



Redefining Performance  
28<sup>th</sup> Annual Report, 2010-11

# Performance Highlights 2010-11

## Financial

Turnover	Rs.69,924.40 lac
Profit Before Tax	Rs.15,027.87 lac
Profit After Tax	Rs.10,133.54 lac
Dividend	80 %
Return on Capital Employed	20 %
Earning per Share	Rs. 65.80

## Operational

<b>Sponge Iron</b>	
• Installed capacity	3,90,000 MT
• Production	3,83,002 MT
• Despatch	3,80,273 MT
<b>Power</b>	
• Installed capacity	227.76 Million KWH (26 MW)
• Generation	191.37 Million KWH
• Sale	133.77 Million KWH

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The Twenty-eighth 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 Friday, the 15<sup>th</sup> July, 2011 at 11-00 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

Twenty-eighth Annual Report, 2010-11

### BOARD OF DIRECTORS

[As on 6th May, 2011]

**Mr. A. M. Misra** (Chairman)  
**Mr. N. P. Sinha**  
**Mr. P. K. Lahiri**  
**Mr. Dipak Kumar Banerjee**  
**Mr. P. C. Parakh**  
**Mr. S. P. Mehrotra**  
**Mr. K. K. Varughese**  
**Mr. Arun Misra**  
**Mr. Rajesh Chintak**  
**Mr. Suresh Thawani** (Managing Director)

### MANAGEMENT TEAM

[As on 6th May, 2011]

Mr. Suresh Thawani	Managing Director
Mr. Partha Chattopadhyay	Chief Operating Officer (Sponge Business)
Mr. Ujjwal Chatterjee	Chief Operating Officer (Coal Business)
Mr. S. K. Mishra	Chief (Finance & Accounts)
Mr. S. S. Dhanjal	Company Secretary

### Bankers

State Bank of India  
Canara Bank

### Auditors

M/s. Deloitte Haskins & Sells  
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.  
 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

## CHAIRMAN'S STATEMENT

Dear Shareholders,

*Industry in general and Sponge Iron industry in particular, are at the crossroads of recovery. The year 2010-11 started on a positive note and was greeted with guarded optimism. By the time we stepped into the new fiscal, economic meltdown was a thing of the past and business was expected to be on an upswing. But the world was besieged by another crisis across Middle East and North Africa as the year progressed. The disturbances pushed up energy prices significantly. The European plummet and a collapse of the Chinese bubble, might set the stage for a world-wide recession. In addition, supply side shortage of food items kept inflation rising across the economies, specially the developing ones.*

*Coal and iron ore prices have been on the rise in the recent past, setting in spectre of raw material shortage in the entire sector. However it is heartening that despite these constraints your company performed well. I am happy to inform you that in 2010-11, your company broke many barriers to set new standards on every front. Your company clocked a record production of 3,83,002 tonnes. The company could actually realise 98.2 per cent of its installed capacity, its highest ever capacity utilization: truly a commendable feat. Despatches were also higher by 19,066 tonnes over the previous year. Power generation during the period also witnessed a jump of 10 million units to reach 191 million units and the sale of 134 million units of surplus power supported the additional revenue growth.*

*Challenges notwithstanding, the Profit Before Tax (PBT) of the company rose to Rs 150.28 crore and the Profit After Tax (PAT) to Rs 101.34 crore, coming close to its best ever financial performance. It remains a company with zero debt and a positive EVA. The Board has therefore recommended a dividend of Rs 8 per equity share (i.e. 80 %).*

*Your company could achieve this, thanks to superior planning and internal management, increasing thrust on Total Plant Maintenance (TPM), belief in business process management through Tata Business Excellence Model (TBEM) philosophy and practice, engagement of employees in a far more meaningful way, intensive training and good corporate governance.*

*As a responsible corporate citizen, concern for the ecology and the community has always been prime concern of your company. The company succeeded in bringing down levels of Suspended Particulate Matter (SPM), Respirable Suspended Particulate Matter (RSPM) and water consumption not only at the plant but also at the township as part of the company's Daily Work Management. The company could also reduce the overall carbon footprint. The two captive power plants of 18.5MW and 7.5MW, continued to generate power from waste heat. Waste fly ash was converted to fly ash bricks. The company has examined possible investment in a power plant to recycle waste char (from kilns) to generate power through the AFBC boiler based power plant. The efforts of the company in environment management have been awarded by State Pollution Control Board of Orissa.*

