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# **TATA** SPONGE IRON LIMITED

**23<sup>rd</sup> Annual Report**  
**2005-2006**



# ACHIEVEMENTS & RECOGNITIONS



Best performance  
in environment  
management  
award by the  
Orissa State  
Safety Award  
Committee for the  
year 2004  
(awarded on 25th  
February '06)



Silver award from the  
GreenTech  
Foundation, a non-  
profitable NGO  
established to  
promote industrial  
safety and  
environment  
management in the  
country, for the year  
2004 (awarded on  
12th May, 2005).

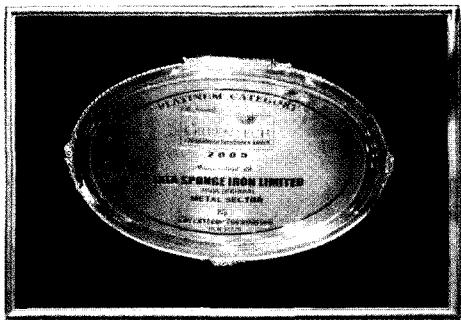


Best performance  
in safety  
management  
award by the  
Orissa State Safety  
Award Committee  
for the year 2004  
(awarded on 25th  
February '06)

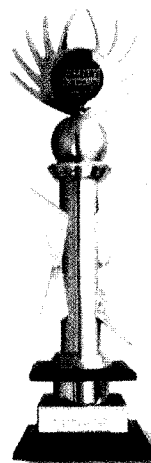


Golden Peacock  
Award for Environment  
Excellence for the year  
2004 in the iron & steel  
segment (awarded on  
11th June, 2005)

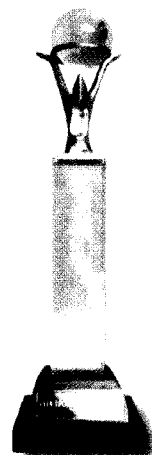
Greentech Lifetime Achievement Award given to  
Mr. Ashok Pandit, Managing Director on 22nd  
October 2005 for his outstanding contribution in  
promoting & sustaining exemplary environmental  
standards in sponge iron industry



Amity Leadership  
Award for  
environment  
excellence given to  
Mr. Ashok Pandit,  
Managing Director  
on 3rd February  
2006 for propagating  
the best practices  
adopted by the  
companies to foster  
a clean & green  
environment



JN Tata  
Highest Delta  
Award  
(improvement  
in Quality  
initiatives)  
organized by  
Tata Steel  
(awarded on  
17th July '05)



# Financial Highlights 2005-06

**Turnover** Rs. 19,303.76 lac

**Profit Before Tax** Rs. 3,425.64 lac

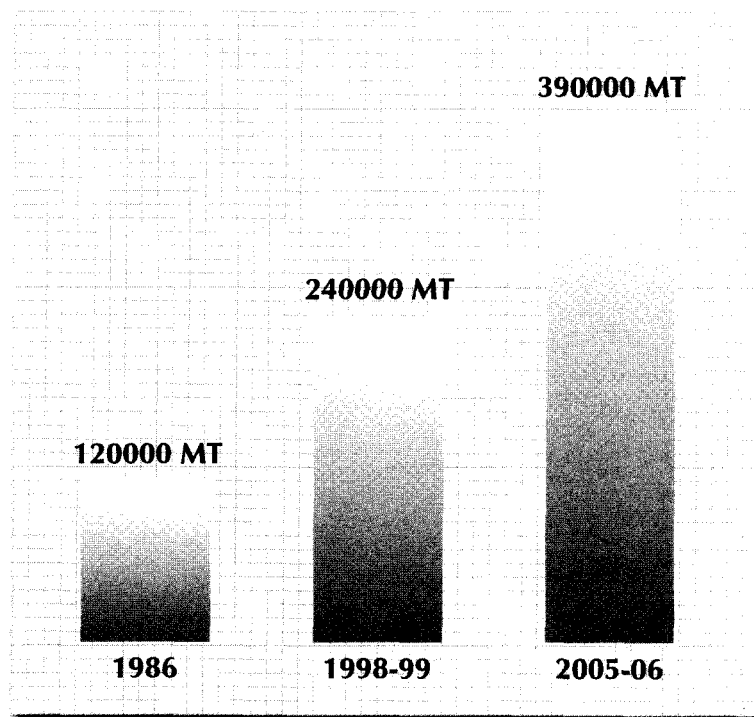
**Profit After Tax** Rs. 2,213.96 lac

**Dividend** 40%

**Return of Capital Employed** 10.17%

**Earning per Share** Rs. 14.38

## Installed Capacity Growth (Sponge Iron)



**TATA SPONGE IRON LIMITED**

Twenty-Third Annual Report 2005-06

## *Chairman's Statement*

*Dear Shareholder,*

*The sponge iron industry continues to attract 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, though the net realisation has been lower compared to previous year.*

