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Integrated Report 01-39

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About the Report

The Integrated Report & Annual Accounts 2019-20 is Tata Metaliks’ primary communication to shareholders and other stakeholders.

Standards and Frameworks

This Report is prepared in accordance with the content elements and the guiding principles of the Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC). The financial statements are as per the Indian Accounting Standards (Ind AS). The other disclosures in the Report are as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, the Companies Act, 2013, and the Secretarial Standards issued by the Institute of Company Secretaries of India. The Report also presents a concise overview of how Tata Metaliks’ value creation process contributes to the United Nations Sustainable Development Goals (UN SDGs).

Scope and Boundary

The Report provides an overview of the Company’s performance for FY 2019-20. It covers

Tata Metaliks’ main business and operations – manufacturing operations at Village Maheshpur, PO: Samraipur, Gokulpur, Kharagpur, Paschim Midnapur 721301, West Bengal and Corporate Office at Tata Centre, 10th Floor, 43, J. L. Nehru Road, Kolkata 700071. The Report also covers the Company’s sales and marketing activities, value chain-related initiatives and other community initiatives. Comparative figures for the previous four years have been incorporated, wherever relevant.

Materiality

The Report aims to provide a fair, balanced and overall assessment of Tata Metaliks’ business model, strategy, performance and prospects in relation to material financial, economic, social, environmental and governance issues.

Assurance

The non-financial information of the Report has been assured by Bureau Veritas as per the AA 1000 standard. For the detailed assurance statement, please visit: www.tatametaliks.com/investors/annual-reports.aspx

Management Responsibility

To optimise governance oversight, risk management and controls, the contents of this Report have been reviewed by the Managing Director and various Senior Executives of the Company.

Forward-looking Statements

Certain statements in the Report regarding our business operations may constitute forward-looking statements. These include all statements other than statements of historical facts, including those regarding the financial position, business strategy, management plans and objectives for future operations. Forward-looking statements can be identified by words such as ‘believes’, ‘estimates’, ‘anticipates’, ‘expects’, ‘intends’, ‘may’, ‘will’, ‘plans’, ‘outlook’ and other words of similar meaning in connection with a discussion of future operational or financial performance.

Building a smart future

The rapid changes brought about by technological advancements and the challenges posed by economic, social and environmental factors have set in motion a new narrative for the future. Innovation and excellence are an imperative for delivering sustainable value and at Tata Metaliks, they go much beyond to create a smart future.

We have put in place a digital transformation roadmap that will not only have a direct impact on safety, productivity and EBITDA, but also help enhance the customer, supplier and employee experiences.

Our vision of ‘Reaching Tomorrow First’ is reflected in our pursuit of an ambitious growth strategy that will propel us towards a value-led, sustainable and smart future.



Corporate Profile

Excellence at the core

Tata Metaliks, a subsidiary of Tata Steel, is one of India’s leading producers of high-quality Pig Iron (PI) and Ductile Iron Pipes (DIP).

We produce hot metal using iron ore lumps, sinter, coke and fluxes, which are partly value-added into DIP for use in the water infrastructure industry and partly cast into PI for use in foundries. Our state-of-the-art manufacturing plant near Kharagpur, West Bengal, enjoys strategic locational advantage due to its proximity to iron ore mines in Odisha and Jharkhand, the Haldia port (for import of coal) and the PI and DIP markets of eastern India.



Awards

Received Economic Times Corporate Award for Excellence in Business Performance

Bagged 3rd prize in Confederation of Indian Industry (CII) National-Level Environmental Kaizen competition

Received the Energy Conservation Award at the CII ENCON Awards 2019 with ‘4 Star Rating’ in the Large-Scale Category



Vision
Reaching Tomorrow First



Mission
Tata Metaliks strives to become a sustainable organisation through significant contribution to India’s foundry, water and sanitation sectors by optimum utilisation of men, material and assets, responsible use of energy and water resources, being guided by its values.