*Let me take this opportunity to acknowledge the unstinted support of all stakeholders- our shareholders, employees and management, suppliers, the community and the state/central government agencies -across the 28 years of our existence, and hope for its sustained continuance.*

A. M. Misra  
Chairman

Jamshedpur  
6th May, 2011

## NOTICE

THE TWENTY-EIGHTH 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 Friday, the 15<sup>th</sup> July, 2011, at 11-00 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 31<sup>st</sup> March, 2011 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. K. K. Varughese, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Arun Misra, 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 resolution as Ordinary Resolution :  
"RESOLVED that Mr. P. K. Lahiri, a Director liable to retire by rotation, who does not seek re-election, is not therefore re-appointed as Director of the company."  
" RESOLVED FURTHER that the vacancy on the Board of Directors of the Company so created be not filled. "

#### 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 23<sup>rd</sup> June, 2011 to 30<sup>th</sup> June, 2011, 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 22<sup>nd</sup> June, 2011. The payment will be made on or after 19<sup>th</sup> July, 2011.  
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, 1999-2000, 2000-01, 2001-02 and 2002-03 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 2003-04, 2004-05, 2005-06 2006-07, 2007-08, 2008-09 & 2009-10 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.

By Order of the Board of Directors

**S.S. Dhanjal**  
Company Secretary

Jamshedpur  
6<sup>th</sup> May, 2011

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 6<sup>th</sup> May, 2011.

Item No. 6

Mr. P. K. Lahiri, 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. Lahiri.

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

None of the Directors other than Mr. P. K. Lahiri is concerned or interested in the resolution at Item No. 6 of the Notice.

By Order of the Board of Directors

**S.S. Dhanjal**  
Company Secretary

Jamshedpur  
6<sup>th</sup> May, 2011

DETAILS OF DIRECTORS SEEKING RE-APPOINTMENT IN TWENTY-EIGHTH ANNUAL GENERAL MEETING

(In pursuance of Clause 49 of Listing Agreement)

Name of the Director(s)	Mr.K.K. Varughese	Mr.Arun Misra.
Date of birth	25-12-1951	08-05-1965
Qualifications	B.Sc., A.C.A	Bachelor of Technology (Hons.) in Electrical Engineering, IIT, Kharagpur. Diploma in General Management from CEDEP, France.
Date of appointment	30-07-2005	16-10-2007
Expertise in specific functional areas	Finance, Accounts, Corporate Audit, Cost Control and Management System, EVA governance, Business Risk Management & Control etc.	Minerals and Metals processing and logistics
List of other Companies in which Directorship held (excluding in foreign companies)	None	None
Chairman/Member of the Committees of the Board of Directors of other Companies in which he is a Director (excluding in foreign companies).	None	None
Details of shareholding (both own or held by/for other persons on a beneficial basis), if any, in the Company	Nil	Nil

Note : Directors of the company do not have any inter-se relationship



TRIPLE BOTTOM LINE REPORT (TBLR)

Extraordinary  
Accomplishments in an  
Apparently Ordinary Year:

The last one year may apparently have looked quite simple and ordinary for Tata Sponge Iron Ltd (TSIL). But, a closer look suggests otherwise. The year gone by was extra ordinary in more ways than one.

For the first time in the history of the company, TSIL could realise 98.2 per cent of its installed capacity. The company had to break many barriers to achieve that. And it has not been smooth sailing by any stretch of imagination.

What has helped the company most in this arduous journey is the willingness of its employees to challenge status quo and explore new avenues of thought and operations at all levels. Throughout, the employees lived and breathed this sentiment: "We must think, work and improve. And we still can improve".

The company did not succumb to soaring raw material prices, infrastructure bottlenecks (in terms of non-availability of rakes etc) and managed to record its second best financial performance so far. Numbers do not always tell the real story but they do help in creating perspective. The real story at Tata Sponge Iron Ltd in 2010-11 has been one of better internal planning and management.

