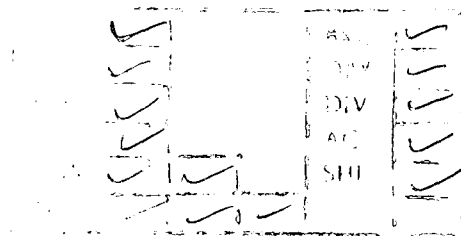


Fourteenth ANNUAL REPORT

1996 97



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**TATA SPONGE IRON
LIMITED**

(FORMERLY IPITATA SPONGE IRON LTD.)

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Board of Directors

(as on 21st June, 1997)

Mr. N. P. Sinha	— Chairman
Mr. N. Patnaik	
Dr. H. P. Mishra	
Mr. H. S. Majumder	
Mr. C. D. Kamath	
Mr. T. R. Bhowmik	— Nominee - IDBI
Mr. R. Kapoor	— Nominee - GIC
Mr. T. R. Venkatakrishnan	— Nominee - IFCI
Mr. B. Muthuraman	
Mr. M. Fasihuddin	
Mr. P. K. Lahiri	
Mr. I. S. P. Shetti	— Managing Director

Management

Mr. I. S. P. Shetti	— Managing Director
Mr. B. M. Sarangi	— Senior General Manager
Mr. A. C. Sen	— Chief Executive (Finance & Accounts)
Mr. T. P. Ninan	— General Manager
Mr. G. Kalyanasundaram	— Company Secretary & Treasurer
Mr. R. Raju	— Controller of Accounts
Mr. S. Murlidharan	— Chief Marketing Manager

Registered Office & Works

P.O. Joda - 758 034
Dist.- Keonjhar
Orissa

Marketing Offices

SBI Building
(2nd Floor)
Circuit House Area (East)
Jamshedpur - 831 001

Tata Centre
(10th Floor)
43, Chowringhee Road
Calcutta - 700 071

Bankers

State Bank of India
Canara Bank

Auditors

Messrs S. B. Billimoria & Co.
Chartered Accountants

Share Registrars

Tata Share Registry Ltd.
Army & Navy Building
148, Mahatma Gandhi Road
Mumbai - 400 001

TATA SPONGE IRON LIMITED

CHAIRMAN'S STATEMENT

I deem it my privilege to address you yet again. The economic slowdown in the latter half of 1996 affected the price stability for the Company's product, which resulted in squeezed margins. Coupled with this, steep increase in the price of coal, hike in freight and power tariff and all-round increases in the costs of inputs had an adverse impact on the bottom line. However, your Company adopted innovative strategies in production, maintenance, finance and marketing areas to effectively combat, to a very great extent, the impact of competitive market and spiralling input costs.

Your Company achieved higher levels of productivity in all areas of its activities. It recorded a production of 116,020 MT during the year, which is the highest since inception of the Company. It will be heartening for you to note that your Company achieved lowest ever coal consumption for per tonne of Sponge Iron produced and 346 number of operating days during the year, which ranks amongst one of the best in the industry. The quality of the product continues to be of highest standards.

Notwithstanding the market challenges, your Company despatched an all time high of 116,051 MT. Your Company enjoyed an excellent market reputation and continues to be market driven. Customer satisfaction has been the focus of the marketing efforts made by your Company. Through quality marketing efforts your Company has been able to derive tremendous value in terms of realisation and customer delight. The business philosophy of your Company continues to be guided by "Customer" as the focal point. Not-

withstanding tight liquidity situation, your Company realised almost entire value of material sold during the year, thanks to the efficient collection machinery.

The work on capacity expansion of your Company has progressed in line with time schedule. It is expected that the new kiln will become operational by March, 1998. Your Company has been able to optimise internal generation of resources and is confident to complete the project well within the estimated cost. It has been able to tie-up the required funds with banks and utilise in abundant measure the creditworthiness it enjoys.

You will be glad to note that Tata Steel has made substantial progress in the development of its Khondbond Iron Ore Mine for supplies of quality iron ore to the Company. During the year 1996-97, your Company received 72,260 MT of iron ore from this Mine. The quantity of iron ore supply will increase in the coming years and will provide competitive edge and leverage to your Company.

With steel production slated to touch 30 to 32 million tonnes by the turn of the century, secondary steel sector is poised to share a major role in capacity expansion that will take place. Scrap is becoming dearer and scarce the world over. I, therefore, expect shortage of metallic in the coming years which needs to be augmented by capacity addition in sponge iron industry. Your Company, therefore, is going in the right direction by expanding the present capacity ensuring growth. Your Company is also

CHAIRMAN'S STATEMENT (Contd.)

actively considering generation of power from waste gases. This will ensure captive power availability for entire plant operation.