Values
Pioneering
Integrity
Excellence
Unity
Responsibility

Products

Pig Iron (PI)

14 primary grades and a few customised options as raw material for different types of casting applications



Brands



World’s first branded PI, preferred in foundries due to its consistent chemistry and reduced energy consumption

Key markets

Eastern, western and northern India; and among the top 3 in India

Applications

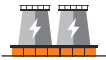
Our PI is suitable for manufacture of various kinds of castings in industries such as:



Automotive



Agriculture



Power



Railways



Aluminium smelters

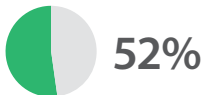
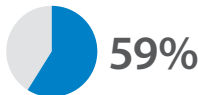


Sanitary castings

Certifications

For the Company:
ISO 9001, ISO 14001, OHSAS 18001, NABL Certificate for QA Lab, SA 8000, ISO 27001

- For DIP:**
- BIS Certification for IS 8329
 - Certificate of Product Conformity against ISO 2531, ISO 7186, BS EN 545 and BS EN 598 from BV Italia



Ductile Iron Pipe (DIP)

Pipes of diameter 80-800mm, K class and C class pipes with BIS, BV and WRAS certifications and standard length 5.5m



Preferred brand for use in water, sanitation and irrigation industries due to its superior internal lining, easy fitment and strict control over dimensions

Pan-India

Our DIP is used for diverse applications in the water industry such as:



