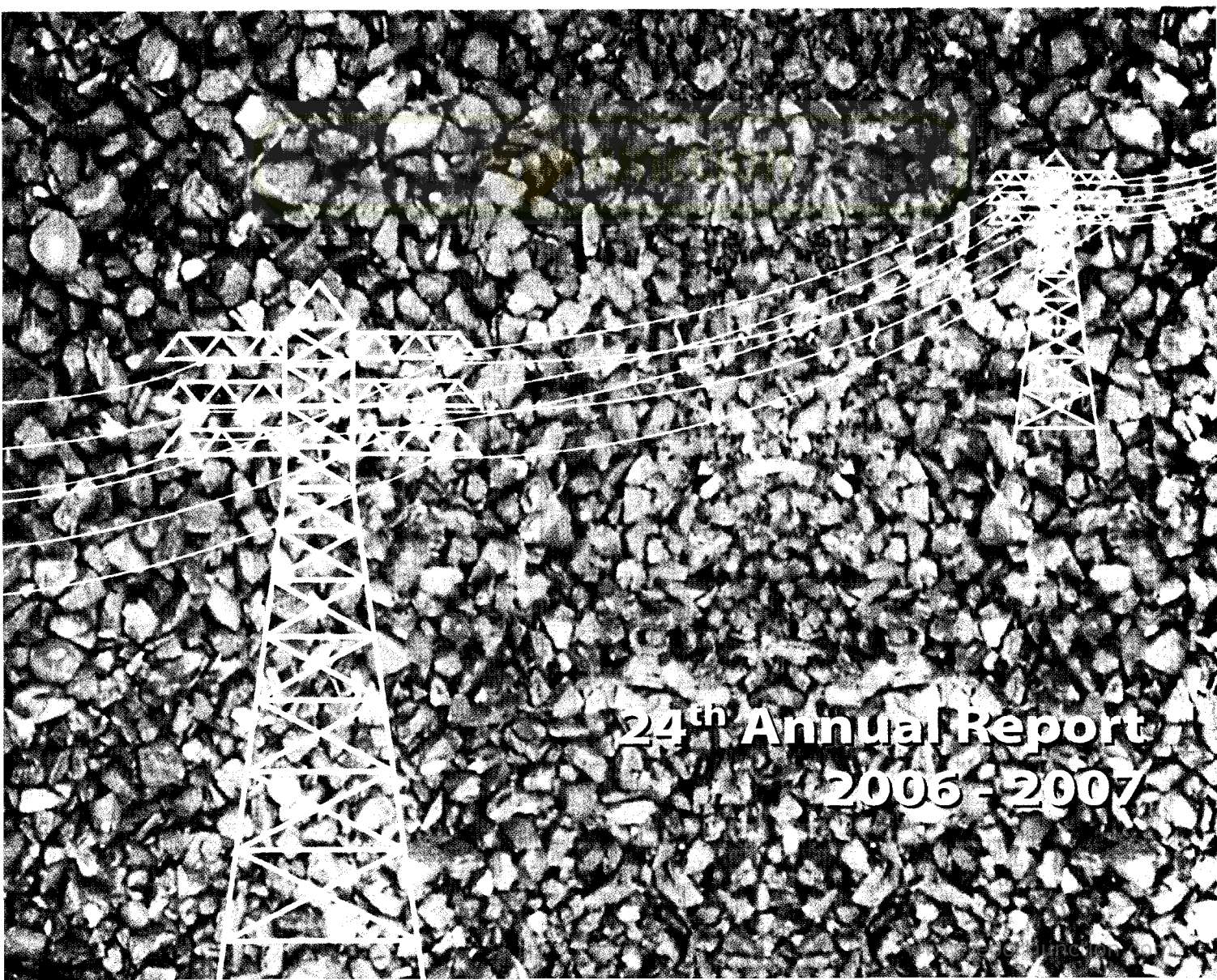




TATA SPONGE IRON LIMITED



**24th Annual Report
2006 - 2007**

ACHIEVEMENTS and RECOGNITIONS



Greentech Environment Excellence Gold Award in the Metal Sector for the year 2005 received during 2006-07



Srishti Good Green Governance Awards 2006 on Environment Excellence from Srishti Publications (P) Ltd. conferred by Hon'ble Minister for Commerce & Industry, Govt. of India.



