report	32
Standalone Financial Statements	
Auditors' Report	51
Balance Sheet	54
Profit & Loss Account	55
Cash Flow Statement	56
Notes to the Financial Statements	58
Consolidated Financial Statements	
Auditors' Report on Consolidated Financial Statements	78
Balance Sheet	79
Profit & Loss Account	80
Cash Flow Statement	81
Notes to the Financial Statements	83
Calendars	103

TWENTY SECOND ANNUAL GENERAL MEETING

Date : Friday, September 21, 2012

Time : 11.30 a.m.

Venue : KALAMANDIR, 48, Shakespeare Sarani, Kolkata - 700 017

Important information : *As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies in the meeting.*

CORPORATE INFORMATION



Board of Directors as of July 5, 2012

Mr. Koushik Chatterjee - Chairman
Mr. A. C. Wadhawan
Mr. Dipak Banerjee
Mr. Ashok Kumar Basu
Mr. Ashok Kumar
Mr. V. S. N. Murty
Dr. Pingali Venugopal - Appointed as Additional Director w.e.f. January 5, 2012
Mr. D. P. Deshpande - Appointed as Executive Director w.e.f April 1, 2012
Mr. Krishnava Dutt - Appointed as Additional Director w.e.f. July 5, 2012
Mr. Harsh K Jha (Managing Director)

Management as of July 5, 2012

Mr. Harsh K Jha	<i>Managing Director</i>
Mr. D. P. Deshpande	<i>Executive Director</i>
Mr. Kalyan Chatterji	<i>VP (Projects & Business Opportunity)</i>
Mr. Sudhin Mitter	<i>VP (Marketing & Sales)</i>
Mr. Debasish Mishra	<i>GM (Operations)</i>
Mr. Subhra Sengupta	<i>Chief Financial Officer</i>
Mr. Sankar Bhattacharya	<i>Chief (Corporate Governance) & Company Secretary</i>

REGISTERED OFFICE

Tata Centre, 10th Floor, 43, Jawaharlal Nehru Road
Kolkata - 700 071

BANKERS

State Bank of India, IDBI Bank, HDFC Bank, Bank of Baroda,
Axis Bank, DBS Bank, Indusind Bank, Canara Bank

AUDITORS

M/s Deloitte Haskins & Sells
Chartered Accountants
Kolkata

REGISTRAR AND SHARE TRANSFER AGENT

M/s R & D Infotech Pvt. Ltd.
7A, Beltala Road,
Kolkata - 700 026

Committees of Board

Audit Committee Mr. A. C. Wadhawan - <i>Chairman</i> Mr. Dipak Banerjee - <i>Member</i> Mr. V.S.N.Murty - <i>Member</i> Mr. Ashok K Basu - <i>Member</i>	Remuneration Committee Mr. A. C. Wadhawan - <i>Chairman</i> Mr. Dipak Banerjee - <i>Member</i> Dr. Pingali Venugopal - <i>Member</i> Mr. Koushik Chatterjee - <i>Member</i>
Committee of Board Mr. Koushik Chatterjee - <i>Chairman</i> Mr. Harsh K Jha - <i>Member</i> Mr. Dipak Banerjee - <i>Member</i> Mr. Ashok Kumar - <i>Member</i>	Investment/Borrowing Committee Mr. Harsh K Jha - <i>Chairman</i> Mr. Dipak Banerjee - <i>Member</i> Mr. V. S. N. Murty - <i>Member</i>
Ethics and Compliance Committee Mr. Ashok K. Basu - <i>Chairman</i> Dr. Pingali Venugopal - <i>Member</i>	Shareholders' Grievance Committee Mr. Ashok Kumar Basu - <i>Chairman</i> Dr. Pingali Venugopal - <i>Member</i> Mr. Harsh K Jha - <i>Member</i>

Investor Service Centre

TATA METALIKS LIMITED
Tata Centre, 10th Floor
43, Jawaharlal Nehru Road
Kolkata - 700 071
Phone : + 91 33 6613 4205
Fax : +91 33 2288 4372
Email : investors@tatametaliiks.co.in

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1st Floor
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Fax : +91 33 2419 2642
Email : rd.infotech@vsnl.net

GREEN INITIATIVE

July 5, 2012

Dear Shareholder,

The Ministry of Corporate Affairs has taken a "Green Initiative" in Corporate allowing paperless compliances by Companies through electronic mode and has issued circulars on 21.4.2011 and 29.4.2011 stating that Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

Your Company proposes to send future communication / documents including Notice of Annual General Meeting and Annual Report to the shareholders at their e-mail address as registered with the Depository Participants (DPs)/Company/Registrars & Share Transfer Agents.

