

TATA METALIKS



CONSOLIDATION

ANNUAL REPORT | 2015-16

IN HARMONY WITH HUMANITY



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26th ANNUAL GENERAL MEETING

Date : 29 June, 2016

Time : 3.00 p.m.

Venue : Kalamandir, Sangit Kalamandir Trust, 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 to the meeting.*

CORPORATE INFORMATION

BOARD OF DIRECTORS

(As on 31 March, 2016)

Mr. Koushik Chatterjee -Chairman
Mr. Sanjiv Paul – Managing Director
Mr. Krishnava Dutt
Dr. Pingali Venugopal
Mr. Ashok Kumar Basu
Ms. Samita Shah



MANAGEMENT

(As on 31 March, 2016)

Mr. Sanjiv Paul	Managing Director
Mr. Subhra Sengupta	Chief Financial Officer
Mr. Sankar Bhattacharya	Chief Corporate Governance & Company Secretary
Mr. Debasish Mishra	Vice President (Operations)
Dr. Ratna Sinha	Chief HRM & Ethics Counsellor
Mr. Rajesh Mishra	Executive Vice President

CIN No.	L27310WB1990PLC050000
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REGISTERED OFFICE	Tata Centre, 10th Floor 43, J. L. Nehru Road Kolkata - 700 071 Tel : +91 6613 4200, Fax : +91 2288 4372 Website : www.tatametaliks.com
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BANKERS	<ul style="list-style-type: none">• State Bank of India• IDBI Bank• HDFC Bank• Bank of Baroda• Axis Bank• RBL Bank	<ul style="list-style-type: none">• DBS Bank• Indusind Bank• Central Bank• ICICI Bank• Kotak Mahindra Bank• RBS Bank
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AUDITORS	M/s Deloitte Haskins & Sells Chartered Accountants Kolkata.
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REGISTRARS & SHARE TRANSFER AGENT	M/s R & D Infotech Pvt. Ltd. 7A, Beltala Road Kolkata - 700 026
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COMMITTEES OF BOARD

(As on 31 March, 2016)

Audit Committee

Mr. Krishnava Dutt - Chairman
Dr. Pingali Venugopal - Member
Mr. Ashok Kumar Basu - Member
Ms. Samita Shah - Member

Nomination & Remuneration Committee

Dr. Pingali Venugopal - Chairman
Mr. Koushik Chatterjee - Member
Mr. Krishnava Dutt - Member

Stakeholders' Relationship Committee

Mr. Ashok Kumar Basu - Chairman
Mr. Sanjiv Paul - Member
Dr. Pingali Venugopal - Member

Corporate Social Responsibility Committee

Dr. Pingali Venugopal - Chairman
Mr. Sanjiv Paul - Member
Ms. Samita Shah - Member

INVESTORS SERVICE CENTRE

Tata Metaliks Limited
Tata Centre, 10th Floor
43, J. L. Nehru Road
Kolkata - 700 071
Phone : + 91 33 6613 4200
Fax : +91 33 2288 4372
Email : investors@tatametaliks.co.in

Registrar & Share Transfer Agent
M/s R & D Infotech Pvt. Ltd.
7A, Beltala Road
Kolkata - 700 026
Phone : +91 33 2419 2641
Fax : +91 33 2419 2642
Email : rd.infotech@vsnl.net

GREEN INITIATIVE

28 April, 2016

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 various circulars stating that Companies can now send notices and documents, including Annual Report, to shareholders through electronic mode to their registered e-mail IDs.

Your Company proposes to send all future communications / documents including Notice of Annual General Meeting and Annual Report to the shareholders at their IDs as registered with the Depository Participants (DPs)/Company/Registrars & Share Transfer Agent.

Members who are holding Equity Shares in demat mode are requested to register their e-mail IDs with their Depository Participants 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 e-mail IDs, bearing the signature of the sole / first shareholder on rdinfotech@yahoo.com. Members are also requested to convert their physical holding into demat.

