



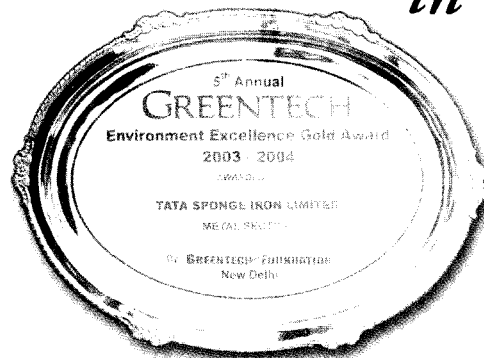
TATA SPONGE IRON LIMITED

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22nd Annual Report
2004 - 2005

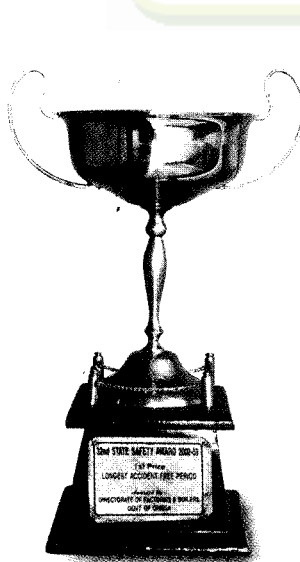
Excellence in Governance

Greentech Excellence
Award for 2003-04
(Gold Category)



TERI Corporate
Environmental
Excellence Award,
2002-03 (First Prize)

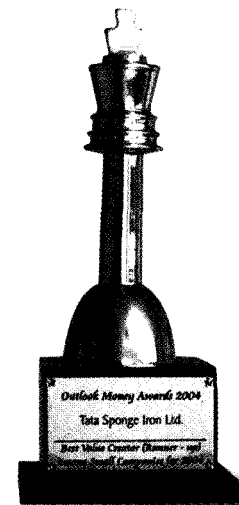
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First Prize from Govt. of
Orissa for maintaining
Longest Accident free
period during 2002-03



National Safety Award for
achieving Longest Accident free
period in 2003 (Runner-up)



Best Value Creator Award
from 'Outlook Money' for
2004 (Runner-up amongst
small companies)

Excellence

in Results

FINANCIAL HIGHLIGHTS 2004-2005

Highest Turnover : Rs. 24050.17 lakh
(2003-04 : Rs. 17485.17 lakh)

Highest Profit : Rs. 9508.77 lakh
Before Tax (2003-04 : Rs. 5306.79 lakh)

Highest Profit : Rs. 6089.42 lakh
After Tax (2003-04 : Rs. 3435.81 lakh)

Highest Dividend : 70%
(2003-04 : 50%)

Highest Return on : 45.90%
Capital Employed (2003-04 : 40.81%)

Highest Earning : Rs. 39.54
Per Share (2003-04 : Rs. 22.31)

TATA SPONGE IRON LIMITED

Twenty-Second Annual Report 2004-05

*Chairman's Statement**Dear Shareholder,*

The sponge iron industry has emerged as one of the industries which are attracting investments in new capacities in India. Domestic and global demand for steel, primarily from China, has sustained throughout the year which has favoured Indian manufacturers to market their sponge iron to secondary steel makers at remunerative prices.

The Company's production was higher than the previous year at 2,23,686 MT and capacity utilisation (93%) was higher by 3%. Due to a highest ever net realisation, the Company was able to achieve its highest ever turnover and profit before as well as profit after tax despite increases in the input costs, raw materials and overheads. Encouraged by the financial results of the Company, the Board had recommended that a dividend of 70 % be paid to shareholders.

The high costs of non-coking coal and iron ore continue to remain 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 two vital raw materials at considerably lower cost.

Work for the installation of the 3rd kiln with a capacity of 1,50,000 TPA began in November, 2004 and the kiln is expected to be operational in the last quarter of 2005-06.

During the year, the Board has approved the installation of a 2nd power plant of 18.5 MW capacity for utilising the waste heat of kiln-1 and kiln-3. The 1st power plant of 7.5 MW with kiln-2 has been in successful operation since December, 2001.

As stated last year, various alternatives for the growth of the Company have been analysed in detail and the Board has approved, in principle, a long term growth plan consisting of adding 3 more kilns of 1,50,000 TPA each to increase the total installed capacity to 8,40,000 TPA from six kilns and also to enhance power generation capacity up to 60 MW to ultimately produce steel up to 2 million tonnes per annum in the future in a phased manner.