Members who are holding Equity Shares in demat mode are requested to register their email ID with their Depository Participant immediately, if already not registered.

Members who are holding Equity Shares in physical form should send a scanned copy of their letter requesting for registering / changing their existing email ID, bearing the signature of the sole / first shareholder on rdinfotech@yahoo.com. Members are also requested to convert their physical holding to demat.

OR

Such members holding Equity shares in physical form can also write to the Registrar and Share Transfer Agent of the Company at their following address and inform their email ID quoting their folio number. The letter should be signed by the sole/first holder as per the specimen signature recorded with the Registrar and Share Transfer Agent.

M/s R & D Infotech Pvt. Ltd.

1st Floor, 7A, Beltala Road

Kolkata - 700 026

Phone : +91-33-24192641

Telefax : +91-33-24192642

E-mail : rd.infotech@vsnl.net / tml@rdinfotech.in

Website : www.rdinfotech.org

We seek your support to enable the Company to not only reduce paper consumption but also related costs. As a shareholder, this is your opportunity to support this initiative of the Government and contribute towards a Greener Environment.

Please note that as a member of the Company, you will be entitled to be furnished free of cost with a copy of such communication / document upon receipt of a requisition from you.

The Annual Report of your Company for Financial Year 2011-12 alongwith all future communication / documents would also be made available on the Company's website : **www.tatametaliks.com**.

Thanking you

Yours sincerely

For **TATA METALIKS LIMITED****Sankar Bhattacharya***Chief (Corporate Governance) & Company Secretary*

CHAIRMAN'S STATEMENT



Dear Shareholders,

The uncertain global economy has been taking a toll on businesses across the world. The Euro zone crisis, in particular, coupled with the slowdown in China has affected business sentiment in the metals industry. India has also been facing challenges in terms of volatile commodity prices, higher energy costs, weaker currency and increasing current account deficit. The depreciating rupee has made imports costlier and put pressure on industry margins. The country's GDP growth rate fell to a nine-year low of 5.3% in the last quarter of the financial year taking the 2011-12 annual rate to 6.5% compared to 8.5% in the previous year. While the Government has accorded highest priority to improving the economy and returning to higher growth rates, 2012-13 is expected to see GDP growing at between 6-7%.

Tata Metaliks too could not remain isolated from the prevailing macroeconomic trends and the last year proved to be extremely challenging for the company. Prices of key inputs like iron ore, coal and coke went up 30% year on year, with pig iron prices increasing by only 17%. As input costs constitute over 90% of cost of production, this lag put a severe strain on the company's margins. The ban on mining in Karnataka due to environmental concerns contributed not only to price increases, but also significantly impacted availability adversely. A number of units in the pig iron industry in South and West India were forced to close down to contain their losses. The crisis also hit the company's Redit plant and it had to be closed down in October 2011. Kharagpur operations also suffered losses due to higher raw material costs, disruption in iron ore supply in the last quarter and unstable blast furnace health that led to higher coke consumption. The Company's subsidiary, Tata Metaliks Kubota Pipes Limited, (TMKPL) increased production during the year but unfortunately suffered from low net realizations as the industry is facing over capacity, especially in the eastern region. These adversities have caused TML to incur a consolidated net loss of Rs. 135.24 Crs.

Looking ahead, TML remains focused on its strategy of investing in future capabilities while improving internal efficiency. The Company is pursuing its planned investments for a sinter plant, revamping one mini blast furnace and the coke conversion unit at Kharagpur. By substituting costlier iron ore lumps by fines at the sinter plant, the Company plans to stay competitive by way of lower input costs, improved blast furnace productivity and reduced coke rate.

The company is also aligning its customer related interventions to make them energy and cost efficient. Development and launch of "Tata efee" - the branded pig iron - first of its kind in the world - is one such initiative. It is expected that by the third quarter of 2012-13, 100% of pig iron produced would be "Tata efee".

TML's venture into ductile iron pipes is also expected to pick up pace in achieving its full potential. TMKPL is banking on India's investment in infrastructure to power its growth. It is also working with its foreign collaborators to offer better quality products compared to its competitors.

TML realizes the need to nurture its most precious resource - the human talent, which has enabled it to be a leader in the industry. With their dedication and commitment at all times, the Company has been able to foster a customer centric culture that rewards learning, collaboration and development. This makes it an organization ready for the future.

Finally, I would like to thank all the employees and unions, my colleagues in the management team and the Board of Directors for their support, hard work and contribution to the company.

A handwritten signature in black ink, appearing to read 'Koushik Chatterjee'.

