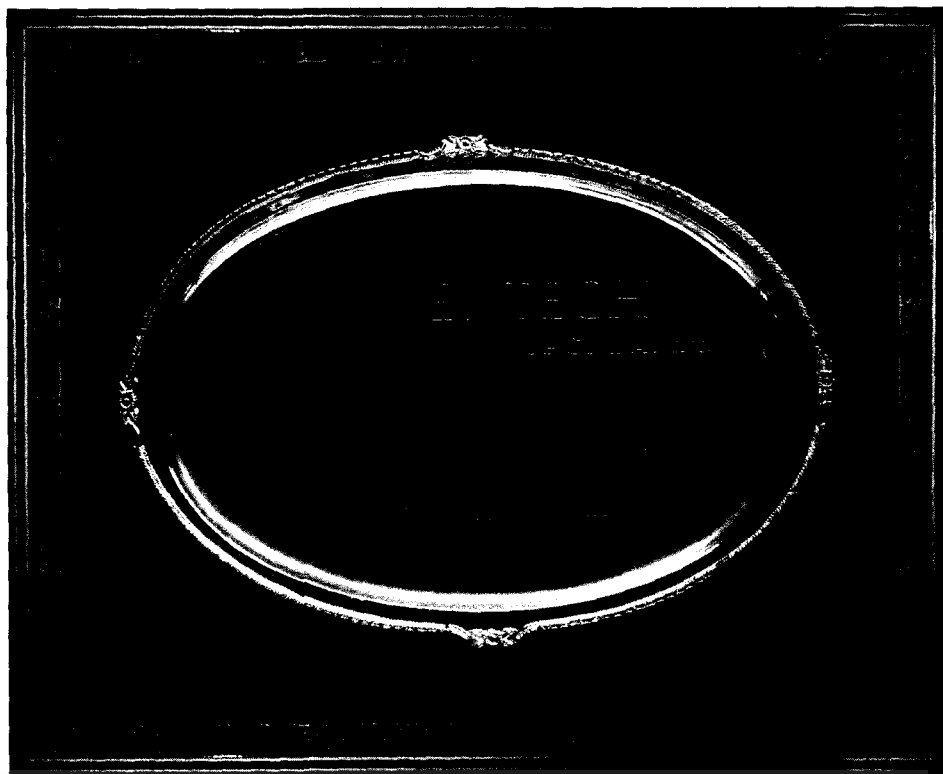




TATA SPONGE IRON LIMITED



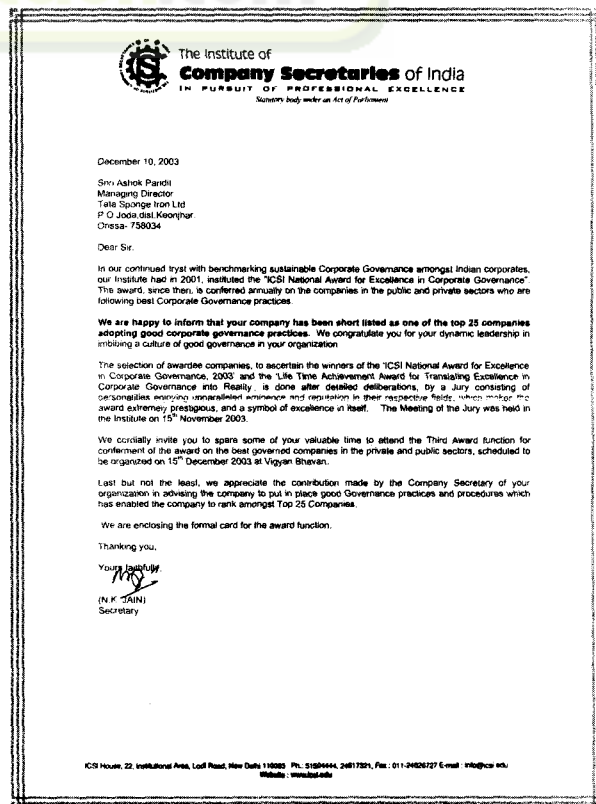
**21st Annual Report
2003 - 2004**



Trophy for winning Environment Excellence Gold Award 2002-03



Certificate of Environment Excellence Gold Award 2002-03



Letter of recognition for adopting good corporate governance practices during 2002-03