OR

Such Members holding Equity shares in physical form can also write to the Registrar and Share Transfer Agent of the Company at following address and inform their e-mail IDs quoting their folio numbers. 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.

7A, Beltala Road, Kolkata - 700 026

Phone : +91-33-24192641

Telefax : +91-33-24192642

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

Web : www.rdinfoech.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 get a copy free of cost upon receipt of a requisition from you.

The Annual Report of your Company for Financial Year 2015-16 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 macro trends in the business environment during the year 2015 witnessed deceleration in key emerging and developing economies, strengthening of US Dollar, continued weakening of oil and other commodity prices, sluggish growth in global trade and spells of financial volatility. Growth in the global economy slowed down further to 3.1% in 2015 from 3.3% in 2014 due to slowdown in manufacturing activity in Asia's top two economies, China and India. Since China's steel production is almost 50% of global production, the slowdown in the Chinese economy in 2015 led to 2.8% contraction in global steel consumption and consequent significant reduction in global steel prices.

Similarly, pig iron industry was adversely impacted by the global slowdown leading to 60% drop in export and oversupply in domestic market. Lower demand of castings from OEMs and substitution of foundry grade pig iron with cheaper steel grade pig iron led to price pressure on Company's primary product, foundry grade pig iron. The Company also faced the challenge of sourcing iron ore at competitive costs during first half of the year as supplies were irregular due to regulatory issues.

Despite challenging external environment, decline in commodity prices, record level of imports and marginal growth in steel consumption at 4.5% which was much lower than the estimated GDP growth rate of 7.6% in India, I am happy to report that your Company delivered a robust performance in 2015-16. The Company continued to focus on consolidation, after turnaround in 2013-14, driving operational and commercial excellence program across the Company, improving operating parameters and reducing costs and enhancing customer-centricity.

Pig iron production and sales, including molten metal for ductile iron pipe production, crossed 4 lakh tonnes in the year for third time in succession. Ductile iron pipe business of the Company's subsidiary, Tata Metaliks DI Pipes Limited, enhanced Company's performance further with 20% increase in production and sales along with significant operational improvement. On a consolidated basis, your Company delivered its best ever performance with a net profit of ₹ 123 crores, which was a 13% growth in the profit after tax compared

to the previous year. The Board of the Company considered the above results and have proposed a dividend of ₹ 2/- per equity share for the year under review. This marks the resumption of dividend after a gap of 7 years. Considering the leverage position of the company and the uncertain market environment, it will be the endeavor of the Company to continue to focus on cash flow management and managing the capital structure prudently going forward.

While the outlook for DI Pipes business is promising as Government of India has announced new projects and investments in the water and sewage infrastructure sectors including development of smart cities over the next decade, the pig iron business is expected to face volatile business environment with pressure on margins in the near term. Therefore, as part of the long term strategy, the company has been focusing on the value added portfolio of ductile iron pipes and is currently expanding its capacity of DI pipes in Kharagpur. Further, for long-term sustainability and asset reliability, the Company is investing in modernising its blast furnace no. 1 and taking up other efficiency-related projects to produce hot metal at competitive costs.

The Company's recent decision to withdraw the existing scheme of amalgamation between your Company and its wholly owned subsidiary, Tata Metaliks DI Pipes Limited with Tata Steel Limited is based on careful consideration of various factors including inordinate delay in obtaining requisite regulatory and statutory approvals along with significant dilution in intended synergies that were envisaged in April 2013. The Company has always received significant financial, managerial and operational support from its parent and acknowledges the same. While the three way merger has been withdrawn, it is important to merge the wholly owned subsidiary with itself and therefore the Board has decided to file a fresh scheme for amalgamation of its wholly owned subsidiary, Tata Metaliks DI Pipes Limited with itself. The merger will enable an integrated supply chain with enhanced synergies through operational and cost efficiencies, simplified corporate structure and supply chain integration.

Finally, I would like to thank each one of our shareholders for the continued support and confidence in the Company and the management. I also express my sincere gratitude to our customers and other stakeholders for the strong relationship built on trust. I am thankful also to the unions for maintaining cordial industrial relations, and the employees, the management team and my colleagues on the Board of Directors for their significant contribution to the Company over the last year.