The Company continues its march towards achieving business excellence. It has won several prestigious national awards in the fields of quality, safety, environment, and has also received recognition for good corporate governance practices.

The management has signed the Brand Equity and Business Promotion (BEBP) Agreement with M/s. Tata Sons Ltd. effective 1st April, 2005, in order to reap the full benefits of the TATA brand.

The Board has sincerely mourned the demise of thousands, who lost their lives in the recent disaster caused by Tsunami waves and has extended financial support to the families of those left behind.

I sincerely wish to thank all employees of the Company for their hard work and also the office bearers of the Tata Sponge Shramik Sangha for their co-operation with the Company management which has helped the Company in achieving yet another excellent financial performance.

Mumbai
28th April, 2005

B. Muthuraman
Chairman



TATA SPONGE IRON LIMITED

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BOARD OF DIRECTORS

[As on 28th April, 2005]

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 28th April, 2005]

Mr. Ashok Pandit

Managing Director

Mr. T. P. Ninan

Sr. General Manager

Mr. R. Raju

Controller of Finance & Accounts

Mr. O. P. Sharma

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) 284236
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 LIMITED

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The Twenty-second 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 Saturday, the 30th July, 2005, at 4-30 p.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.



NOTICE

THE TWENTY-SECOND 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 Saturday, the 30th July, 2005, at 04-30 p.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, 2005 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. Satyajit Mitra, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Dr. Amit Chatterjee, who retires by rotation and is eligible for re-appointment.
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. P.K. Jha, a Director liable to retire by rotation, who does not seek re-election, is not therefore, reappointed 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. K.K. Verugheese be and is hereby appointed a Director of the Company."

8. Re-appointment of Managing Director

To consider and if thought fit to pass, with or without modification, the following resolutions as Ordinary Resolutions :

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and Article 112 of the Articles of Association of the Company, Mr. Ashok Pandit be re-appointed as Managing Director of the Company with effect from 15th April, 2005 to 9th March, 2007, on such terms and conditions as set out in the draft agreement submitted to this meeting and initialled by the Chairman for the purpose of identification with liberty to the Board/Committee of Directors to alter and vary the terms and conditions of the said re-appointment in such manner as may be agreed to between the Board/Committee of Directors and Mr. Ashok Pandit."

"RESOLVED FURTHER that the Managing Director, as and when re-appointed as Director immediately on retirement by rotation, shall continue to hold his office of Managing Director and such re-appointment as Director shall not be deemed to constitute a break in his appointment as Managing Director."

Notes :

- 1) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 in respect of business under Item Nos. 6, 7 and 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.

TATA SPONGE IRON LIMITED

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- 3) The Register of Members and Share Transfer Books will remain closed from 1st July, 2005 to 12th July, 2005, both days inclusive.
- 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 30th June, 2005. The payment will be made on or after 4th August, 2005.

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 years 1995-96 and 1996-97 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 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2002-03 and 2003-04 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) In order to provide better service to the shareholders, the Company has introduced Electronic Clearing Service (ECS) for payments of dividend. Shareholders desirous of availing ECS facility may provide the required information to our Share Registrars at their address given under (4) above.
- 9) 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.
- 10) Section 109 A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders having physical holdings and willing to avail this facility may make nomination in Form 2B. In case shares are held in electronic form, the holders have to approach the Depository Participant for registering their nomination.
- 11) 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

Mumbai
28th April, 2005

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 Nos. 6, 7 and 8 of the accompanying Notice dated 28th April, 2005.

Item No. 6

Mr. P.K. Jha, 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. P.K. Jha.

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

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

Item No. 7

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. K.K. Verughe as a Director on the Board of Directors of the Company at the forthcoming Annual General Meeting.

Mr. K.K. Verughe is presently working with the Tata Iron and Steel Company Ltd., at Jamshedpur in the capacity as Chief (Corporate Audit). His experience and knowledge would be of immense help to the company.

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

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

Item No. 8

Mr. Ashok Pandit has been the Joint Managing Director of the Company since 15th April, 2000 and he was re-designated as Managing Director with effect from 5th January, 2001. His first term of appointment expired on 14th April, 2005. Under the visionary leadership of Mr. Pandit, the Company has made good progress in plant performance, environment management, quality management, corporate governance etc. and a clear vision and growth plans for the company's future could be set in place. The Company received numerous recognitions and awards in various areas from the Government and other reputed organisations.

