

19th

Annual Report
2001 - 2002

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TATA SPONGE IRON LIMITED

Board of Directors

(As on 17th May, 2002)

Mr. B. Muthuraman*Chairman***Mr. Ashok Pandit***Managing Director***Mr. N. P. Sinha****Mr. N. Patnaik****Mr. P. K. Lahiri****Mr. S. V. Kale****Mr. A. D. Baijal****Mr. P. K. Jha****Management Team**

(As on 17th May, 2002)

Mr. Ashok Pandit— *Managing Director***Mr. B. M. Sarangi**— *Executive In-Charge (Operations)***Mr. T. P. Ninan**— *General Manager (Marketing)***Mr. R. Raju**— *Controller of Finance & Accounts***Mr. O. P. Sharma**— *Deputy General Manager (Works)***Mr. S. P. Nigam**— *Asst. General Manager
(Admn., Training & Environment)***Mr. S. S. Dhanjal**— *Company Secretary***Bankers**

State Bank of India

Canara Bank

Auditors

Messrs S. B. Billimoria & Co.

Chartered Accountants

Registered Office & Works

P. O. Joda

Dist. - Keonjhar

Orissa - 758 034

Tel No. : (06767) 78122

Fax No. : (06767) 78159

E-Mail : tsil@tatasponge.com

Website : www.tatasponge.com

Share Registrars

M/s. Tata Share Registry Ltd.

Army & Navy Building

148, Mahatma Gandhi Road

Mumbai - 400 001

Tel No. : (022) 2873831

Fax No. : (022) 2844160, 2020072

Website : www.tatashare.com

CONTENTS

Corporate Information	Cover two	Schedules forming part of Profit and Loss Account	16
Notice	1	Schedules forming part of Balance Sheet	20
Chairman's Statement	4	Notes on Balance Sheet & Profit and Loss Account	24
Directors' Report	5	Balance Sheet Abstract	28
Management Discussion & Analysis	10	Cash Flow Statement	29
Auditors' Report	12	Report on Corporate Governance	30
Balance Sheet	14	Certificate	36
Profit and Loss Account	15	Financial Statistics	Cover three

NOTICE

Notice is hereby given that the Nineteenth Annual General Meeting of TATA SPONGE IRON LIMITED will be held at the 'Lake View', (Officers' Club of Tata Sponge Iron Limited) at TSIL Township, Joda, Dist - Keonjhar, Orissa - 758034, on Friday, the 19th July, 2002 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, 2002 and the Balance Sheet as at that date together with the Auditors' Report thereon.
- 2) To take note of interim dividend.
- 3) To appoint a Director in place of Mr. P. K. Lahiri who, retires by rotation and being eligible, offers himself for reappointment.
- 4) To appoint a Director in place of Mr. A. D. Baijal who, retires by rotation and being eligible, offers himself for reappointment.
- 5) To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

- 6) To consider and if thought fit to pass, with or without modification, the following resolutions as Ordinary Resolutions :
 "RESOLVED that Mr. S.V. Kale, a Director liable to retire by rotation, who does not seek re-election, is not therefore re-appointed a Director of the Company."
 "RESOLVED FURTHER that the vacancy on the Board of Directors of the Company so created be not filled."
- 7) To consider and if thought fit to pass, with or without modification, the following resolution as Ordinary Resolution :
 "RESOLVED that Mr. P. K. Jha be and is hereby appointed a Director of the Company."
- 8) To consider and if thought fit, to pass with or without modification the following resolution as Ordinary Resolution:
 "RESOLVED that Mr. N. P. Sinha be and is hereby appointed a Director of the Company."

Notes :

- 1) The relative Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under Item Nos. 6, 7 & 8 above are annexed hereto.
- 2) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING 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
- 3) The Register of Members and Share Transfer Books will remain closed from 5th July, 2002 to 10th July, 2002, both days inclusive.
- 4) 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 7 years from the 37th day of its declaration are required to be transferred by the Company to the Investor Education and Protection Fund established under Section 205C in terms of Section 205A of the Companies Act, 1956.
- 5) The unclaimed dividend for the financial years 1993-94 and 1994-95 has been transferred to the General Revenue Account of Central Government. Members, who have not encashed their dividend warrant for 1993-94 and 1994-95 are, therefore, requested to claim the amount from the Registrar of Companies, Orissa, Chalachitra Bhawan (IInd Floor), Buxi Bazar, Cuttack - 753 001.