Transmission and distribution of potable water



Transportation of sewage and wastewater



Irrigation



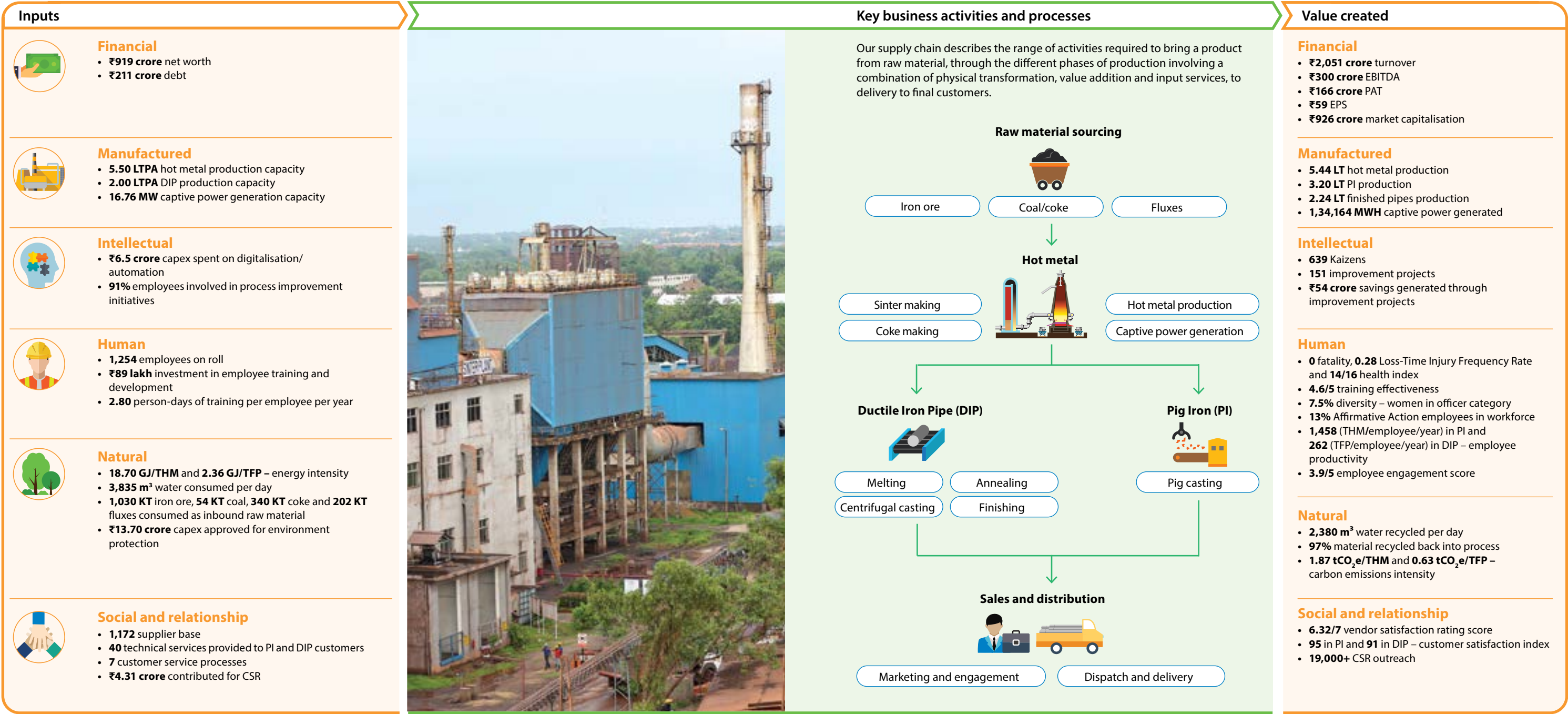
Industrial usage in power plants

- Kite Mark Certification for Product Conformity against ISO 2531, ISO 7186, BS EN 545
- WRAS Approved for Cement Mortar used in Ductile Iron Pipe Internal Linings – WRAS Certificates are in the name of Tata Metaliks
- WRAS Approved Gaskets and External Coatings used in Ductile Iron Pipes – WRAS Certificates are in the names of Approved Vendor

Business Model

Built to innovate and excel

Driven by innovation, our business always strives to respond dynamically to the external environment. Be it through our growing DIP business or through continuous engagement with our customers, we constantly evaluate our existing processes and systems to innovate and move ahead.



Operating Environment
Resilience put to test

We continue to monitor the global metals and mining landscape to formulate and calibrate our operational strategy. The COVID-19 outbreak in the fourth quarter and the nationwide lockdown in India created an unprecedented economic turmoil, impacting businesses irrespective of size and scale.

KEY DEVELOPMENTS

Emergence of COVID-19 in China in December 2019



The pandemic is causing disruptions for businesses of all sizes and in all sectors. The International Monetary Fund (IMF), in its April 2020 World Economic Outlook, estimated that global economy will contract by 3.0% in 2020, much worse than the 2008-09 financial crisis. Early projections suggest that India's GDP may contract in FY 2020-21 and this is expected to have a far-reaching impact on businesses.

Digitalisation across steel and metals value chain



Digital is no more a choice but a necessity for business sustenance and growth. While Industry 4.0 technologies like advanced data analytics, Internet-of-Things (IoT), cloud computing, robotics, augmented and virtual reality, and mobility are being adopted by manufacturing companies, COVID-19 has accelerated this process and will have a considerable impact on performance metrics such as safety, productivity and EBITDA.

Water infrastructure growth in India



The new frontier in India's infrastructure growth story is 'water'. The Government of India is focused on delivering piped drinking water to all rural homes by 2024, through its 'Har Ghar Jal' programme. Apart from this, the government is also dedicated to developing smart cities, interlinking rivers to redirect water to water-scarce regions and irrigation projects.

Continuing the progress on PI growth



India is an important producer of PI. With the government launching 'Aatmanirbhar Bharat Abhiyan' to make India a self-reliant nation, development in the manufacturing sector will keep the demand growth of PI at satisfactory levels.

Evolving regulation on GHG and other emissions



With climate change posing as one of biggest environmental threats, India has committed to address the issue through its Intended Nationally Determined Contribution (INDC) and is targeting reduction in the GHG emissions intensity of its GDP by 33-35% by 2030, over 2005 levels.

Source: Ministry of External Affairs, Government of India

OPPORTUNITIES OR THREATS PRESENTED

The impact of COVID-19 will be felt on global steel industry for at least two to three years because of likely reduction in demand. However, the same adverse impact may not be there on the government's investment in water infrastructure. Since there could be uncertainties on the supply side, this would give an opportunity to increase our market share.