It is gratifying to note that the Board, after considering the present commitments, future prospects and overall interest of the Company, has recommended a dividend of 18% for the year ended 31st March, 1997.

I would like to compliment the Managing Director and his team for the commendable operational, marketing and financial performance achieved during the year under review. I also wish to thank the employees' union for cordial industrial relation and responsive leadership. I would also like to express my gratitude to our valuable customers and shareholders for reposing continued faith in the Company.

My colleagues in the Board have rendered invaluable advice and guidance. I wish to

thank them for their collective wisdom. Mr. M.S. Gujral ceased to be Director of the Company with effect from 7th September, 1996. I express my sincere gratitude for his services.

I take this opportunity to express my gratitude to the Financial Institutions and Banks, the Government of Orissa and Local Administration, for their instant support and co-operation and look forward for the same in the coming years.

I would like to assure the Shareholders that your Company will prosper further and grow from strength to strength.

Bhubaneswar,
21st June, 1997

N.P. Sinha
Chairman

TATA SPONGE IRON LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting the Fourteenth Annual Report on the business and operations of the Company and its working results for the year ended 31st March, 1997.

CHANGE OF NAME

2) Having complied with all requirements under the provisions of the Companies Act, the name of the Company has been changed to "TATA SPONGE IRON LIMITED" effective from 24th September, 1996.

FINANCIAL RESULTS

	Current year (Rs. Lakhs)	Previous year (Rs. Lakhs)
3) i) Sales and other income	7,169	6,894
ii) Profit before depreciation and other non-cash expenses	1,570	1,925
iii) Depreciation and other non-cash expenses	(246)	(255)
iv) Profit for the year	1,324	1,670
(v) Provision for Taxation	(529)	(646)
vi) Profit/(Loss) brought forward from previous year	346	100
vii) Profit available for appropriation	1,141	1,124
viii) Proposed Dividend	277	385
ix) Tax on Dividend	28	—
x) Transfer to General Reserve	79	393
xi) Surplus carried to Balance Sheet	757	346
	<u>1,141</u>	<u>1,124</u>

DIVIDEND

- 4) The Directors are pleased to recommend a dividend of Rs.1.80 per share on 15,400,000 equity shares of Rs.10 each for the Financial Year ended 31st March, 1997, subject to the approval of the shareholders at the ensuing Annual General Meeting. The cash outgo on this account would be Rs.305 lakhs, inclusive of Tax on Dividend.

TURNOVER & PROFIT

- 5) Turnover for the year under review amounted to Rs.6,937 lakhs as against Rs.6,461 lakhs for the previous year, registering a marginal growth of about 7%.

Despite the excellent plant performance, the profit for the year was lower by Rs.346 lakhs compared to previous year because of steep increase in the input (viz. coal & iron ore) costs and hike in power tariff.

The Company has been successful in tying up part of the requirement of coal from alternate sources, bringing about reduction in the cost of coal, the impact of which will be reflected in the coming years.

There has been a reduction in the other income by Rs.188 lakhs mainly due to redeployment of surplus funds in the expansion project, earlier parked in inter-corporate deposits and term deposits with banks.

TATA SPONGE IRON LIMITED

Regd. Office : P. O. Joda, Dist. Keonjhar, Orissa-758034

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of TATA SPONGE IRON LIMITED will be held at the Registered Office at Joda on Friday, the 19th September, 1997 at 12-00 noon to transact the following business :

ORDINARY BUSINESS

- 1) To receive and adopt the Board's Report and Audited Profit and Loss Account for the year ended 31st March, 1997 and the Balance Sheet as at that date together with the Auditors' Report thereon.
- 2) To declare a dividend.
- 3) To appoint a Director in place of Mr. H. S. Majumder, who retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr. C. D. Kamath, who retires by rotation and being eligible, offers himself for reappointment.
- 5) To appoint a Director in place of Mr. N. Patnaik, who retires by rotation and being eligible, offers himself for reappointment.
- 6) To appoint Auditors and fix their remuneration and for that purpose, to consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs S.B. Billimoria & Co., the retiring auditors, be and are hereby reappointed auditors of the Company to hold office from the conclusion of this meeting up to the conclusion of the next Annual General Meeting and audit the accounts of the Company for the financial year ending 31st March, 1998 or any extension thereof at such remuneration as may be mutually agreed upon between the Board of Directors and the auditors, plus out of pocket, travelling and living expenses."

SPECIAL BUSINESS

- 7) To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED that Mr. P. K. Lahiri be and is hereby appointed a Director of the Company."