TATA SPONGE IRON LIMITED

- 6) Members, who have not encashed their dividend warrants issued for the years 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000 and 2000-2001 are requested to immediately forward the same for revalidation to our Share Registrars at their address given under (4) above, and get the encashment at the earliest.
- 7) 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 share holdings into one account.
- 8) The Members are requested to notify change of their address, if any, immediately to M/s. Tata Share Registry Ltd.

By Order of the Board of Directors

Kolkata,
17th May, 2002

S. S. Dhanjal
Company Secretary

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6

Mr. S. V. Kale, one of the Directors liable to retire by rotation at this meeting, has informed the Company that he does not wish to seek re-appointment. A Resolution pursuant to Section 256 of the Companies Act, 1956, is, therefore, necessary for not filling the vacancy caused by the retirement of Mr. S. V. Kale.

The Board recommends acceptance of the resolution set out in item No. 6 of the convening Notice.

None of the Directors other than Mr. S. V. Kale is concerned or interested in the Resolutions.

ITEM NO. 7

The Board of Directors of the Company at its meeting held on 18th January, 2002 appointed Mr. P. K. Jha as Additional Director of the Company pursuant to Article 109 of the Articles of Association of the Company. Mr. Jha 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. Jha as a Director of the Company at the forthcoming Annual General Meeting.

The Board recommends acceptance of the Resolution set out in Item No. 7 of the convening Notice.

None of the Directors other than Mr. P. K. Jha is concerned or interested in the Resolution.

ITEM NO. 8

The Board of Directors of the Company at its meeting held on 18th January, 2002 appointed Mr. N. P. Sinha as Additional Director of the Company pursuant to Article 109 of the Articles of Association of the Company. Mr. Sinha 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. Sinha as a Director of the Company at the forthcoming Annual General Meeting.

The Board recommends acceptance of the Resolution set out in Item No. 8 of the convening Notice.

None of the Directors other than Mr. N. P. Sinha is concerned or interested in the Resolution.

By Order of the Board of Directors

Kolkata,
17th May, 2002

S. S. Dhanjal
Company Secretary

Details of Directors seeking appointment/reappointment in Nineteenth Annual General Meeting.
(In pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr. A. D. Bajjal	Mr. P. K. Lahiri	Mr. P. K. Jha	Mr. N. P. Sinha
Date of Birth	13-02-1948	28-04-1937	28-12-1943	21-01-1939
Qualifications	B.Sc, Engg. (Met.) PGDBM	M.A. (History) Dip. (Development Studies), UK	B. Com. (Hons.), F.C.A.	B.Sc. Engg. (Elect.) PGDM I&S
Date of last appointment by AGM/ by the Board	28-08-1999	9-09-2000	18-01-2002	18-01-2002
Expertise in specific functional areas	Engineering	Retired I.A.S.	Finance & Accounts	Engineering
List of other Companies in which Directorship held on 31-3-2002	None	1) Manipal Home Finance Ltd. 2) SVUL Ltd. 3) Shiv Vani Universal Ltd.	1) Tata Metaliks Ltd. 2) Steel City Press Ltd.	1) Tata Pigments Ltd. 2) Steel City Press Ltd.
Chairman/Member of the Committees of the Board of Directors of other Companies in which he is a Director as on 31-3-2002	None	None	Member on the Audit Committees and Remuneration Committees of both Tata Metaliks Ltd. and Steel City Press Ltd.	None

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TATA SPONGE IRON LIMITED

*Chairman's Statement***Dear Shareholder,**

There were signs of revival of the Indian economy in the early part of the year, which could not be sustained throughout the year. According to an economic survey all monetary indicators were better than ever before and despite this there came a decline in GDP growth at 5.4%. What particularly alarming was the unsatisfactory performance of the infrastructure industry which uses mainly long products and which in turn affects demand for sponge iron.