Typical benefits of an improved and digitised value chain include better customer interaction and up-to a two-fold increase in service levels, 2-4% improvement in EBITDA and inventory reductions of 10 days and more.

Source: World Economic Forum

The government, in the Union Budget 2020-21, allocated ₹11,500 crore towards the Jal Jeevan Mission, a 15% increase over the previous year. The funds will be directed towards augmenting local water sources, recharging existing sources and promoting water harvesting and de-salination. This presents a sizeable opportunity for our DIP business.

Source: Press Information Bureau, Government of India

The COVID-19 impact on auto and auto component sector might adversely impact the demand for PI during the next 18-24 months. The shift of manufacturing bases to India and the government's focus on 'Aatmanirbhar Bharat' may give a boost to the casting industry.

GHG emissions from the steel industry are projected to jump to 837 million tonnes over the next three decades from 242 million tonnes now, as India's demand for steel more than quadruples to ~490 million tonnes. These projections imply that going forward there may be stricter regulations for managing GHG emissions for India to meet its INDC targets.

Source: The Energy and Resources Institute

IMPACT ON OUR BUSINESS

COVID-19 and the consequent lockdown have resulted in supply chain disruptions for the manufacturing and services sector. With the restrictions being gradually eased, the economic activity is likely to revive. To deal with the pandemic, we formed a task force to develop a robust protocol and SOPs for resumption and continuity of business. Some of the key initiatives include implementing an AI-based solution for detection of social distancing violations and providing early relief to the local community and stranded citizens in consultation with the local government machinery. This was possible due to voluntary contributions made by all employees, as well as the contributions from the Company's CSR funds.

Driven by our strategic priority 'Innovate and Excel', we are putting to use digital technology for all our key processes. Three priority themes are covered under our digital transformation programme: Real-time data & analytics, Smart machines and Business on mobile.

Operating in a sector that holds key to India's socioeconomic progress, we are certain that the long-term growth drivers of our businesses will remain intact. We are methodically expanding DIP share – in line with our strategic priority 'Focus on Downstream/Value-add'.

We will continue leveraging the market opportunities presented by the PI market, by commanding a healthy market share and enjoying a premium for our superior products.

While there is no mandated target from the Government of India yet, we are taking proactive steps in mitigating climate change by constantly trying to reduce our GHG emissions intensity.

Stakeholder Engagement

Strengthening relationships for sustainable future

With a focused approach towards inclusive growth, we engage with our stakeholder groups through various channels of communication, to understand and plan our response to their expectations. We have a robust stakeholder management programme for engaging with all our stakeholders on a continuous basis.

STAKEHOLDER GROUPS

Customers



RELEVANCE

Our customers purchase our products and services, providing the basis for revenue growth. In a world increasingly concerned with sustainability, responsible production methods and highly ethical business standards, we want our customers to have total confidence in their choice. Their inputs and feedback help us develop better value offerings that suit their evolving needs.

People



The skills, experience and productivity of our employees drive the development and execution of our strategy. The world of work is changing fast and we want to attract and retain strong and diverse talent, who can take up the opportunities and challenges we face.

Investors



Our investors and shareholders provide the financial capital for the business' long-term growth. Enabling their full understanding of the strategy, as well as the operational and financial performance of the Company helps us build trust and achieve fair value of our shares.

Community



Stakeholder expectations regarding local issues like skill development, as well as global ones like climate change, are on the rise. This means engagement with our communities is increasingly important, both to maintain our licence to operate and to safeguard our reputation.

Suppliers/ Partners



Our suppliers impact our ability to provide quality products and services. In order to ensure a healthy and sustainable supply chain, we share knowledge and expertise with our partners and find ways of using resources as efficiently as possible, reducing costs for the Company.

Government



Besides ensuring compliance, we try to fulfil our responsibility as a good corporate citizen through our interactions with the government and by offering inputs to the development of regulations and policies that impact our business.