TATA SPONGE IRON LIMITED

Twenty-first Annual Report 2003-2004

BOARD OF DIRECTORS

[As on 7th May, 2004]

Mr. B. Muthuraman (Chairman)

Mr. N.P. Sinha

Mr. P.K. Lahiri

Mr. Satyajit Mitra

Mr. Dipak Kumar Banerjee

Mr. A.D. Baijal

Mr. P.K. Jha

Dr. Amit Chatterjee

Mr. Sanjay Kumar Pattnaik

Mr. Ashok Pandit (Managing Director)

MANAGEMENT TEAM

[As on 7th May, 2004]

Mr. Ashok Pandit

Managing Director

Mr. T. P. Ninan

Sr. General Manager

Mr. R. Raju

Controller of Finance & Accounts

Mr. O. P. Sharma

Deputy General Manager (Works)

Mr. S. P. Nigam

Asst. General Manager

(Admn, Training & Social Services)

Mr. S. S. Dhanjal

Company Secretary

Bankers

State Bank of India
Canara Bank

Auditors

M/s S. B. Billimoria & Co.
Chartered Accountants

Registered Office & Works

Post – Joda
Dist – Keonjhar
Orissa 758 034
Tel No.: (06767) 278122
Fax No.: (06767) 278159
E-mail : info@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) 56568484
Fax No.: (022) 56568494
E-mail: csg-unit@tatashare.com
Website: www.tatashare.com

TATA SPONGE IRON LIMITEDTwenty-first Annual Report 2003-2004

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The Twenty-First Annual General Meeting of TATA SPONGE IRON LIMITED will be held at "Lake View", (Officers' Recreation Centre) at TSIL Township, Joda, Dist - Keonjhar, Orissa - 758 034 on Monday, the 26th July, 2004, at 11-30 a.m.

As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.

Shareholders are requested to kindly bring their copies to the meeting.



TATA SPONGE IRON LIMITED

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NOTICE

THE TWENTY-FIRST ANNUAL GENERAL MEETING OF TATA SPONGE IRON LIMITED will be held at "Lake View", (Officers' Recreation Centre) at TSIL Township, Joda, Dist - Keonjhar, Orissa - 758 034 on Monday, the 26th July, 2004, at 11-30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2004 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. N. P. Sinha who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. A. D. Baijal who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. P. K. Lahiri who retires by rotation and is eligible for re-appointment.

6. VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM CERTAIN STOCK EXCHANGES

To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

"RESOLVED that, subject to the provisions of the Companies Act, 1956, [including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter], the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist the Company's Equity Shares from all or any of the following Stock Exchanges viz. The Bhubaneswar Stock Exchange Association Ltd., at Bhubaneswar, The Calcutta Stock Exchange Association Ltd., at Kolkata, The Stock Exchange, Ahmedabad at Ahmedabad and The Delhi Stock Exchange Association Ltd., at New Delhi."

7. To appoint Auditors of the Company and to fix their remuneration.

Notes:

- 1) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of business under Item No.6 above is 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 1st July, 2004 to 8th July, 2004, both days inclusive.

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- 4) Dividend, if declared, will be paid to those shareholders, whose names appear on the Company's Register of Members/Register of Beneficial Owners as on 8th July, 2004. The payment will be made on or after 31st July, 2004.

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 unclaimed/unpaid at the expiry of 7 years from the date that becomes due for payment 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 and no payment shall be made in respect of any such unclaimed/unpaid dividend either by the Company or by the Fund.