*The company's production was lower than the previous year at 2,05,552 MT and capacity utilisation was 85%. Due to a lower net realisation, the turnover and the profit before as well as profit after tax were lower compared to the previous year. However, the Board had recommended that a dividend of 40% 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 has been, 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. I am happy to inform you that your company has been allotted a coal block jointly with two other associates for mining of coal. This coal block is expected to become operational in about 3 years from the date of allotment.*

*Work for the installation of the 3rd kiln with a capacity of 1,50,000 TPA began in November, 2004 was completed and production from this kiln started in the last week of March, 2006.*

*During previous year, the Board had 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 installation of this power plant was nearing completion as on 31st March, 2006.*

*During 2004-05 the Board had 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 in the future in a phased manner. The phasing of this plan is being actively considered by the management.*

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

*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 to achieve yet another good year of financial performance.*

**B. Muthuraman**  
Chairman

Kolkata  
11th July, 2006





# TATA SPONGE IRON LIMITED

Twenty-third Annual Report 2005-06

## BOARD OF DIRECTORS

[As on 27th April, 2006]

**Mr. B. Muthuraman** (Chairman)

**Mr. N. P. Sinha**

**Mr. P. K. Lahiri**

**Mr. Satyajit Mitra**

**Mr. Dipak Kumar Banerjee**

**Mr. A. D. Baijal**

**Mr. K. K. Verughe**

**Dr. Amit Chatterjee**

**Mr. Sanjay Kumar Pattnaik**

**Mr. Ashok Pandit** (Managing Director)

## MANAGEMENT TEAM

[As on 27th April, 2006]

**Mr. Ashok Pandit**

Managing Director

**Mr. T. P. Ninan**

Vice President (Operations)

**Mr. R. Raju**

Controller of Finance & Accounts

**Mr. O. P. Sharma**

General Manager (Works)

**Mr. S. P. Nigam**

Dy. General Manager  
(Admn & 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. TSR Darashaw Ltd.  
Army & Navy Building  
148, Mahatma Gandhi Road  
Mumbai – 400 001.  
Tel No.: (022) 66568484  
Fax No.: (022) 66568494  
E-mail: csg-unit@tsrdarashaw.com  
Website: www.tsrdarashaw.com


**TATA SPONGE IRON LIMITED**

Twenty-third Annual Report 2005-06

**Contents**

Corporate Information	—	1
Social Responsibility	—	3
Directors' Report	—	5
Managing Director's Declaration	—	11
Management Discussion & Analysis	—	12
Auditors' Report	—	15
Balance Sheet	—	18
Profit and Loss Account	—	19
Cash Flow Statement	—	20
Schedules forming part of Profit and Loss Account	—	21
Schedules forming part of Balance Sheet	—	25
Notes on Balance Sheet and Profit and Loss Account	—	29
Balance Sheet Abstract	—	33
Report on Corporate Governance	—	34
Auditors' Certificate	—	43
Financial Statistics	—	44

The Twenty-third Annual General Meeting of TATA SPONGE IRON LIMITED will be held at "Lake View", (Officers' Recreation Centre), TSIL Township, Joda, Dist - Keonjhar, Orissa - 758 034 on Tuesday, the 8th August, 2006, at 3-00 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.



## SOCIAL RESPONSIBILITY

In line with the philosophy of the TATAs, the company has always been conscious of its responsibility towards the society and it continues to fulfil the same in the right earnest.

### Environment

The company has been taking various steps to protect the environment and maintain the ecological balance in and around its plant and other establishments. An effective Environment Management System (EMS) is already in place in the company. The company continues to maintain the ISO-14001 status.

Substantial amount is spent on various pollution control measures. The Works and its surroundings are kept clean and tidy with extra efforts. Tree plantation has ensured the effective development of a green belt in and around the plant and other premises of the company.

The company has been recognised by various agencies in the past and during the current year 2005-06, the company had won many prestigious state and national awards in the areas of safety, health, environment, business excellence etc., which are more specifically described in the Directors Report.

### Health & Hygiene

The company operates a fully equipped dispensary with two nos. of ambulances. The dispensary is manned by two qualified physicians and other required para-medical staff. Apart from attending to the medical needs of its employees and their families, medical services have also been extended to the needy people living in the Panchayat areas surrounding the plant for which the company arranges free rural health service on a weekly basis in 5 villages, where people are provided with free medical check-ups and free medicines. During the year, 3118 patients were attended to in the nearby villages.