EXPECTATIONS AND ASPIRATIONS

Establish parameters on quality, timely delivery, technical service and relationship

Safety, ethics, health, environment, productivity, quality and customer focus

Value creation and sustainable business

Positive impact on education, essential amenities, employability, entrepreneurship and employment

Establishing Service Level Agreements (SLAs), quality, delivery, participation in improvement projects and future direction

Meeting statutory and regulatory norms

KEY DEVELOPMENTS

- Timely redressal of queries/complaints
- Technical service and knowledge sharing
- Channel restructuring
- Structured customer engagement plan
- Improving customer experience with Customer Relationship Management (CRM) (under implementation)
- Using data analytics in sales

- Process Safety Risk Management (PSRM)
- Felt Leadership Training programme for all officers and supervisors
- Strengthening Reward & Recognition (R&R) process
- Digital capability building

- Demonstration of ethical and governance practices, transparent and adequate disclosure
- Increased share of institutional holding

- Impact assessment and diagnostic studies
- Focused initiatives on education and essential amenities
- CSR advisory council
- Comprehensive air quality study
- Water Sustainability Project to be water positive by FY 2024-25

- Participation in joint improvement initiatives including product development
- Extension of SA8000 requirement to vendors
- De-risking of critical supplies through new vendor development

- Plant visits
- Advocacy platforms
- Training programmes on environment and other regulatory norms

FOCUSED PROGRAMMES

- Customer meets
- Online webinars and training sessions
- Tata eFee trials at customer sites to demonstrate product energy consumption

- R&R functions
- Reverse mentoring
- Talent development & succession planning
- Digital mindset change

- Annual General Meetings (AGMs)
- Investor meets/Analyst conference calls
- Disclosures – financial and Environment, Social and Governance (ESG) performance

- Employee volunteerism
- Collaboration with Tata Strive
- SA8000 certification
- Periodic cultural meets

- Vendor/Supplier meets
- Engagement calendar with key suppliers
- Structured supplier visits for evaluation and feedback

- Structured stakeholder engagement plan

Material Topics

Prioritising issues that impact value creation



At Tata Metaliks, we identify and prioritise issues based on their implications on the business as well as their importance to our stakeholders. We conducted a materiality assessment in FY 2018-19 and revisited the same during the year to gauge their relevance in the current context.

We connect with both external and internal stakeholders to assess our material issues, risks, opportunities and potential concerns. This, along with continuous engagement with our stakeholders, facilitates our decision-making process and helps us create sustainable value.

Key material issues for FY 2019-20

Critical importance

Safety
Digitalisation and automation
Customer focus
Product stewardship
Supplier engagement
Community engagement

Very high importance

Air and GHG emissions
Water conservation
Waste management
Market presence
Governance
Compliance
Harmonious industrial relations
Emergency preparedness

High importance

Employee welfare and engagement
Community safety and environmental aspects
Human resources
Diversity



Critical material issues



Safety

The safety and wellbeing of our people is paramount to achieving a 'zero harm' workplace. We have in place a robust set of safety strategies as well as an effective safety infrastructure based on OHSAS 18001 standards. We emphasise safety trainings, mass campaigns popularising safety procedures and a robust R&R framework implementing safety Kaizens and consequence management for our people.



Digitalisation and automation

We have developed a 5-year digital strategy roadmap covering key themes of Real-time data & analytics, Smart machines and Business on mobile, for digital culture and capability building across the organisation. We are also one of the first in the DIP industry to deploy robots in plant operations to reduce human-machine interface and improve productivity.



Customer focus

We are committed to provide unique customer experiences through our differentiated product and service offerings as well as our deeper customer engagements and digital interventions.



Product stewardship

We are cognisant of the potential impact of our operations and products. We are strengthening our product stewardship by optimising our resource utilisation and waste management. We have adopted state-of-the-art technologies, techniques and processes to minimise our environmental footprint.



Supplier engagement

We are dependent on our suppliers/vendors for timely supply of material, spares and services, and delivery of inbound and outbound goods. We continuously engage and collaborate with them through various channels, including meetings, post-supply feedback, plant visits and others.