- 5) The unclaimed dividend for the financial years 1993-94 and 1994-95 has been transferred to the General Revenue Account of Central Government and for the year 1995-96 has been transferred to Investor Education and Protection Fund. 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.
- 6) Members, who have not encashed their dividend warrants issued for the years 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02 and 2002-03 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) Shareholders are requested to notify their bank particulars giving the name of the bank and the branch and the nature of account and also any change of address to the Company's Registrar and Share Transfer Agent, M/s. Tata Share Registry Limited. Shareholders are hereby intimated that under instructions from the Securities and Exchange Board of India, furnishing of bank particulars by the shareholders has become mandatory.
- 8) Shareholders are hereby informed that the bank particulars given by them at the time of opening a depository account will be used by the Company for printing on the dividend warrants. This would ensure that the dividend warrants cannot be deposited in any account other than the one specified on the warrants. For the safety and interest of the shareholders, it is important that bank account details are correctly provided to the depository participants. The bank mandate for shares held in physical form will not be applied for shares held in electronic form.
- 9) Section 109 A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders willing to avail this facility may make nomination in Form 2B.
- 10) 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.

By Order of the Board of Directors

Kolkata
7th May, 2004

S.S. Dhanjal
Company Secretary



ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956, (hereinafter referred to as "the Act") the following Explanatory Statement set out all material facts relating to the business mentioned under item No. 6 of the accompanying Notice dated 7th May, 2004.

Item No. 6

Presently the Company's securities are listed on the following Stock Exchanges in India:

The Stock Exchange, Mumbai (BSE), National Stock Exchange of India Ltd. (NSE) at Mumbai, The Bhubaneswar Stock Exchange Association Ltd. at Bhubaneswar, The Calcutta Stock Exchange Association Ltd. at Kolkata, The Stock Exchange, Ahmedabad at Ahmedabad, and The Delhi Stock Exchange Association Ltd, at New Delhi.

With the wide and extensive networking of centres of the BSE and NSE, the investors have access to online dealings in the Company's securities across the country. Moreover, the Company's Equity Shares are one of the scrips which Securities and Exchange Board of India (hereinafter referred to as "SEBI") has specified for settlement only in demat form by all investors, effective from 28th August, 2000.

The trading volumes of the Company's Equity Shares on the Stock Exchanges at Bhubaneswar, Kolkata, Ahmedabad and Delhi (hereinafter referred to as "the said Stock Exchanges") are on the decline. From the information received from the Stock Exchanges regarding trading volumes on the said Stock Exchanges, it appears that the annual recurring listing fees paid to the said Stock Exchanges, do not now offer commensurate benefits to the Company/its investors in the changed scenario of the nationwide trading terminals set up by the BSE and NSE. The continued listing on the said Stock Exchanges is not considered necessary. It would further contribute to reduction in administrative costs/efforts of the Company.

Therefore, the Board of Directors, at its meeting held on 7th May, 2004 has decided to apply for the voluntary de-listing of the Company's Equity Shares from the said four Stock Exchanges.

The proposed voluntary de-listing of the Company's Equity Shares from the said Stock Exchanges will not adversely affect any investors including the Members located in the regions where the said Stock Exchanges are situated. Pursuant to the SEBI (De-listing of Securities) Guidelines, 2003, it is now proposed to seek the Members' approval by way of a Special Resolution for the voluntary de-listing of the Company's Equity Shares from the said four Stock Exchanges as set out in the Resolution at Item No.6. In terms of the said guidelines, as the Company's Equity Shares shall continue to remain listed on BSE and NSE, no Exit Option is required to be offered to the shareholders.

The proposed de-listing is in the interest of the Company and the Board commends the Resolution for acceptance by the Members. None of the Directors of the Company is concerned or interested in the Resolution at Item No.6.