However, the economic conditions and demand for sponge iron remained favourable during the first half of the year, which yielded good profits to your company. Then, there was sharp economic slump from midyear. The situation deteriorated further after the 9/11 disaster in New York. Pressure mounted on selling prices and margins shrunk during the 2nd half. However, the financial year has ended with a promising note.

The Company could achieve higher production, product despatches and average net realisation, which have resulted in a fairly decent profit. Encouraged by these results, the Board has recommended an interim and final dividend of 20% for the year 2001-02.

A noteworthy achievement during the year was the successful commissioning of the new 7.5 MW Power Plant in December, 2001 ahead of schedule. There exist opportunities for installing additional power generation facilities in the future.

The mushrooming of sponge iron plants, particularly in the eastern region, the dumping of cheap imported scrap into the country and the rising cost of coal are the challenges being faced by the Company. The Company management is planning ways and means to counter these threats to remain profitable. Your Board of Directors will also discuss these issues at length to seek a solution to the problems being encountered by the company management and prepare a plan of action for implementation.

There is a case for the lowering of customs duty from 25% to 5% for non-coking coal for the sponge iron industry as has been done for the Corex process. We also expect that the Government of Orissa will implement its IPR-2001 fully and make it possible for the company to sell its surplus electricity to 3rd parties as has been enunciated in the government's policy document.

The spirit of the people at TSIL has always been the Company's greatest strength. Therefore, I wish to place on record an appreciation for the excellent co-operation and contribution made by the employees of the company and the Committee of Workers to the continued growth of the Company.

It was a proud privilege and honour for your Company to have received on its premises, the Hon'ble Governor of Orissa on 5th April, 2002 for a tour of the Works at Joda and a visit to the company colony with the District Collector, Keonjhar. He was very pleased after the visit and complimented the company management for the good work it is doing for its employees and for the surrounding community.

Kolkata,
17th May, 2002

B. Muthuraman
Chairman

DIRECTORS' REPORT

The Directors have pleasure in presenting the Nineteenth Annual Report on the business and operations of the Company and its financial results for the year ended 31st March, 2002.

FINANCIALS

	Current year (Rs. Lakhs)	Previous year (Rs. Lakhs)
2. (i) Sales and other income	14,750	13,614
(ii) Profit before depreciation and other non-cash expenses	1,767	1,579
(iii) Depreciation and other non-cash expenses	739	616
(iv) Profit for the year	1,028	963
(v) Deferred Tax	337	-
(vi) Provision for Tax	50	110
(vii) Profit after tax	641	853
(viii) Profit brought forward from previous year	252	239
(ix) Profit available for appropriation	893	1,092
(x) Final Dividend : Nil (2000-2001 : 20%)	-	308
(xi) Interim Dividend : 20% (2000-2001 : Nil)	308	-
(xii) Tax on Dividend	-	32
(xiii) Transfer to General Reserve	418	500
(xiv) Surplus carried to Balance Sheet	167	252
	<u>893</u>	<u>1,092</u>

DIVIDEND

3. Directors were pleased to announce an interim dividend of 20% on 1,54,00,000 equity shares of Rs. 10 each for the Financial Year ended 31st March, 2002, at the Board Meeting held on 16th May, 2002. In order to meet financial obligations of just completed power plant, the Board does not recommend further dividend this year.

OPERATIONS

4. During the year the Company produced 2,28,346 MT of Sponge Iron compared to 2,13,036 MT in the previous year thereby registering an increase of 6.37% in the capacity utilisation.
Further, the despatches during the year totalled to 2,27,853 MT compared to 2,13,233 MT in the previous year registering an increase of 7%. Despatches by rail rakes increased by 10% over the previous year.

FINANCE

5. The Company's requirement of long term finance has been sourced from the banks at their minimum lending rates. During the year some costly debts were swapped with cheaper debts in order to achieve savings in interest cost.
The Company borrowed the short term requirement of funds from the banks only to the extent of the needs and utilised well within the norm.
The Company has been regular in servicing its debts during the year.

POWER

6. The installation of a captive power generation plant started during 2000-2001 has been completed ahead of schedule and commissioned in December, 2001. This power plant, which utilises the waste heat of the hot spent kiln gases, has reduced the Company's dependence on external power supply brought down the overall cost of production and improved the environment at the same time.