Koushik Chatterjee
Chairman

17 May, 2016

Consolidation

Business Scenario:

The year 2015-16 was no different from the preceding year as the slowdown in the global economy continued in most of the regions. Although, there was marginal improvement in GDP growth rate in India from 7.3% in 2014-15 to 7.6% in 2015-16, the iron and steel industry in India and world over showed no signs of any improvement. Pig iron export from India dropped 60% during the year leading to surplus availability in the domestic market. On the demand side, the foundry industry, except some segments of the automobile sector, remained subdued due to low construction activities and delay in implementation of projects on ground. As a result, due to this demand supply imbalance, there was pressure on pig iron prices which continued to fall for the first three quarters of the year.

Tata Metaliks Limited (TML), however, through improvements in operational efficiencies, consolidated its production and sale of pig iron and ductile iron (DI) pipes even during this challenging business scenario. Pig iron production (including molten metal for DI pipe production) crossed 4.25 lakh tonnes and DI pipe plant achieved its best ever production. However, substantial reduction in net realization of pig iron led to 40% decrease in net profit of TML on stand-alone basis to ₹ 50.61 crores in 2015-16 from ₹ 83.66 crores in 2014-15.

The performance of TML's wholly owned subsidiary, Tata Metaliks DI Pipes Limited (TMDIPL) was significantly better in terms of production and sales. With 20% increase in production and sales, and significant reduction in cost, TMDIPL achieved its best ever net profit of ₹ 72.18 crores as against ₹ 25.48 crores achieved in 2014-15. Therefore, on a consolidated basis, during 2015-16, TML delivered its best ever performance with a net profit of ₹ 122.79 crores, significantly higher than the net profit of ₹ 109.14 crores achieved a year ago.

Raw Materials

Iron ore availability scenario during the first half of 2015-16 was challenging as operations at some mines in Orissa and Jharkhand were suspended due to regulatory issues. For overcoming the supply constraints from Tata Steel, TML proactively procured iron ore from market at competitive prices. Availability of iron ore, however, improved from Q3 onwards and price also started to soften after resumption of operations at the mines.

International coke price dropped 32% during the year from USD 173/t CFR in Apr'15 to USD 118/t CFR in Mar'16. Domestic coke manufacturers in eastern part of the country also lowered their prices by about 23%.

By a judicious mix of procurement of coke from overseas and domestic sources, TML maintained low inventory throughout the year and optimized foreign currency exposure during this challenging external business environment. TML sourced

major fluxes with better quality from overseas suppliers to make operations more cost effective. Procurement cost was managed efficiently by reducing batch quantity in procurement cycle and by taking proactive procurement action in fast changing market scenario.

Low phos iron ore, which is critical for DI pipe production and also for some customised grades of pig iron, was not available from Tata Steel during the first half of the year. Therefore, during this period, low phos magnetite iron ore was procured from the market to produce low phos hot metal.

Operations

TML continued to focus on productivity of sinter plant and blast furnaces in order to supply consistent and good quality of hot metal required for DI pipe production and for pig iron customers. Initiatives to improve availability, feed rate and productivity of sinter plant continued during the year, which ultimately reduced the cost of production of hot metal. Sinter plant productivity increased further during the year from 1.48 t/m²/day to 1.68 t/m²/day and availability improved from 90% to 94%. Consistent availability of high quality sinter and emphasis on daily management at blast furnace increased the hot metal production from 4.08 lakh tonnes to 4.33 lakh tonnes, and reduced coke rate from 678 kg/thm to 667 kg/thm as compared to the previous year.

DI pipe business continued to show improvement in operational and cost-related parameters. Production of DI pipes increased 20% from 109,883 tonnes in 2014-15 to 133,210 tonnes in 2015-16. Other cost-related parameters like yield, power consumption, etc. also improved during the year which reduced the conversion cost significantly.