### Drinking water

In order to make clean water available for villagers, during the year the company added 8 more tube wells, dug 5 ring wells and undertook the renovation of ponds and tube wells installed earlier.

### Education

Continuing its efforts to spread literacy in the nearby villages, the company donated classroom furniture such as desks, benches, chairs, table, almirah etc., distributed study materials like text books, note books, school bags, etc., provided buildings for science laboratory, computer and library facilities, solar lamps for the schools where electricity does not exist and constructed boundary walls for schools situated in the surrounding areas of the company.

### Agriculture

Agriculture being a primary source of livelihood in the area, the company supported agricultural activities in the nearby areas by constructing deep bore well for irrigation and facilitating training on mushroom cultivation, pickle and vermin culture etc. and provided hand operated paddy winners.

During the year, the company had taken initiative for setting up animal husbandry facilities in three gram panchayats. The required office furniture were supplied by the company and it also facilitated periodical veterinary health check ups.

### Recreation

In order to utilise the creative energy of youth in villages, tournaments, competitions and other sporting events were organised in nearby villages/schools e.g. competition for cultural and sports activities at the Gram Panchayat level and football tournaments at village clubs, a school level athletic meet, rural annual sports etc. to name a few. The company has also extended support by providing sporting gadgets to nearby schools and to village clubs free of cost.

### Female employment

The company has a policy, which provides equal opportunities to all its employees and all qualified applicants for

**TATA SPONGE IRON LIMITED**

Twenty-third Annual Report 2005-06

employment without regard to their race, caste, religion, colour ancestry, marital status, sex, age, nationality, disability and veteran status.

**Safety**

The safety of permanent employees as well as contract labourers is being given due importance by the management and it is ensured that all workers are given safety appliances to use.

**Other steps taken by the Company**

- ☐ Construction of a steel bridge over a flowing nallah in a village.
- ☐ Provision for office furniture and water storage facility in the Gram Panchayat offices.
- ☐ Facilitated various functions in the nearby educational institutions.
- ☐ Distribution of clothes.

**Collaborative approach**

The company has been encouraging members of employees' families to be involved in doing social work in nearby villages through a local charitable trust namely, Vidya Shakti Niyas (VSN). During the year the following actions were taken by the company in collaboration with VSN :

- To protect the underprivileged, old and needy people from the biting cold, blankets and winter wear were distributed in 50 villages.
- In order to educate the village people on health, a 3 day First Aid Training Camp was organised and special programmes were organised to encourage the intake of healthy and balanced food.
- To promote cultural awareness and to provide entertainment, special programmes were organised.
- With a view to expose the children to new areas of knowledge and information an Annual Summer Camp for rural school going children was held.
- The medical camps, the beneficiaries of which are mostly poor and needy people in the surrounding villages, were continuing.
- Dhoties and sarees were distributed to the poor villagers.
- The driving training school started in 2004-05 continued, which enabled more unemployed youths to take up a vocation for livelihood.
- A 'theatre workshop' was organised for developing the theatrical talents in the youngsters.
- With a view to keep people away from chronic diseases and bring in discipline in life a 10 day 'yoga camp' was organised.
- To bring awareness in the people about bringing up children properly, a baby show was conducted, in which children from the company's township and from the nearby villages also participated in large number.
- With a view to provide a source of income to the village-women, a training programme on mushroom cultivation was organised.
- Financial help was extended to persons suffering from heart ailments and other dreaded diseases.
- Athletic meet was organised for various schools in the nearby gram panchayats.
- Trekking expeditions were organised for the school going girls.
- A workshop on 'Self Growth' for the ladies were organised.
- A 2 day programme on 'Personality Development and Communicative Skills' for the ladies was organised.
- With a view to inculcate love for nature, garden show competition for the residents of the company's township was organised.
- A 10 days 'Computer Literacy Class' was conducted for the ladies.





## DIRECTORS' REPORT

TO THE MEMBERS,

The Directors take pleasure in presenting the Twenty-third Annual Report on the business and operations of the Company and its financial results for the year ended 31st March, 2006.