NOTES :

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY AT JODA, DIST-KEONJHAR, ORISSA, PIN 758 034, NOT LESS THAN 48 HOURS BEFORE THIS ANNUAL GENERAL MEETING.
- 2) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item 7 is annexed hereto.
- 3) The Special Resolution under item No.6 above is in pursuance of the provisions of Section 224A of the Companies Act, 1956, which are applicable to the Company since the combined shareholding of the Financial Institutions in the Company exceeds 25% of the Subscribed Capital of the Company.

- 4) The Register of Members and Share Transfer Books will remain closed from 13th August, 1997 to 29th August, 1997, both days inclusive.
- 5) Dividend, if declared, will be paid to those shareholders, whose names are on the Company's Register of Members as on 29th August, 1997. The payment will be made on or after 26th September, 1997.
- 6) Your dividend warrant is valid for payment by the Company's Bankers for three months from the date of issue. Thereafter, please contact our Share Registrars, M/s. Tata Share Registry Ltd., Army & Navy Building, 148, Mahatma Gandhi Road, Mumbai - 400 001, for revalidation of the warrants. Please encash your dividend warrants immediately as the dividend amounts remaining unpaid at the expiry of three years from the 49th day of its declaration are required to be transferred to the General Revenue Account of the Central Government in terms of Section 205A of the Companies Act, 1956 and you will thereafter have to claim the amount from the Registrar of Companies, Orissa, Chalachitra Bhawan (IInd Floor), Buxi Bazar, Cuttack - 753 001.
- 7) The unclaimed dividend for the year 1993-94 will be deposited by the Company with the Central Government on 6th October, 1997. Shareholders, who have not encashed their dividend warrant for 1993-94 are, therefore, requested to immediately forward the same for revalidation to our Share Registrars at their address given under (6) above, and get the encashment at the earliest.
- 8) Members, who have multiple accounts in identical names or joint names in same order, are requested to intimate M/s. Tata Share Registry Ltd. the Ledger Folios of such accounts to enable the Company to consolidate all such shareholdings into one account.
- 9) The Shareholders are advised to intimate change of address, if any, immediately to M/s. Tata Share Registry Ltd.

By Order of the Board

Bhubaneswar,
21st June, 1997

G. Kalyanasundaram
Company Secretary

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

The following information is supplementary to the Notice convening the Fourteenth Annual General Meeting of the Company to be held on Friday, the 19th September, 1997 and is being given as required under Section 173(2) of the Companies Act, 1956.

ITEM NO. 7

The Board of Directors of the Company at its meeting held on 28th January, 1997 appointed Mr. P. K. Lahiri as an Additional Director of the Company. Pursuant to Article 109 of the Articles of Association of the Company, Mr. Lahiri will hold office as Director up to the date of the next Annual General Meeting and is eligible for appointment. The Company has received from a member a notice in writing in terms of Section 257 of the Companies Act, 1956 signifying his intention to propose the appointment of Mr. Lahiri as a Director of the Company at the forthcoming Annual General Meeting.

Mr. P. K. Lahiri is a retired civil servant. The Board considers that the appointment of Mr. Lahiri as a Director of the Company would be beneficial to the Company and accordingly recommends acceptance of the Resolution set out in Item 7 of the convening Notice.

No Director of the Company, except Mr. Lahiri, is concerned or interested in the Resolution.

Bhubaneswar,
21st June, 1997

G. Kalyanasundaram
Company Secretary

TATA SPONGE IRON LIMITED

Regd. Office : P. O. Joda, Dist. : Keonjhar, Orissa-758034

PROXY

I/We.
(in Block Letters)

of.

being a Member/Members of TATA SPONGE IRON LIMITED hereby appoint

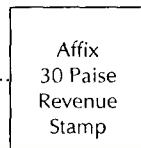
..... of

or failing him/her..... of.

as my/our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the FOURTEENTH ANNUAL GENERAL MEETING of the Company to be held on 19th September, 1997 at 12-00 noon and/or any adjournment thereof.

As witness my/our hand (s) this day of 1997

Signed by the said



R. F. No.....

- Notes :
- 1) The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
 - 2) The form should be signed across the stamp as per specimen signature registered with the Company.

TATA SPONGE IRON LIMITED

Regd. Office : P. O. Joda, Dist. : Keonjhar, Orissa-758034

ATTENDANCE SLIP

Fourteenth Annual General Meeting - 19th September, 1997 at the Registered Office of the Company.

Name of the attending Member/Proxy

Name of the Member
(in Block Letters)

Registered Folio No.....

No. of Shares held.....

I hereby record my presence at the Fourteenth Annual General meeting held on 19th September, 1997.

.....
Member's/Proxy's Signature

Note : Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

PLEASE BRING THIS ATTENDANCE SLIP TO THE MEETING AND HAND OVER AT THE ENTRANCE DULY FILLED IN AND SIGNED.