Performance at Marketplace

During this challenging external business environment in 2015-16, TML continued to focus on its customer-centric approach at the marketplace by differentiating itself from its competitors through supply of high quality foundry and customised grades of pig iron, consistent in chemistry, which could meet customers' specific end-use requirements. TML's focus was on sales in relatively stable consumer-based markets as compared to trader-based markets which are characterised by higher price volatility. TML also produced basic grade pig iron during some months of the year in order to leverage the strengths of proximate and credit-free market of eastern India. TML's pig iron and molten metal sales was over 4.23 lakhs tonnes. Sale of TMDIPL's "Tata Ductura" brand of DI pipes, which is one the leading domestic DI pipe brands in terms of quality, increased further during the year by 20% as compared to the previous year.

TML is committed to its "Customer Promise" through 3-Ds (Develop deep insight, Deliver outstanding products and services, Delight customers at all touch points) to enhance its customer-centricity which is essential for long-term sustainability.

Financials

Turnover of TML on standalone basis for the year was ₹1038.37 crores as against ₹1229.85 crores in the previous year. TML made a standalone profit after tax of ₹ 50.61 crores as against ₹ 83.66 crores in the previous year. On a consolidated basis (including TMDIPL), the profit after tax was ₹ 122.79 crores in the current year as against ₹109.14 crores in the previous year.

TMDIPL achieved a sales turnover of ₹ 644.82 crores during the year as against ₹ 604.68 crores in the previous year. TMDIPL's net profit after tax increased to ₹ 72.18 crores for the year from ₹ 25.48 crores in the previous year.

Safety

TML is moving forward on its time-bound safety excellence journey with focus on improving the behavioral safety of the entire workforce including the employees of the service providers. Safety observations at site, on-the-spot counselling for following safe working practices and training of the entire workforce is in progress. TML's slogan on safety is "Your safe return to your family". Loss Time Injury Frequency Rate (LTIFR) in TML increased marginally from 0.31 in 2014-15 to 0.58 in 2015-16 but LTIFR in TMDIPL in 2015-16 was zero.

Sustainability and Environment Management

TML has a sustainability vision of becoming a leader in its industry by providing tangible value to all its stakeholders while ensuring responsible environmental and social stewardship. Environmental, Social and Governance issues besides the Financial sustainability are being addressed with a definite roadmap. Areas addressed are reduction in energy consumption, water conservation and management, waste management, occupational health and safety, reduction in carbon emission, community development and human rights issues, regulatory compliance, ethical business practice and promotion of diversity and equal opportunity. TML's focus on environmental management and pollution control for creating better work environment and compliance of all statutory norms includes upkeep and maintenance of electrostatic precipitators and bag filters, recycling of wastes at sinter plant, waste water treatment and recirculation, rain water harvesting (ground water consumption reduced from 2.08 m³/thm to 1.98 m³/thm in 2015-16), reduction of dust generation from the internal roads by installation of water sprinklers and concreting the roads, and maintaining adequate green belt. Different energy conservation initiatives to reduce electrical loads, diesel consumption and operating practices helped to reduce production cost, fossil fuel consumption and greenhouse gas emission from 2.15 tCO₂eq/thm to 2.07 tCO₂eq/thm during the year.

Corporate Social Responsibility and Affirmative Action

TML's CSR & AA initiatives are deployed through Sadbhavna Trust which has representatives from all categories of employees. A management committee has been formed, comprising of senior officers led by MD, to drive the Company's CSR & AA initiatives. Financial resources are contributed by the Company as well as all employees contribute voluntarily towards the corpus of this Trust through their salary. During 2015-16, TML spent ₹ 1.12 crores on CSR and AA activities.

The Company has been fulfilling its vision of "Reaching Tomorrow First" by committing itself even before the statute made CSR a mandatory requirement in 2014 by implementing various CSR initiatives around its plant located in No. 4 Kalaikunda Gram Panchayat of Paschim Medinipur district of West Bengal having 57 villages, out of which 36 villages with 54% SC/ST population are located within a radius of 5 km from the plant. Nearly 10,000 inhabitants of these 36 villages form the "Core Beneficiaries" of the various CSR & AA interventions planned and executed by the Company.