Considering the vast experience and good management skills of Mr. Ashok Pandit, the Board at its meeting held on 17th January, 2005, has reappointed him as Managing Director from 15th April, 2005 to 9th March, 2007, i.e. till attaining the age of 65 years, on the following terms and conditions :

Terms and Conditions :

1. Subject to the superintendence, control and direction of the Board of Directors, the Managing Director is entrusted with the management of the whole of the affairs of the company and he shall also carry out such duties and services as may be entrusted to him by the Board of Directors from time to time.
2. Period of Appointment : From 15th April, 2005 to 9th March, 2007, i.e. till attaining the age of 65 years.
3. Remuneration :
 - (a) Salary : In the scale of Rs. 50,000/- – Rs.1,20,000/- per month (with proportionate increase in the value of the benefits related to salary) with authority to the Board/Committee of Directors to fix his salary within the scale from time to time. The annual increments will be merit based and take into account the Company's performance.
 - (b) Commission :
As may be determined by the Board/Committee of Directors of the Company at the end of each financial year, subject to the overall ceilings stipulated in Sections 198 and 309 of the Act. The specific amount payable which shall not exceed twice the annual salary of Mr. Ashok Pandit will be based on certain performance criteria to be laid down by the Board/Committee of Directors and will be payable annually after the Annual Accounts have been approved by the Board of Directors and adopted by the Shareholders.
 - (c) Perquisites & Allowances :
 - (i) In addition to the salary and commission payable, Mr. Ashok Pandit shall be entitled to perquisites like accommodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs, medical

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reimbursement, leave travel concession for himself and his family, club fees, medical insurance etc. in accordance with the rules of the Company or as may be agreed to by the Board/Committee of Directors and the Managing Director, such perquisites to be restricted to 125% of the annual salary.

- (ii) For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual costs.

Provision for use of Company's car for official duties and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the said ceiling.

- (iii) Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these either singly or together are not taxable under the Income Tax Act. Gratuity payable as per the rules of the Company and encashment of leave at the end of the tenure shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

(d) Minimum Remuneration :

If in any financial year during the currency of tenure of Mr. Ashok Pandit, the Company has no profits or its profits are inadequate, the managerial remuneration will be limited to the amount specified in Section II of Part II of the Schedule XIII to the Companies Act, 1956.

4. The terms and conditions of the appointment and/or Agreement may be altered and varied from time to time by the Board/Committee of Directors as it may, in its discretion, deem fit, within the maximum amount payable to Managing Director in accordance with Schedule XIII to the Companies Act, 1956 or any amendments made thereto.
5. The Agreement may be terminated by either party giving the other party six months' notice or the Company paying six month's salary in lieu thereof.
6. If at any time, Mr. Ashok Pandit ceases to be a Director of the Company for any cause whatsoever, he shall cease to be the Managing Director.
7. If, at any time, Mr. Ashok Pandit ceases to be the Managing Director of the Company, for any cause whatsoever, he shall cease to be a Director of the Company.
8. So long as Mr. Ashok Pandit acts as the Managing Director of the Company he shall not be entitled to sitting fees for attending meetings of the Board or any Committee thereof.
9. Mr. Ashok Pandit, Managing Director, shall not be entitled to supplement his earnings under the Agreement with any buying or selling commission and shall also not become interested or otherwise concerned, directly or through his wife and/or minor children, in any buying, selling or any other agency of the Company, without the prior approval of the Central Government.
10. The Managing Director shall not have the following powers :
 - (a) power to make calls on shareholders in respect of monies unpaid on shares in the Company;
 - (b) power to issue debentures; and
 - (c) power to invest the funds of the Company in shares, stocks and securities.

Therefore, the continued services of Mr. Ashok Pandit as Managing Director will be beneficial to the company and the Board accordingly recommends the proposed Resolutions for your approval.

The draft agreement between the Company and Mr. Ashok Pandit is available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day of the Company.

None of the Directors other than Mr. Ashok Pandit, is concerned or interested in the Resolutions at Item No.8 of the Notice.

This may also be treated as an abstract of the draft agreement between the Company and Mr. Ashok Pandit pursuant to Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Mumbai
28th April, 2005

S.S. Dhanjal
Company Secretary