Koushik Chatterjee
Chairman

July 5, 2012

PRIMED FOR THE FUTURE

Business Scenario :

Globally, the year was marked by a growth in the face of severe dearth in raw materials like coal and iron ore. TML too was affected by shortage and hence by a steep rise in input costs. It also underlines a significant aspect of the dynamics of the metal product's value chain. The rise in input prices indicate mining is now a critical part of the value chain and attracts a growing share away from products like pig iron and castings. This situation is likely to remain so for the next 3-4 years. Given the current state of European economy and a slowdown in Chinese demand, raw material prices are likely to ease. With installed capacity higher than demand, pig iron industry will also have some struggling to go through. A number of plants have already been shut down unable to bear the high cost and availability of inputs.

At Kharagpur, TML faced uncertainty in ore supplies during Q4 and higher coke consumption due to unstable blast furnace health. The company closed down its Redi operations in October 2011 due to unviable input costs in wake of mining crisis in Karnataka and is planning to divest it to control damage. The company also expects a turnaround in the industry scenario. TML's product enjoys customer preference and thus commands premium in the market. To gain competitive advantage, the management is on a drive pursuing higher internal efficiency. More importantly, TML can derive greater synergy and strength from its access to Tata steel for technology, bargaining capacity on the raw material front and funding. TML is currently poised to invest heavily in its future. A ₹ 98 crore sinter plant shall deliver sinter output in the third quarter, the upgraded MBF 2 will raise the pig iron productivity, investment in coke oven through a partner, and a proposed 10 MW power plant will make its business more stable, improve margins and insulate it against some of the vagaries of the market. The launch of 'Tata eFee', a premium 'green' product and the first branded pig iron, offers an enhanced value proposition to customers and is also set to contribute to the bottom line. TML has also received approval from Karnataka government for its steel plant at Haveri. The project will be taken up soon.

Raw Materials :

The past year has been difficult in terms of raw materials availability. About 30% jump in prices of iron ore, coal and coke raised the cost of production during the year. However, pig iron prices increased only up to 17% during the same period. While lump ore prices rose sharply due to a ban on illegal mining in Karnataka, high cost coupled with poor quality of ore in the region forced the company to suspend operations at its plant at Redi, Maharashtra since October 2011. Operations at TML's Kharagpur plant have also been hit by uncertain ore supplies in the fourth quarter.

TML has now worked out an arrangement with Tata Steel that will reduce its raw material cost through reduction in freight cost, benefit of bulk purchase and reduced inventory. As for coke the decision on the option of buying either from the domestic market or importing is based on a continuous market analysis, price projections.

Proposals for acquisition of mines in iron ore bearing states of Karnataka, Odisha, Jharkhand and Chhattisgarh for raw material linkages for the Kharagpur plant and for the proposed steel plant in Karnataka are being sought and examined. Tata Steel is itself actively looking at mining lease applications for the Karnataka project.

Operations :

With an unprecedented rise in costs and interrupted supplies, operations were bound to be severely hit. TML's operations were also hampered during the year by its blast furnaces' health. This led to higher consumption of coke and higher cost of production. Production suffered and TML's Kharagpur and Redi plant (in operation for six months) together produced 352,322 tons of hot metal during 2011-12 compared to 488,918 tons in 2010-11.

However TML's real assets - its people have risen to meet the challenge. To lower the cost, TML explored substitutes of coal in the blend. In the coal conversion plant we started blending low grade coal with good quality of coal to produce acceptable quality coke. Yet another measure was mixing of coke breeze with coal. A slew of initiatives were undertaken to reduce revenue leakages e.g. reduction of coke breeze generation during handling of coke, direct shifting of coke from wagon to reduce fines generation, to reduce contamination in coke breeze to get higher realization during selling, using of +6mm iron ore to maximize utilization etc.

Prior to commissioning of our own sinter plant arrangements were made for converting iron ore fines to sinter. It is providing hands-on experience to operating people in use of sinter.

Market Performance :

Prices of pig iron remained unremunerative in the domestic market during the early part of the Financial Year 2011-12. Prices started rising from late Q2 and remained stable thereafter. The international prices, however, remained unremunerative to export pig iron.

TML is the only supplier of low sulphur grades of pig iron and these are ideal for ductile grades of castings. The product is best suited for automobile engine boxes, gear boxes, crankshafts, rolling mill rolls, motor and generator housings, railway tools, machine tools and pipes. During the year, demand remained steady for castings from automobile, infrastructure, energy and agriculture sectors. There was, however, a drop in demand from the tractor industry.