Certificate of Appreciation by The Energy and Resources Institute (TERI) in recognition of noteworthy performance towards Corporate Social Responsibility



Adjudged as a Finalist in the race for Golden Peacock Award for Excellence in Corporate Governance, 2006 by the Institute of Directors

HIGHLIGHTS 2006-07

FINANCIAL

Turnover	Rs. 27,751 lac
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Profit Before Tax	Rs. 3,294 lac
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Profit After Tax	Rs. 2,123 lac
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Dividend	40%
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Return on Capital Employed	6.96%
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Earning per Share	Rs. 13.79
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OPERATIONAL

INSTALLED CAPACITY

Sponge Iron	390000 MT
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Power	26 MW
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TATA SPONGE IRON LIMITED

Twenty-Fourth Annual Report 2006-07

Chairman's Statement

Dear Shareholder

Once again, the financial year 2006-07 was a good year for Sponge Iron Industry in India. Backed by 13.5% growth in secondary steel sector, overall growth in Sponge Iron Industry was 30%. Within this overall growth, coal based sponge iron making grew by 38%. During the year, your company also sold 73,483 tonnes more of sponge iron (previous year 2,06,665 tonnes), clocking a growth of 35.6%.

Kiln-3 of your company was commissioned in March, 2006. During the year 2006-07, all three kilns operated and produced 2,82,274 tonnes of sponge iron. During the year, new 18.5 MW power plant was also commissioned. This plant utilizes the waste heat of kiln-1 and kiln-3. For the reasons of stabilization of operations of kiln-3 and establishing connectivity of waste heat gas recovery system of kiln-1, kiln-2 and kiln-3, which necessitated several shutdowns, overall capacity utilization of the plant was 72%. As no coal linkage has been granted for kiln-3 operations, for the first time, your company imported coal for use in kilns. Besides supplementing the quantity of coal available from domestic market, this also helped in improving the kiln productivity and campaign life.

As stated last year, a coal block has been allocated to your company in Talcher coalfields (Orissa) along with two other associate companies. Production of coal from this coal block is expected to commence from year 2009-2010 reaching full capacity in 2011-12. Development related activities of this coal block are progressing as per schedule.

Your company commissioned second power plant of 18.5 MW capacity utilizing the waste heat in gases form from kiln 1 and kiln 3. With this, total power generation capacity now stands increased to 26 MW. Surplus power has the potential for generating additional income in future.

Your company continued its march towards business excellence by adopting Tata Business Excellence model. During the year, your company has won several prestigious awards at State and National levels in the fields of environment, corporate social responsibility and corporate governance.

As expected, during the year cost of inputs in sponge iron making went up. Despite cost increase, your company was able to maintain profitability for the year due to increase in quantity of sponge iron sold and income from sale of carbon credit. Net realization during the year was marginally higher compared to previous year. The Board, keeping in view the fund requirement for development of coal block and other capital schemes, have recommended a dividend of 40% for the financial year 2006-07.

The greatest strength of the company has been its people. I wish to thank all the employees of the company for their hard work. Your company operated under a cordial atmosphere and relationship between management and the union. I wish to thank the Office Bearers of Tata Sponge Shramik Sangha for their co-operation enabling the company to achieve satisfactory performance.

*B. Muthuraman
Chairman*

*Jamshedpur
3rd May, 2007*



TATA SPONGE IRON LIMITED

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BOARD OF DIRECTORS

[As on 3rd May, 2007]

Mr. B. Muthuraman (Chairman)

Mr. N.P. Sinha

Mr. P.K. Lahiri

Mr. Dipak Kumar Banerjee

Mr. P.C. Parakh

Mr. A.D. Baijal

Dr. Amit Chatterjee

Mr. Sudhir Deoras

Mr. K.K. Varughese

Mr. Sanjay Kumar Pattnaik

Mr. Suresh Thawani (Managing Director)

MANAGEMENT TEAM

Mr. Suresh Thawani

Managing Director

Mr. T.P. Ninan

Vice President (Operations)

Mr. R. Raju

General Manager

(Finance & Accounts)

Mr. R. Prabhakar

General Manager (Coal Project)

Mr. S.P. Nigam

Dy. General Manager

(Town, Medical & 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) 278159/278129
E-mail: info@tatasponge.com
Website: www.tatasponge.com

Share Registrars

M/s. TSR Darashaw Ltd.
6-10 Haji Moosa Patrawala
Industrial Estate
20, Dr. E. Moses Road
Mahalaxmi
Mumbai – 400 011.
Tel No : (022) 66568484
Fax No : (022) 66568494
E-mail : csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com



TATA SPONGE IRON LIMITED

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The Twenty-fourth 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 Monday, the 25th June, 2007, at 4-00 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.