Setting New Standards:

Attaining operational excellence is all about continuously setting standards and raising the bar. In 2009-10, the company and all its stakeholders noted with satisfaction a record production of 3,59,333 tonnes, up from 3,42,074 tonnes in 2008-09. At that point of time, in all likelihood, many did not entertain thoughts of exceeding that milestone. The realization that greater heights lay in wait came at the end of 2010-11 when the company clocked a production figure of 3,83,002 tonnes, up 7 per cent

from the previous year. Power generation during this period also witnessed a jump of 10 million units to reach 191 million units. As a result of this, the company could export more units to the grid, thereby fetching additional revenues.

Attaining these higher figures was not as simple and easy as it seems on paper. Everything the company had planned was carried out with clinical precision.

Consider the following: The break-down period was brought down from 600 hours to 503 hours, resulting in a clear saving of 4 days. At the beginning of the year the company had planned routine shutdowns of 86 days. But eventually the company could manage with 64 days of shutdowns thereby ensuring an additional plant availability of 22 days. Therefore, put together, TSIL could save 26 days or one month's production from kilns. Coupled with these, the company strived relentlessly to raise overall equipment effectiveness from 77 per cent to 84 per cent. And specific coal consumption over the last one year was brought down from 1.091 to 1.052, which meant the company used 1052 kg of coal to produce 1000 kg of Direct Reduced Iron (DRI, which is also called sponge iron). Similarly, electrical energy consumption was brought down from 96.869 units (last year) to 94.41 units per tonne of Sponge Iron.

These instances merely illustrate the continuous endeavour to attain operational excellence, setting newer and higher standards every day.

Beyond the Numbers

These figures reflect the result of the organization's initiatives. They do not however explain how the company made it happen. Tracking and analysing the factors that helped the company achieve an enhanced performance against all odds in the year under review.

TPM and TSIL in Harmony

To analyze this, one has to put these figures and statistics against the backdrop of TSIL's thrust on TPM philosophy. Total productive maintenance or TPM, is a maintenance process developed for improving productivity by making processes more reliable and less wasteful. In TPM, the machine operator is thoroughly trained to perform much of the simple maintenance and fault-finding. Eventually, by working in "Zero Defects" teams that include a technical expert as well as operators, they can learn many more tasks - sometimes all those within the scope of an operator. Tradesmen are also trained at doing the more skilled tasks to help ensure process reliability.

TPM is a critical adjunct to lean manufacturing. If machine uptime is not predictable and if process capability is not sustained, the process must keep extra stocks to buffer against this uncertainty or process flow will be interrupted. Unreliable uptime is caused by breakdowns or badly performed maintenance. If maintenance is done properly (Right First Time), uptime will improve - as will "OEE" (Overall Equipment Effectiveness) - basically how much "sellable" item' is actually produced as opposed to how much the machine "should" produce in a given time.

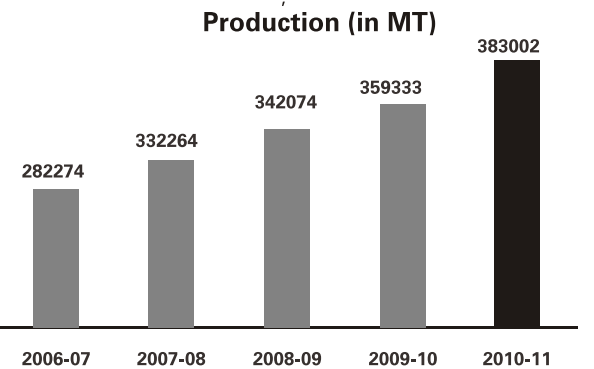
TSIL management is of firm belief that the right thrust on implementation of TPM philosophy and practice has paid off well in attaining operational excellence. One can easily make out that the TPM philosophy and practice have started sinking into the minds of it employees. Besides, the company initiated a novel and innovative programme christened as "e-Associate Programme", which is part of the company's overall drive to train and empower associates through skill enhancement. The company last year offered specialized training to 27 persons on Standard Operating Procedure (SOP). These well trained and well groomed 'associates', in turn, trained their peers. TPM in manufacturing industry parlance connotes continuously improving all operational conditions,

within a production system; by stimulating the daily awareness of all employees. And that's exactly what TSIL management has been practicing.

In fact TSIL has been practicing TPM principles for the last six years. A thorough diagnostic audit has been done by the TPM Club of India. The entire establishment has been divided into 71 JH circles. All the circles have now reached Step-IV level. There has been not a single reportable accident-major or minor- in 2010-11.