Community engagement

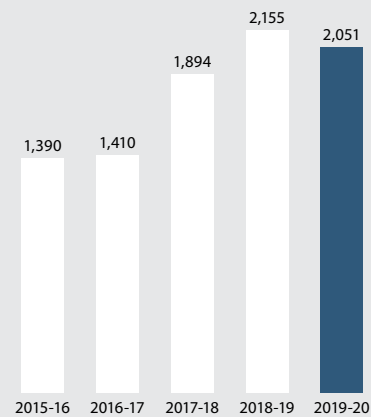
It is essential to engage with communities near us as they provide us with the 'social licence to operate'. We continuously strive to uplift their lives and livelihood opportunities with need-based initiatives in the areas of education, employability, employment, entrepreneurship and essential amenities.

Our actions towards 'very high' and 'high' material issues are provided in the sections on each of our six strategic business pillars. We note here that COVID-19 may present challenges for our business, the material impact of which is not immediately ascertainable, however, we are hopeful of overcoming the same.

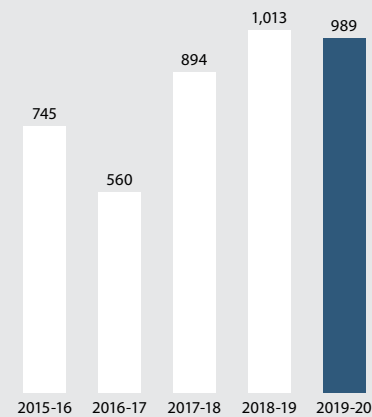
Financial Resilience

Consistent progress;
stable outlook

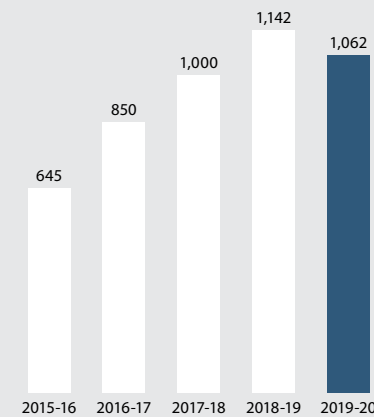
Our sustained results over the last five years are a testimony to our resilience amidst external volatilities. It reflects our commitment to create value for our shareholders in a stable and sustained manner. The confidence of our shareholders, especially our valued institutional shareholders, in turn, is what fuels our drive to innovate and excel, to enhance value.


Turnover
(₹ crore)


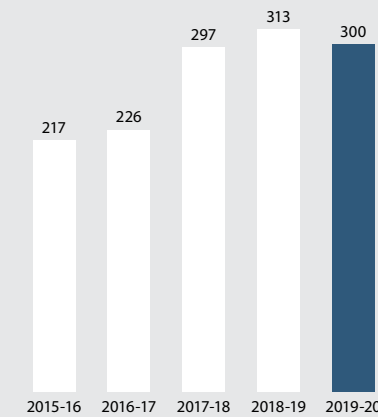
↑ 48% growth in 5 years

Share of PI in turnover
(₹ crore)


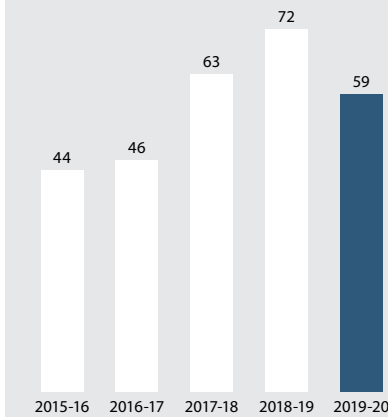
↑ 33% growth in 5 years

Share of DIP in turnover
(₹ crore)


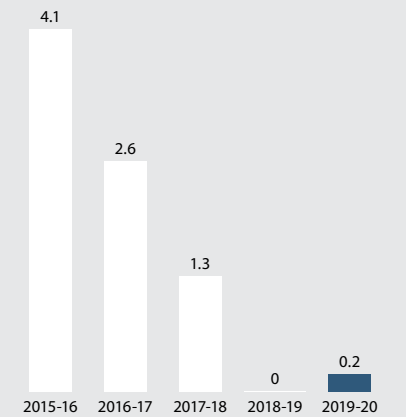
↑ 65% growth in 5 years

EBITDA
(₹ crore)