NOTICE

THE TWENTY-FOURTH 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 Monday, the 25th June, 2007, at 4-00 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, 2007 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. P.K. Lahiri, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. A.D. Baijal, who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

7. To consider and if thought fit to pass, with or without modification, the following Resolution as Ordinary Resolution :
"RESOLVED that Mr. P.C. Parakh 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. Suresh Thawani be and is hereby appointed a Director of the Company."
9. To consider and if thought fit to pass, with or without modification, the following Resolution as Ordinary Resolution :
"RESOLVED that Mr. Sudhir Deoras be and is hereby appointed a Director of the Company."
10. **Appointment of Mr. Suresh Thawani as Managing Director :**
To consider and, if thought fit to pass, with or without modification, the following Resolutions as Ordinary Resolutions :
"RESOLVED that pursuant to Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), read with Schedule XIII of the Act, and Article 112 of the Articles of Association of the Company, the Company hereby approves of the appointment and terms of remuneration of Mr. Suresh Thawani, Managing Director of the Company for the period from 10th March, 2007 to 9th March, 2010 or attaining the age of 60 years, whichever is earlier, upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this meeting with liberty to the Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Directors and Mr. Suresh Thawani.
"RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."
11. **Modification in the terms and conditions of appointment of Mr. Sudhir Deoras, Joint Managing Director:**
To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :
"RESOLVED that in partial modification of the Resolution No.9 passed at the Annual General Meeting of the Company held on 8th August, 2006 and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII of the Act, the Company hereby approves of the revision in the terms and conditions of appointment and remuneration of Mr. Sudhir Deoras, Joint Managing Director with effect from 11th July, 2006 to 31st March, 2007 as set out in the Explanatory Statement annexed to the Notice convening this meeting."
"RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

TATA SPONGE IRON LIMITED

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12. Revision in the terms of Remuneration of Mr.Ashok Pandit, the retired Managing Director :

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

"Resolved that in partial modification of the Resolution No.8 passed at the Annual General Meeting of the Company held on 30th July, 2005 for the reappointment and terms of remuneration of Mr.Ashok Pandit, Managing Director of the Company and in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves of the change in the salary of Mr.Ashok Pandit (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with authority to the Board of Directors to fix his salary within the scale, increasing thereby proportionately, all benefits related to the quantum of salary, with effect from 1st March, 2007 for the remainder of the tenure of his service, i.e. up to 9th March, 2007, as set out in the Explanatory Statement annexed to the Notice convening this meeting."

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

"RESOLVED that in supersession of the Resolution No.8 passed at the 18th Annual General Meeting of the Company held on 3rd September, 2001, and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of money on such terms and conditions as the Board may deem fit, which together with the monies already borrowed by the Company (apart from temporary loans obtained/to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the maximum amount so borrowed by the Board shall not at any time exceed Rupees Six hundred Crores."

"RESOLVED FURTHER that pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, the Board of Directors be and is hereby authorised to secure the borrowings of monies as aforesaid with interest, costs, charges and other monies in such manner as they may think fit and for that purpose to execute mortgage, charge and/or hypothecation in respect of the whole or any part of the properties and assets of the Company, both present and future, and on such terms and conditions as the Board of Directors may think fit from time to time."

Notes :

- 1) 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.
- 2) The Register of Members and Share Transfer Books will remain closed from 5th June, 2007 to 12th June, 2007, both days inclusive.
- 3) 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 4th June, 2007. The payment will be made on or after 29th June, 2007.

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. TSR Darashaw Ltd., (formerly Tata Share Registry Ltd.) 6-10 Haji Moosa Patrawala Industrial Estate, 20, Dr.E. Moses Road, Mahalaxmi, Mumbai - 400 011**, 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.

- 4) 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, 1996-97, 1997-98 & 1998-99 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.