The application of ductile iron castings has also shown signs of growth leading to augmented demand of customized grade of pig iron like SSG. However, due to non availability of low phosphorus iron ore, TML has not been able to produce this grade to

PRIMED FOR THE FUTURE (Contd.)

the full demand. Pig iron market remains volatile and non committal with regard to long term purchases. Increased availability of low cost substitutes including basic grade pig iron and steel scrap, made foundries to cut down on use of foundry grade pig iron and put a cap on the price of foundry grade pig iron.

DI Pipes business

TML subsidiary, Tata Metaliks Kubota Pipes Limited (TMKPL) also had its share of starting problems while the market for DI pipes has been wobbly. An entry of a number of new players has led to over capacity in ductile iron (DI) pipes in eastern region. As a result, net realizations dropped by 20%, though production increased by 143% to 49,502 tons during the year. Prices started moving up towards the end of fiscal 2011-12 though it is still below remunerative levels. TMKPL is confident of an improvement in the situation since India's investment in infrastructure is bound to grow. TMKPL is carrying out major interventions in consultation with its foreign collaborators to offer significantly superior products in comparison to its competitors.

Divestment of Redi Operations :

A sharp rise in lump ore prices due to the Supreme Court ban on illegal mining in Karnataka hit the company adversely. It severely affected availability of ore at TML's Redi plant making its operation unviable to sustain. The company decided to suspend plant operations in October 2011, divest its Redi business and pursue its strategy of focusing on and consolidating its Kharagpur operations with vigour. In line with this decision on the Redi unit, talks were held with a mining group in the vicinity of the plant site. TML even signed a Business Transfer Agreement with the Group for the same. However the deal did not reach the fruition stage. TML continues to pursue the strategy and is also evaluating its other options.

Focus on Cost Efficiency :

TML is looking ahead into the future with cost efficiency as its goal. The company is setting up a 40m² sinter plant at Kharagpur for sintering iron ore fines. This will help TML substitute lump ore by iron ore fines and will help in lowering the cost of raw material. Moreover, it will improve the productivity of the blast furnaces leading to over 30,000 tons annually of additional hot metal per annum from both blast furnaces.

Additionally, through its plan of expansion of MBF 2, TML is making two changes. The shower cooling system is being replaced by stove coolers and it will provide better cooling. This will also lead to less consumption of water, as the water will be recirculated. TML will also provide bell less top which facilitates better distribution of the burden. In the process, working volume of MBF will be increased leading to an additional 15,000 ton of hot metal per annum with reduction in coke rate of 12 kg per ton of hot metal. Significantly, it will also pave the way for introducing Coal Dust Injection (CDI), a project TML plans to take up later.

TML has issued a letter of intent to GSA Commercial for setting up a non recovery type of coke oven plant of 10,000 ton per month capacity within the plant premises at Kharagpur. This project will come up on build, own, operate and transfer (BOOT) basis. The flu gas generated from the coke conversion facilities will be used for setting up a 10 MW power plant. These technological interventions are expected to have a long standing impact on TML's cost matrix in the future since they will reduce cost of hot metal in the years to come. By 2014-15, these investments will help convert TML into a brand new plant. In the long run, these moves will make TML cost competitive and drive the company's agenda for sustainable growth. It will also make higher amounts of hot metal available to TMKPL at a lower rate. This in turn will have a cascading effect on the latter's cost competitiveness in coming years.

Financials :

The shutdown of Redi plant operations since October 2011 reduced the company's working capital needs. The increase in coke and iron ore prices apart from impacting its own margins negatively also resulted in a significant jump in input cost in its ductile iron pipe business under TMKPL. Thus on a consolidated basis, TML reported a loss after tax and minority interest of Rs 113.47 crs.

Customer-centric approach and CRM initiatives :

TML had launched an organization-wide initiative in 2008 in keeping with its customer centric philosophy. The programme, 'SCOPE' has helped in integration and alignment of work processes within the company. It has also helped in a better understanding of internal and external customers.

Additional marketing initiatives include Product Segmentation exercise with the help of an external foundry consultant and CRM initiative like technical services and seminars for ductile iron casting manufacturers, appreciation of customers and partners through appropriate 'Reward & Recognition' mechanism. It is also holding technical meets, reinforcing SMS services and web access mechanism, improving customer engagement by organizing customer awareness programmes, periodic communication with customers and entering into long term contracts. TML is looking forward to support the foundry industry with process and product consultancy to enable them to transform into green foundries.

In this, TML's focus areas are pollution control, power savings and waste management. These and several other initiatives taken together have enabled TML to become the 'Supplier of Choice' for its customers.