By Order of the Board of Directors

Kolkata
7th May, 2004

S.S. Dhanjal
Company Secretary

Details of Directors seeking reappointment in Twenty-first Annual General Meeting (In pursuance of Clause 49 of Listing Agreements)

Name of the Director	Mr. N. P. Sinha	Mr. A. D. Bajjal	Mr. P. K. Lahiri
Date of Birth	21-01-1939	13-02-1948	28-04-1937
Qualifications	B. Sc. Engg. (Elect.) PGDM I & S	B. Sc. Engg. (Met.) PGDBM	M.A. (History) Dip (Development Studies), UK
Date of appointment	18-01-2002	28-08-1999	9-09-2000
Expertise in specific functional areas	Engineering	Engineering	Retired I.A.S.
List of other Companies in which Directorship held	1. Tata Pigments Ltd. 2. Steel City Press Ltd. 3. Jamshedpur Utility and Services Company Ltd.	None	1. Shiv Vani Universal Ltd. 2. Bharat Seats Ltd.
Chairman/Member of the Committees of the Board of Directors of other Companies in which he is a Director	(i) Chairman of the remuneration Committee of Tata Pigments Ltd. (ii) Member of the Remuneration Committee of Jamshedpur Utility and Services Company Ltd.	None	Member of the Audit Committee of Bharat Seats Ltd.

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Chairman's Statement

Dear Shareholder,

The year 2003-04 witnessed a buoyant economy with Indian industry becoming more competitive globally. There was robust growth in the domestic as well as international (export) arenas which resulted in a good demand for steel, particularly from China. This has helped the Indian sponge iron industry to market its product at very remunerative prices to the secondary steel sector in India. Additionally, sponge iron is also being used for blast furnace operations.

The company's production was lower at 2,16,137 MT at 90% utilisation of capacity basically due to a deterioration in the quality of coal sourced from government owned collieries. The cost of iron ore, a prime raw material, was also significantly higher compared to the previous year. However, due to cost control measures, savings in interest and the highest ever net realisation, the Company was able to achieve its highest ever turnover and profit before and after tax. Encouraged by the financial results of the Company, the Board had recommended a dividend of 50 % to be paid to shareholders.

The rising costs of non-coking coal and iron ore are presently the prime concerns of the Company. The Company is, therefore, exploring various alternatives, including acquisition of a coal block and iron ore mine, for ensuring long term supplies of these vital raw materials at lower cost.

The work for the installation of the 3rd kiln with a capacity of 1,50,000 TPA has been slightly delayed due to want of environmental clearance which the Company expects to obtain shortly.

The Company has continued its march towards achieving excellence. It won the first prize in the National Quality Competition held by the Indian Institute of Metals and the Gold Award for Environment Management from Greentech Foundation. The Company was also recognised by the Institute of Company Secretaries of India as one of the top 25 listed companies of India which have adopted the best corporate governance practices.

Your Company has been very active in analysing various alternatives for growth, keeping in view the Company's present strengths and the future scenario of the Indian Steel industry. The long range growth plans of the Company will be finalised shortly.

I sincerely wish to thank all employees of the Company for their hard work and the Tata Sponge Shramik Sangha for their co-operation with the management which has helped the Company in achieving its best ever financial performance.

Kolkata
7th May, 2004

B. Muthuraman
Chairman



SOCIAL RESPONSIBILITY

During the year, the Company continued its march towards good corporate citizenship and concentrated in the following areas:

Environment

The company continued to maintain ISO-14001 standards of Environment Management System (EMS) in order to preserve and improve the environment in the working and surrounding areas of its operations.

The Company has, in the past, spent substantial amounts on pollution control measures. The plant and its surroundings are kept clean and tidy with extra efforts. Tree plantation has been continuing.

Recognising the efforts of the company in the areas of EMS, the Greentech Foundation has awarded the Company with the Greentech Environment Excellence Award (GEEA) in the Gold category.

Health & Hygiene

The company operates a fully equipped Dispensary with two doctors as well as a properly equipped ambulance. Apart from attending to the medical needs of employees and their families, medical service has also been extended to the needy people of Panchayats around the plant for which the company arranges free rural health services on a weekly basis in 5 villages, where people are provided with free check-ups and medicines. Bathing facility has been provided in ponds in the villages. Anti malaria awareness campaign was held by the Block Office in collaboration with Field Publicity Department of the Government of India for which the assistance was extended by the Company.