Operation Hulla Bol, for the up-keep of the plant and environment, is in full swing. The entire manufacturing area is sub-divided into 10 different zones and then a central theme, that suits the plant, is adopted. One such theme was arrest spills and leakages. If one has to put a figure to it, spills and leakages have come down by more than 95 per cent.

As part of TPM, Critical Chain Project Management (CCPM) has been introduced to cut shutdown time, which in turn, led to some significant improvements inside the plant. Aided by Japanese methods to enhance productivity like TPM, Kaizens and 5S, the company effectively optimised resources while working around constraints. Operational excellence was measured by the Jishu Hozen Autonomous Maintenance Audit-a monthly audit of workplace improvement, which includes assessment of men and machinery. In fact, the company's Overall Equipment Effectiveness (OEE), as revealed by a study by TQMS Pune, stands at 77 per cent, a benchmark for many TATA Group Companies.



Marketing & Operations - Marching ahead in tandem together

The best of marketing efforts does not yield desired results if the operations perform poorly. And if the company operates at the highest or optimum level, then also marketing faces a great challenge, but of a different nature.

The year 2010-11 had opened with a sluggish market; although customers continued to be loyal, 80% of TSIL's sales are to long term customers, marketing a commodity like sponge iron in a recessionary market was challenging. But the company rose to the challenge by offering to the customers material having consistently high Fe sponge iron, immediate delivery of material on regular basis, service of highest standard and prompt redressal of customer complaints. One of the noteworthy initiatives taken towards ensuring greater customer satisfaction included calibration of product quantity in bags through electronic controllers in bagging machines, reducing weight variation. Because of this, customers for the first time did not need to weigh bags before charging sponge iron into their furnaces. With increasing operational efficiencies every year, sponge iron produced at TSIL is distinguished in the market for its high metallic iron content and consistent physical and chemical characteristics. Operations department functions as a customer to the marketing department, from where it sources its requirements and therefore efficiencies in the operations wing makes things easier for the marketing wing. And this is how the two divisions functioned in 2010-11.

In the last fiscal, the plant realized 98.2 per cent of its installed capacity. Did that in any way put any pressure on the sales and marketing team?

The answer is an emphatic "No". At TSIL, the marketing team is in live touch with plant at all times. In view of this, it was well aware of the fact that ABP target for production will be well exceeded and therefore, could plan in advance to market the additional quantities.

TSIL believes that different initiatives for customer satisfaction are an ongoing process. Special emphasis is put on building long term relationships with customers. In this direction, in addition to the usual measures like priority allotment of material to key customers, timely despatch of quality product, measurement of customer satisfaction index etc. some of the new measures involved were greater interaction by the Managing Director and marketing team with the customers at their premises, measurement of customer dissatisfaction, more pro-active visits to customers by Marketing and Plant team (consisting of Quality Assurance, Raw Materials & Logistics and Production personnel).

The Marketing Department, in particular and TSIL as a whole is aware of the fact that customers are primarily concerned with the quality of product, its price and timely despatch. While we have been able to match and exceed their expectations with regard to quality of the product and timely dispatch, it is always difficult to satisfy customers regarding price.

Having said all this, one may keep in mind that the year has not been an easy one, because the demand for sponge iron had stagnated due to problems faced by the secondary steel sector. However, considering the vibrant economic scenario, the future of sponge iron in near to mid term is quite bright. And the company looks forward to the challenges that lie ahead.

Financial Finesse:

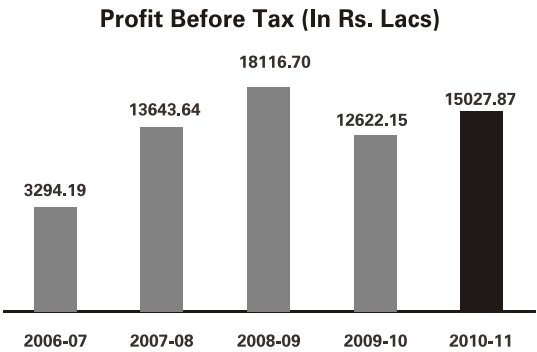
If a company realizes more than 98 per cent of its capacity, improves operational efficiency and attains all-round operational excellence, it certainly portrays a rosy picture.