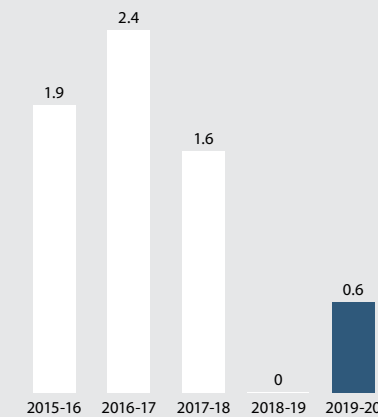
↑ 38% growth in 5 years

EPS
(₹)


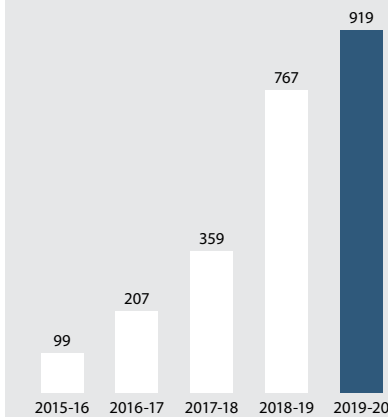
↑ 34% growth in 5 years

Net debt/Equity
(times)


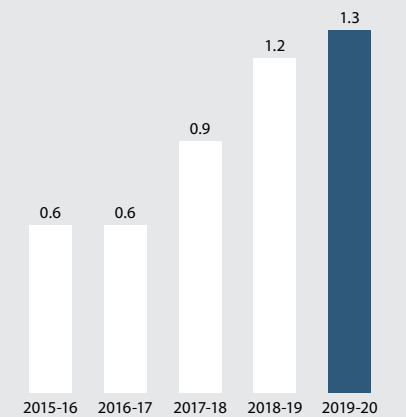
↓ 95% decline in 5 years

Net debt/EBITDA
(times)


↓ 68% decline in 5 years

Net worth
(₹ crore)


↑ 828% growth in 5 years

Current ratio
(times)


↑ 117% growth in 5 years

Chairman's Message

Resilience amidst headwinds



"Your Company was able to sustain an EBITDA margin of 15% and deliver a high ROCE of 22%, despite the business challenges and the loss of production and sales towards the end of the year due to the COVID-19 lockdowns."

Koushik Chatterjee
Chairman

Dear Shareholders,

I hope this letter finds you safe and in good health.

It gives me pleasure to present to you the 3rd Integrated Report and the 30th Annual Accounts of your Company for the financial year ended March 31, 2020.

FY 2019-20 started on an optimistic note, with key manufacturing sectors like steel and automotive showing signs of recovery. The Government of India also launched the 'Jal Jeevan Mission' on August 15, 2019, with the aim of providing safe drinking water to every rural household in the country by 2024, which augurs well for our Ductile Iron Pipe business. However, the onset of the COVID-19 pandemic in the fourth quarter of the year has led to economic uncertainty across the world.

Overall, in 2019, global GDP growth eased to 2.9%, against an initial growth projection of 3.5%. In India, growth slowed to 4.2% in FY 2019-20, against an initial growth projection of 7.5% in the beginning of the year.

The impact was also felt in Pig Iron and Ductile Iron Pipe industry. This industry registered a drop in output during FY 2019-20, primarily due to lower production by integrated steel producers who produce steel grade pig iron for steel making. However, the demand and prices of Ductile Iron Pipes remained relatively stable through the year.

Despite the challenging environment, your Company recorded an increase in hot metal

production by 5% in FY 2019-20. The higher production was attributable to better availability of blast furnaces along with the benefit of structured cost reduction programmes like higher coal injection and oxygen enrichment. Your Company sourced almost 75-80% of its coke requirements through a combination of its captive unit and long-term supplies from Tata Steel, thereby helping partially offset input cost volatilities. The fourth quarter in particular was marked by strong operational performance which was supported by good market demand.