The Company's focused CSR & AA interventions are directed towards EDUCATION, i.e. create a pedigree of educated youth in the years to follow through increasing access as well as quality of education, and also simultaneously on EMPLOYABILITY, i.e. imparting marketable skills to the available educated youth.

In addition to the above, employees of TML also participate in various volunteering activities throughout the year as per an annual volunteering calendar.

Future Outlook

The projects of coke ovens and power plant of TML and DI pipe expansion project of TMDIPL are under implementation and would be completed in Q1 2016-17. This will reduce the cost of production of hot metal and increase the production capacity of DI pipes. Along with the above internal improvements, TML aims to serve its customers in the market by differentiating itself from the competitors through the brand promises of its products "Tata eFee" and "Tata Ductura" in pig iron and DI pipe segments.

With new Govt. schemes, viz; "AMRUT" etc. for investments in water and sanitation infrastructure, and development of several smart cities across the country, the demand for ductile iron pipes is expected to be robust in the coming years.

On the pig iron business front, over-supply and lower demand is expected to continue for a while which may put pig iron margins under pressure. However, in the long-term, casting industry is expected to do well as the "Make in India" programme of the government picks with growth in engineering, automobile, construction, sanitation and pipe sectors.

NOTICE

The 26th Annual General Meeting (“AGM”) of Tata Metaliks Limited will be held on Wednesday, the 29 June, 2016 at “Kala Mandir”, Sangit Kala Mandir Trust, 48, Shakespeare Sarani, Kolkata - 700 017 at 3.00 p.m. to transact following business :-

Ordinary Business

1. To receive, consider and adopt the :-
 - a) Audited Standalone Financial Statements of the Company for the Financial Year ended 31 March, 2016 and the Reports of the Board of Directors and the Auditors thereon; and
 - b) Audited Consolidated Financial Statements of the Company for the Financial Year ended 31 March, 2016 and the Report of the Auditors thereon.
2. To declare dividend of ` 2/- per Equity Share of ` 10/- each for Financial Year 2015-16.
3. To appoint a Director in place of Mr. Koushik Chatterjee (DIN - 00004989), who retires by rotation and is eligible for re-appointment.
4. Ratification of Appointment of Auditors

To pass the following resolution as an Ordinary Resolution:-

“RESOLVED THAT pursuant to the provisions of Section 139, 142 and other applicable provisions, *if any*, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder, as amended from time to time, the Company does hereby ratify the appointment of Messrs Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 117366W/W -100018), as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting (“AGM”) till the conclusion of the 27th AGM of the Company to be held in the year 2017 to examine and audit the accounts of the Company for the Financial Year 2016 - 17 at such remuneration plus service tax, out-of-pocket expenses etc., as may be mutually agreed to between the Board of Directors and the Auditors.”

Special Business

5. Re-appointment of Mr. Sanjiv Paul as Managing Director

To pass the following resolution as an Ordinary Resolution:-

“RESOLVED that pursuant to the provisions of Sections 196, 197 and other applicable provisions, *if any*, of the Companies Act, 2013, (“Act”), as amended or re-enacted from time to time, read with Schedule V to the Act, the Company does hereby approve the re-appointment and terms of remuneration of Mr. Sanjiv Paul (DIN - 00086974) as the Managing Director of the Company for a period of 3 (three) years with effect from 1 April, 2016 upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this Annual General Meeting, (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with authority to the Board of Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Mr. Sanjiv Paul.

RESOLVED FURTHER that the Board or a Committee thereof be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

6. Commission to Non-Executive Directors of the Company

To pass the following resolution as an Special Resolution :-

“RESOLVED THAT pursuant to the provisions of Section 197 and other applicable provisions, *if any*, of the Companies Act, 2013 (“Act”) and the Rules framed thereunder, as amended from time to time, a sum not exceeding 1% of the net profits of the Company per annum, calculated in accordance with the provisions of Section 198 of the Act, be paid