TML's Customer Service Centre has been set up to provide end-to-end service bouquet. It is meant to make its customers more competitive in the emerging new business scenario. Among the services it offers includes supply of customized pig iron, supplying

PRIMED FOR THE FUTURE (Contd.)

lumpy coke and lime stone for foundries, assistance in optimising the operations and performance of cupolas, enhancing melt rate in cupolas, training cupola operators and foundry supervisors, comprehensive moulding related services, facilitating optimization of production processes and chemical analysis of raw materials.

Human Capital & Training :

TML's human resource philosophy is geared towards attracting and retaining the best talent on offer in the market. This also ensures that the company is equipped to meet the growing challenges of the workplace and the market. It also keeps employees engaged and motivated. The employees also have a strong alignment with the company's vision and this has given TML leadership position in its industry segment. TML has always fostered a culture that encourages continuous learning, collaboration and development across the rank and file of the organization.

This makes it ready for higher blast furnace productivity and making TML's operations sinter friendly. Together, all these qualities have worked towards making the organization future oriented. To ensure business continuity, the company has an elaborate plan for development of a leadership pipeline for critical positions.

A vital aspect of TML's performance in the market is maintenance of harmonious industrial relations. TML has thus made unrelenting effort to maintain cordial Industrial relations. Apart from its people, the plant and machinery, involvement and support of various stakeholders, especially those of society where it operates, is vital to ensure smooth running of the company's operations. In this aspect, TML's initiatives in corporate social responsibility (CSR) are well received and awaited in the entire area where it operates. In fact, TML stands out as a role model of giving back to the society out of which it creates wealth.

TML believes training and development are a significant component in building up the capacity of the organization as a whole. To upgrade and improve employee skills, it gives utmost importance to training activities to ensure all sections of its employees are covered under its training and development activities. In this regard, the company has a well defined process of identifying training inputs and converting them into activities. The training and development activities of the company are conducted both in house and also externally. TML has a panel of skilled and motivated internal trainers who conduct these training workshops.

A Green Conscience :

The biggest challenge for corporates like TML is to strike a balance between sustainability and environment. In that direction, we have decided to focus on restoration of the green as an integral part of development. Thus in our race towards a billion (Rtab) by 2017, we are guided by our green conscience. Our thought process - 'economy profits only if ecology permits' culminated in us developing a unique green product - an energy efficient pig iron 'Tata eFee'. This was done in collaboration with the Research and Development team of Tata Steel and IIT Kharagpur. The idea is simple. We want to do what we can do to sustain both green and growth.

At TML, our planned investments too are environment friendly. Measures such as reduction of coke consumption, capacity expansion of MBF2 will enable us to use coal rather than coke thereby reducing consumption of natural resources. Currently, captive power plants supply 90% of the company's power requirements thus reducing its carbon footprint. This year, TML is also putting up a sinter plant to change nature of raw material use by utilising more and more iron ore fines, which occur naturally in the environment.

Social Sustainability (CSR) :

TML philosophy is deeply rooted in social sustainability. The company thus treats the community it inhabits as a vital stakeholder of its sustenance. Instead of trying to bring in rural poverty alleviation schemes, the company focuses on making the villages near its plant site, self reliant.

In recent years, TML's involvement in community services has intensified with the formation of 'Sadbhavana'. The Sadbhavana Trust account has been volunteered by officers and employees at all levels. Sadbhavana Initiatives include Nutritional Survey Camps, Comprehensive Eye Care Camp and free distribution of spectacles to under privileged people, blood donation camp, HIV/AIDS awareness camp, driver's training and imparting livelihood skills to women and youth through vermicomposting and driver's training respectively

TML takes up these programmes in and around a 10 km radius of its plant. This also serves a key in the company's drive towards social sustainability. In all these villages, three main development areas which have been taken up are healthcare, education and employability.

Under Maternal & Child Health care initiative, Nutritional survey camp for school children has been very effective in bringing down the no. of skin diseases, malnutrition etc. Gynaecological camps have been organized to benefit the women in the rural areas for whom non availability of female doctors in the community was a disadvantage.

In the field of education, scholarships were provided to meritorious students coming from BPL (Below Poverty Line) category & aspiring for higher studies. A group of dedicated tribal women of SHG called Sidukanu Birsa at Kunjachawk are successfully running vermicompost project & have created a livelihood to supplement the income of their family. Technical education (ITI) was provided to the youths of the nearby villages who are from economically weaker part of society under the scheme Swablamban.

To promote self employment in the vicinity of TML plant, Kharagpur, driver's training program has been held by TML & driving license has been provided to 22 persons of nearby villages.