TATA BUSINESS EXCELLENCE MODEL

7. The Company is endeavouring to implement the JRD-QV process and adoption of the Tata Business Excellence Model as a frame work for managing the Company. This will help in catering to customers' and shareholders' rising expectations. Previous year, the Vision and Mission of the Company were finalised along with strategic

TATA SPONGE IRON LIMITED

goals, which have been identified and initiative for achieving these have been taken. During the year, three quality councils have been formed namely, Apex Quality Council, Quality Council for Works and Quality Council for Commercial & Administration. The Board has also taken steps to enter into the Brand Equity and Business Promotion (BEBP) Agreement with M/s. Tata Sons Ltd. in order to reap the benefits of TATA brand.

ENVIRONMENTAL ISSUES

8. Your Company has always been concerned with the protection and improvement of the surrounding environment. Emission and ambient air quality are regularly measured and corrective/preventive actions are taken wherever necessary. Management has initiated action to eliminate chance pollution and a green belt has already been developed around the plant. The work on implementation of the Environmental Management System (EMS) for meeting the requirement of ISO-14001 standards is in advanced stage. Accordingly, steps have been initiated to formulate environment management plans and to implement the same. An Environmental Policy was declared by the Company in the recent past in line with the requirements of ISO-14001 standards. A system covering all the requirements of the ISO-14001 clauses was prepared and documented, and also implemented. An apex manual has been prepared. Departmental and functional heads are being encouraged to bring about further improvements and to activate operational controls to reduce and prevent any adverse impacts on the environment.

Training on Awareness of the Environment has been imparted to all employees. The Company is hopeful of obtaining the ISO-14001 certificate in the near future.

QUALITY

9. The certificate for ISO-9002 quality standards is being maintained.

AWARDS

10. During the year, the Company received a Certificate from Govt. of Orissa awarding second position in Lowest Severity Rate of Accident for the year 1999-2000.

LISTING FEES

11. The Annual Listing Fee for the year 2001-2002 has been paid to those Stock Exchanges where the Company's shares are listed.

DIRECTORS

12. Mr. P. K. Jha, who was appointed Additional Director on 18th January, 2002 and who holds office till the ensuing Annual General Meeting, has been proposed in writing by a shareholder for the office of the Director.
13. Mr. N. P. Sinha, who was nominee of the Tata Iron and Steel Company Ltd. (Promoters) relinquished his office on 18th January, 2002. Thereafter, he was appointed Additional Director on the same day and who holds office till the ensuing Annual General Meeting has been proposed in writing by a shareholder for the office of the Director.
14. Mr. B. Muthuraman was initially appointed Additional Director on 19th October, 2001. Subsequently, he was nominated as a Special Director by the Tata Iron and Steel Company Ltd. according to the provisions of Article 110 of the Articles of Association of the Company and assumed the post of Chairman of the Company. According to Article 110, the Special Director so nominated shall not be liable to retire by rotation.
15. Mr. S. Pandey relinquished his office with effect from 10th March, 2002. He has been a Director of the Company since June, 1998. The Board placed on record their appreciation of the enormous contribution made by Mr. Pandey particularly in the area of Human Resource Development and Industrial Relations. Subsequently, Mr. S. Pandey left for his heavenly abode on 9th May, 2002, and the Board, with profound grief, condoled the untimely demise of Mr. Pandey at their meeting held on 16th May, 2002.
16. Mr. S. V. Kale, who is due to retire at the forthcoming Annual General Meeting, had informed the Company that he does not wish to seek reappointment. A resolution pursuant to Section 256 of the Companies Act, for not filling the vacancy caused by Mr. Kale's retirement has been included in the Notice of the Annual General Meeting. He has been a Director of the Company since January, 1998. The Board would like to place on record their appreciation for the rich contributions made by Mr. Kale.
17. Mr. P. K. Lahiri and Mr. A. D. Baijal retire by rotation and being eligible, offer themselves for re-appointment.