### FINANCIAL RESULTS

	Current year Rs. Lac	Previous year Rs. Lac
2. (i) Sales (Net of Excise Duty) and other income	20438	24996
(ii) Profit before depreciation and other non-cash expenses	4182	10226
(iii) Depreciation and other non-cash expenses	757	717
(iv) Profit for the year	3425	9509
(v) Provision for Current Tax	869	3644
(vi) Provision for Deferred Tax	300	(224)
(vii) Fringe Benefit Tax	42	—
(viii) Profit after tax	2214	6089
(ix) Profit brought forward from previous year	642	382
(x) Profit available for appropriation	2856	6471
(xi) Dividend: 40% (2004-2005: 70%)	616	1078
(xii) Tax on Dividend	86	151
(xiii) Transfer to General Reserve	1600	4600
(xiv) Surplus carried to Balance Sheet	554	642
	<b>2856</b>	<b>6471</b>

### DIVIDEND

3. The directors are pleased to recommend a dividend of 40% on 1,54,00,000 equity shares of Rs.10 each for the financial year ended 31st March, 2006, subject to approval of the shareholders at the ensuing Annual General Meeting. The dividend decision has been taken by the Board keeping in view of the fund requirement for meeting the company's financial obligations in the near future. The total outgo on account of dividend (ex-taxes) will be Rs.616 lacs compared to Rs.1078 lacs in the previous year.

### OPERATIONS

4. During the year, the Company produced 2,05,032 MT of sponge iron compared to 2,23,686 MT in the previous year from two kilns. The overall capacity utilisation (85%) was lower by 8% as compared to the previous year (93%). The reduction is primarily attributed to poor quality, higher ash coal supplied by Government owned collieries. The Company also produced 520 MT of sponge iron from the newly commissioned 3rd kiln in the last week of March, 2006.

Despatches during the year totalled to 2,06,664 MT compared with 2,25,309 MT in the previous year. While the raw materials cost, both for iron ore and coal increased, the price of sponge iron declined throughout the year, resulting in a significant drop in profit before and after tax. Due to this, the earnings per share has reduced to a level of Rs.14.38 from the previous year (Rs.39.54).

## TATA SPONGE IRON LIMITED

Twenty-third Annual Report 2005-06

### FINANCE

5. After ploughing back internal accruals, the company had to avail long term borrowings from the banks to meet the requirements of its expansion of capacity of sponge iron and for the 2nd power plant.

### POWER

6. The first captive power generating plant commissioned in December, 2001, has benefited the company in reducing the cost of input power. The banking arrangement for surplus power with the North Eastern Electric Supply Company of Orissa Ltd. (NESCO) continued throughout the year. With a higher quantum of power generation in times to come, the company is actively looking at alternatives to maximise its revenues from future sale of power.

Second Power Plant – Installation of an 18.5 MW power plant attached to kiln-1 and kiln-3 was in progress on 31st March, 2006. This power plant is expected to be operational shortly. At full capacity operation of both power plants, power generation will increase from 7.5 MW to 26 MW.

### ONGOING EXPANSION

7. Installation of Kiln-3 having an annual installed capacity of 1,50,000 tonnes began in November, 2004 was completed in March, 2006, i.e. within 16 months from the date of obtaining environmental clearance. Production started on 30th March, 2006, after the normal preheating cycle. With the commissioning of this kiln, the installed capacity of the company for the manufacture of sponge iron has increased from 2,40,000 to 3,90,000 TPA, i.e. an increase of 62.5% per annum.

### ALLOTMENT OF A COAL BLOCK

8. The Ministry of Coal has allotted a coal block to the company which is located at Radhikapur (East) near Talcher (Orissa). This allocation has been made jointly with two other companies known as 'associates' and your company has been nominated as the 'leader'. The coal block is expected to become operational in about 3 years from the date of allotment.

### TATA BUSINESS EXCELLENCE MODEL

9. The Company has intensified its efforts to implement the Tata Business Excellence Model as a framework to continue to address the aspirations of all stakeholders. Vision and Mission statements enunciated in the past are being revisited to align the company focus on the long-term strategy of the company.

The Company is in the process of implementing the various requirements of TBEM. During the year, the Company participated in the JRD-QV Quality Award competition and scored well.

### ENVIRONMENTAL MANAGEMENT

10. With implementation of the Environment Management System (EMS) and maintenance of its ISO-14001 status, the Company continues to pursue its endeavour to operate in harmony with nature.

### QUALITY MANAGEMENT

11. The Company also continues to maintain the ISO-9001 (2000) quality standard.

### AWARDS

12. During the year the Company won following prestigious state and national awards :

- CII (Eastern Region) **SHE** Award (First prize) for excellence in Safety, Health & Environment.
- CII (Eastern Region) Award for following best **TQM** practices (joint 1st prize).
- 4th Annual Greentech Safety **Silver** Award for 2004-05 in Metallurgy Sector for practicing superior safety standards in the company.