- 5) Members, who have not encashed their dividend warrants issued for the years 1999-2000, 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 & 2005-06 are requested to immediately forward the same for revalidation to our Share Registrars at their address given under (3) above, and get the encashment at the earliest.
- 6) 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.TSR Darashaw Ltd. 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.
- 7) 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 (3) above.
- 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 holding share certificates in physical form and willing to avail this facility may make nomination in Form 2B, which may be sent on request. However, in case of demat holdings, the shareholders should approach to their respective depository participants for making nominations.
- 10) Members, who have multiple accounts in identical names or joint names in same order are requested to intimate M/s.TSR Darashaw Ltd., the Ledger Folios of such accounts to enable the Company to consolidate all such share holdings into one account.
- 11) **The name of the Registrars and Share Transfer Agent of the company has been changed from Tata Share Registry Limited to M/s.TSR Darashaw Ltd., w.e.f. 12th January, 2006.**
- 12) The Company has designated an exclusive e-mail ID namely, **investorcell@tatasponge.com** for receiving and addressing investors' grievances.

Jamshedpur
3rd May, 2007

By Order of the Board of Directors
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. 7 to 13 of the accompanying Notice dated 3rd May, 2007.

Item No. 7

The Board of Directors of the Company at its meeting held on 7th March, 2007 appointed Mr.P.C.Parakh as Additional Director of the Company w.e.f. 7th March, 2007 pursuant to Article 109 of the Articles of Association of the Company. Mr. Parakh will hold office as Director up to the date of the Twenty-fourth 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. P. C. Parakh as a Director on the Board of Directors of the Company at the 24th Annual General Meeting.

The Board commends acceptance of the Resolution set out in Item No. 7 of the convening Notice.
None of the Directors other than Mr. P. C. Parakh is concerned or interested in the Resolution.

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Item No.8

The Board of Directors of the Company at its meeting held on 7th March, 2007 appointed Mr.Suresh Thawani as Additional Director of the Company w.e.f. 10th March, 2007 pursuant to Article 109 of the Articles of Association of the Company. Mr.Thawani will hold office as Director up to the date of the Twenty-fourth 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. Suresh Thawani as a Director on the Board of Directors of the Company at the 24th Annual General Meeting.

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

None of the Directors other than Mr.Suresh Thawani is concerned or interested in the Resolution.

Item No.9

At the Board meeting held on 7th March, 2007, Mr.Sudhir Deoras, Joint Managing Director expressed his desire to be relieved from the post of Joint Managing Director w.e.f. 1st April, 2007 and Board acceded to his request. Consequently, he also ceased to be a Director w.e.f. 1st April, 2007. However, considering his vast knowledge and experience, the Board of Directors at its meeting held on 7th March, 2007 appointed Mr.Sudhir Deoras as Additional Director of the Company w.e.f. 1st April, 2007 pursuant to Article 109 of the Articles of Association of the Company. Mr.Deoras will hold office as Director up to the date of the Twenty-fourth 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.Sudhir Deoras as a Director on the Board of Directors of the Company at the 24th Annual General Meeting.

The Board commends acceptance of the Resolution set out in Item No.9 of the convening Notice.

None of the Directors other than Mr.Sudhir Deoras is concerned or interested in the Resolution.

Item No.10

Mr.Suresh Thawani was appointed as an Additional Director on the Board of the Company w.e.f. 10th March, 2007. He possesses vast experience in marketing, sales, quality systems, strategic management and has held senior positions in Tata Steel and its group companies. He is closely associated with various bodies related to trade and industry. He is a Life Member of Indian Institute of Metals, Indian Institute of Quality and Reliability and Indian Institute of Material Management.

In view of his excellent professional background and managerial skills, the Board at its meeting held on 7th March, 2007 appointed him as Managing Director of the Company for a period of 3 years effective from 10th March, 2007 or attaining the age of 60 years, whichever is earlier, on the following terms and conditions :

Terms and Conditions :**1. Nature of duties :**

The Managing Director shall carry out and perform such duties and services as may be entrusted to him from time to time by the Board of Directors, subject to the supervision and control of the Board of Directors.

2. Period of Appointment : From 10th March, 2007, for a period of 3 years or attaining the age of 60 years, whichever is earlier.**3. Remuneration :**

Salary : In the scale of Rs.50,000 - Rs.1,20,000 per month with annual increments effective 1s April every year as may be decided by the Board based on merit and taking in to account the Company's performance.

Benefits, perquisites and allowances as determined by the Board from time to time.

Commission will be based on certain performance criteria to be prescribed by the Board.

4. Minimum Remuneration :

If in any financial year during the currency of tenure of Mr.Suresh Thawani, 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.

5. The aggregate of the remuneration as aforesaid shall be within the maximum limits specified under Sections 198, 309 and all other applicable provisions, if any, of the Act, read with Schedule XIII of the Act as amended from time to time.