SOCIAL RESPONSIBILITY

18. The Social Responsibility forms an integral part of the Company's Vision & Mission. To meet this responsibility, the Company continued its peripheral & rural development activities with greater vigour. During the year, your company expanded its coverage area from one Gram Panchayat (10 villages) to five Gram Panchayats (about 50 villages).

In order to solve the drinking water problem, new tube-wells and ring-wells were installed and existing tube-wells were maintained. Augmenting the educational facilities, the construction work in Belieipada High School was completed, test books were supplied to the High Schools/M.E. Schools and a set of steel benches & desks also provided. On the medical front, the Company organised Free Rural Health Service Camps in nearby villages. Sports goods were provided to youth and school students and co-sponsored a football tournament in a nearby village. To assist in agriculture and farming, paddy winnowers and sprayers were also distributed to needy villagers.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

19. As required under Sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, particulars regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed to this report.

PARTICULARS OF EMPLOYEES

20. As required under Sub-section 2A of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, the particulars of such employees are given in a statement annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

21. Pursuant to sub-section 2AA of Section 217 of the Companies Act, 1956, the directors hereby confirm -
- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
 - (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period.
 - (iii) that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
 - (iv) that they have prepared the annual accounts on a going concern basis.

REPORT ON CORPORATE GOVERNANCE

22. Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the following form part of this Annual Report :
- (i) Management Discussion and Analysis;
 - (ii) Report on the Corporate Governance;
 - (iii) Auditors' Certificate regarding compliance of conditions of Corporate Governance.

AUDITORS

23. The Auditors, Messrs S. B. Billimoria & Company, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

ACKNOWLEDGEMENT

24. The Directors wish to place on record their gratitude to Central, State and Local Government agencies, Banks, Customers and Shareholders of the Company for their unstinted support and for the confidence reposed in the Company Management.

The Directors appreciate the dedicated and sincere efforts put in by all employees in the performance of the company.

The Board specially places on record their sincere thanks and gratitude to the Hon'ble Governor of Orissa for his recent visit to the Company's Works premises and township.

On behalf of the Board of Directors

Kolkata,
17th May, 2002

(B. Muthuraman)
Chairman

TATA SPONGE IRON LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY :

A) Power and Fuel Consumption

1) ELECTRICITY	2001-2002		2000-2001	
	Unit KWH	Amount Rupees	Unit KWH	Amount Rupees
a) Purchased				
Unit/Amount	2,13,47,229	7,16,16,944	2,48,11,608	7,31,17,176
Rate per unit		3.35		2.95
b) Own Generation				
i) Through Diesel Generator	3,56,580		6,43,800	
Unit per litre of Diesel (KWH/Ltr.)	2.85		3.07	
Cost per Unit		6.04		4.70
ii) Through Steam Turbine Generator *				
Unit/Amount (Consumption) #	64,49,700	1,12,09,392	—	—
Cost per unit		0.75	—	—
# Consumption includes 22,25,688 KWH for the Captive Plant				
# Consumption excludes 4,46,700 KWH of power transmitted to Grid				
* Commissioned on 20th December, 2001				
2) COAL				
	Unit (MT)	Amount Rupees	Unit (MT)	Amount Rupees
Consumption	2,90,068	56,69,67,692	2,83,043	46,16,71,154
Coal is used in the manufacturing process as reductant as well as fuel.				
3) DIESEL OIL				
	Unit (Ltr.)	Amount Rupees	Unit (Ltr.)	Amount Rupees
a) Light Diesel Oil				
Quantity/Value			7,000	82,180
Rate/Unit				11.74
b) High Speed Diesel				
Quantity/Value	57,800	9,62,534	48,000	6,77,954
Rate/Unit		16.65		14.12
B) Consumption per unit of production				
Electricity (KWH)	123.29		119.49	
Coal (MT)	1.27		1.33	
Light Diesel (Ltr.)	0.25		0.26	

TECHNOLOGY ABSORPTION :

A) Research and Development :

- 1) Specific areas in which R & D was carried out by the Company : Nil
- 2) Benefits derived as a result of the above : Does not arise
- 3) Future plan of action : Not yet decided
- 4) Expenditure on R & D : Nil
 - a) Capital
 - b) Recurring
 - c) Total
 - d) Total R & D expenditure as a percentage of total turnover