As a result, your Company was able to sustain an EBITDA margin of 15% and deliver a high ROCE of 22%, despite the business challenges and the loss of production and sales towards the end of the year due to the COVID-19 lockdowns. The Board is pleased to recommend a dividend of ₹2.50 per equity share for FY 2019-20.

In the past year, the Company has undertaken several strategic initiatives in line with its six business priorities, which are expected to yield results in the coming years:

- **Cost Leadership:** Stabilised and increased pulverised coal injection and oxygen enrichment leading to significant savings in fuel cost
- **Supplier of Choice:** Renewed focus on customer centricity by extending product trials (Pig Iron) across the country, restructuring channel and ramping up technical services

- **Robust People Practices:** Roadmap prepared for multi-disciplinary talent acquisition, increasing digitisation and improving workforce productivity through automation
- **Responsible Corporate Citizenship:** Focus on social accountability (SA 8000 certification) and launch of 'Jal se Jeevan' with the aim of making Tata Metaliks 'water positive' by FY 2024-25, perhaps a first in its industry
- **Focus on Downstream/Value-add:** Project on doubling of Ductile Iron Pipe capacity to 4 lakh tonnes is underway and is expected to be completed over the next couple of years though there could be some delays due to the COVID-19 pandemic
- **Innovate and Excel:** Development of a 5-year digital strategy roadmap covering key themes of 'Smart machines', 'Real-time data & analytics' and 'Business on mobile', has made good progress on all fronts with a major drive towards digital culture and capability building across the organisation

As we look ahead, the growth projections for India, for the current year by various global and domestic agencies indicate a sharp contraction along with a degrowth in the world economy. The Company is navigating this challenging environment through strong fiscal discipline, focus on operational excellence and customer centricity. Our strategy of growth in the

"The Company is navigating this challenging environment through strong fiscal discipline, focus on operational excellence and customer centricity. Our strategy of growth in the value-added Ductile Iron Pipe segment has yielded positive returns with the Government's added thrust on improving the water infrastructure in the country."

value-added Ductile Iron Pipe segment has yielded positive returns with the Government's added thrust on improving the water infrastructure in the country. Even during the pandemic, since the lifting of nationwide lockdown, about 45 lakh tap connections have been provided as part of the 'Jal Jeevan Mission', indicating the agility and commitment of the Government.

The health and safety of our workforce has always been paramount for Tata Metaliks. Keeping the same in mind and the practical constraints of working following the announcement of the nationwide lockdown, the operations of the Company were suspended in the latter part of March 2020. Post resumption of operations in May 2020, the Company has developed and implemented a robust COVID-19 specific standard operating procedure containing strict protocols related to critical aspects, ranging from social distancing norms to providing appropriate healthcare responses. The same is being steered by a COVID-19 task force, with validation from external agencies and is also using digital enablers like AI-based detection of social distancing and face mask violations.

Responding to the ongoing COVID-19 pandemic, being a responsible corporate citizen, your Company extended its support to families in nearby villages, stranded truck drivers, travellers, who were stopped on the road due to lockdown through providing dry ration kits and also support to the desolate families and missionaries of charity.

I would like to take this opportunity to thank all our shareholders for their continued support and confidence in the Company and the management. I also express my sincere gratitude to the Government, our customers, suppliers and partners for their trust and support to the Company. I am also thankful to the unions for maintaining cordial industrial relations, the employees, the management team, my colleagues on the Board and other stakeholders for their significant contribution to the Company during FY 2019-20.

Warm regards,

Koushik Chatterjee
Chairman

Strategic Review

To deliver on our vision of 'Reaching Tomorrow First', we introduced a strategic framework in FY 2017-18. Built on six key pillars, each of which is a business priority, our strategy embodies the 'integrated thinking' of the Company.

It also reflects the significant opportunities ahead that will help us deliver growth and value for all our stakeholders.

Each pillar is associated with one or more of the six capitals. We deploy the capitals and transform their value by implementing our strategy.