Drinking Water

In order to make available clean water for drinking and cooking for the villagers, the Company has undertaken the renovation of ponds and tube wells installed earlier and also installed new tube wells and ring wells, including water storage facilities in several villages.

Education

As a part of its efforts to spread literacy in the nearby villages, the company has donated classroom furniture for the children and teachers, provided solar home light system for school hostels and also distributed educational and study materials in nearby schools. Assistance was extended for observing the Hindi Divas at Block level to support the development of national language.

Agriculture

Agriculture being the primary source of livelihood, the Company supports agricultural activities in the nearby areas. During the year, the Company has undertaken campaigns for the plantation of fruit bearing trees in seven villages. Deep bore wells were installed for agricultural irrigation projects. Repairing of delivery tank and channel were done for Lift Irrigation points at nearby villages.

Recreation

In order to motivate the creative energy of youth in villages, tournaments, competitions and other events were organised in the nearby villages/schools e.g. school level athletic meet, rural annual sports etc. to name a few. The Company has also extended support by providing musical instruments and sporting goods to nearby schools and village clubs at free of cost.

Women empowerment

The company encourages empowerment of women through a local charitable trust. Non-formal education classes were held in two villages. These classes were conducted by two educated rural women who were periodically trained. Female members of employees' families have engaged themselves in arranging medical camps and doing charity works in the nearby villages.

The training was imparted to 30 young girls in the area of sewing and to 41 participants of 12 villages in bee keeping. Some of these trained female participants are also earning by stitching and bee keeping.

Two women from employees' family have been engaged through the charitable trust to supervise the fly ash brick-making unit which converts the fly ash into bricks as a step towards protection of environment from the fly ash.

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DIRECTORS' REPORT

TO THE MEMBERS,

The Directors have pleasure in presenting the Twenty-first Annual Report on the business and operations of the Company and its financial results for the year ended 31st March, 2004.

FINANCIAL RESULTS

	Current year Rs. Lac	Previous year Rs. Lac
2. (i) Sales (Net of Excise Duty) and other income	18304	14845
(ii) Profit before depreciation and other non-cash expenses	6013	3359
(iii) Depreciation and other non-cash expenses	706	798
(iv) Profit for the year	5307	2561
(v) Provision for Current Tax	1900	203
(vi) Provision for Deferred Tax	(29)	519
(vii) Profit after tax	3436	1839
(viii) Transfer from Investment Allowance (Utilised) Reserve	530	—
(ix) Profit brought forward from previous year	285	167
(x) Profit available for appropriation	4251	2006
(xi) Dividend: 50 % (2002-2003: 30%)	770	462
(xii) Tax on Dividend	99	59
(xiii) Transfer to General Reserve	3000	1200
(xiv) Surplus carried to Balance Sheet	382	285
	<u>4251</u>	<u>2006</u>

DIVIDEND

3. The directors are pleased to recommend a dividend of 50 % on 1,54,00,000 equity shares of Rs.10 each for the financial year ended 31st March, 2004, subject to approval of the shareholders at the ensuing Annual General Meeting. The dividend decision has been taken by the Board keeping in view the funds requirement for the expansion project as well as meeting the company's financial obligations in the near future.

OPERATIONS

4. During the year, the Company produced 2,16,137 MT of sponge iron compared to 2,36,432 MT in the previous year. The overall capacity utilisation that could be achieved was lower as compared to the previous year, primarily on account of compulsive use of inferior quality of coal (with a higher ash content), which also resulted into an additional shutdown of the 2nd kiln.

Despatches during the year totalled to 2,16,471 MT compared with 2,34,489 MT in the previous year. However, an increase in the selling price of sponge iron significantly contributed to an impressive profit before and after tax. Due to this, the earnings per share have touched a record high.

The Company has thus achieved its highest ever turn over and profits despite an unprecedented increase in the price of iron ore, which is the prime input of the plant.