But for all practical purposes, it was not so easy at the ground level. More so because one needs to back up the bright picture with sound financials. And when it comes to financials, the challenges and odds were far too many.

True, sponge iron prices went up during the year. But that was not enough to offset the increase in raw material prices. Iron ore price went up by nearly 50 per cent and the average coal price by 20 per cent.

On the power front also, although the company could generate additional power during the year which could have fetched additional revenue from GRIDCO, but the OERC brought down the price by over 10 %.

The saving grace of course was 23,669 tonnes of extra production. This extra production certainly made up for some of these negative factors. On top of it, what came in handy was significant additional 'other income', which included interest earned on short term deposits. This financial prudence and planning allowed the company to continue with importing high grade coal and buy better coal through auction and therefore it did not have to compromise on quality.



Green within

Being a Tata Group company and true to Tata Group's philosophy, TSIL has all along been a socially and environmentally responsible organization.

The basic objective and guiding principle have always been that no harm should be caused to any of the stakeholders including the environment,

while attaining operational excellence at the plant level. TSIL management, therefore, can rightly and proudly claim that theirs is arguably the cleanest sponge iron manufacturing facility in the country. The company succeeded in bringing down SPM, RSPM levels and water consumption level through peerless efforts—not only at the plant but also at the township. And all these are parts of company's Daily Work Management, which involves associates at all levels of the organization.

TSIL continues to have another priority - reducing the carbon foot print. The two captive power plants of 18.5MW and 7.5MW, generate power from waste heat. Waste fly ash was converted to fly ash bricks and sold under the Jeet brand by Vidya Shakti Niyas. In the last year as many as 52 lakh bricks were manufactured, a substantially higher figure than 44 lakh from the previous year. Simultaneously, a new initiative has been examined - i.e. investment in a power plant to recycle waste char (from kilns) to power through the AFBC boiler based power plant.

Safety of all employees and even all contract labours is an extremely important aspect of TSIL management processes, and here also active participation of employees and associates assume great significance. A safety officer, from amongst the employees, is appointed for a day. It is also ensured that the entire length and breadth of the plant is inspected thoroughly six times a month. Six safety audits are done per employee per year. First-aid cases, as and when they come up, are tracked and taken care of with utmost care and sincerity.

TSIL has been conferred with the 'most environment friendly company in Orissa' 2010 award.



Engaging & Empowering Employees:

With employees being at the centre stage of TSIL's philosophy and practice, the company has a well thought-out employees' engagement policy. There is an employees' engagement committee which designs, develops and reviews these guiding principles.

The company has carefully drawn up a structured induction programme and a robust Talent Retention Programme. An employee-friendly scheme of mentorship is also in place, through which the handholding of new employees is smoothly carried out. This handholding or mentoring has been very effective in making new employees feel comfortable in the organization. Equally effective has been Employee Referral Scheme, which is available at and above the officers' level, to lure in the right talent for the organisation.

In fact, the company has started taking in Diploma Trainees to keep a pool of people ready to take up challenge. Once they are taken in, the company also has a structured scheme for two years to groom them. Then there is a transparent information sharing system. Beginning from last year, the Managing Director himself has started taking a dialogue session with associates every quarter. This is an open forum to discuss all grievances and have free dialogue to take things forward. TSIL management also gives due emphasis to Employee Satisfaction Index, which does not only include officers, but also associates, suppliers and so on.

The employees on their part have been extremely positive and participative. The recognized union works like a true partner in progress. Significantly, the Joint Works Committee of union and the management was revamped during the last fiscal, yielding better and more productive results.

There is no denying the fact that whatever the company has achieved over the last one year amidst challenges and odds could not have transpired without strict quality checks in internal process, systems, talent and team skills. Teamskills

were upgraded through training programmes, including exposure to CCPM, TPM and TBEM (Tata Business Excellence Model) to understand a dynamic marketplace and changing customer requirements.

TSIL's endeavour to engage employees is not without proper assessment and reviews. The starting point was the Gallup Survey. Through this survey the management could gauge the motivation and satisfaction levels of the employees. The survey helped the company in drawing a road map. The Company also engaged a team consisting of a Professor and research associates from XLRI to conduct a sample study. The XLRI study drew up the 'actionable points' - which the company needs to work upon. All these moves have enabled job clarity and in making TSIL an employees-friendly organisation.

Business Excellence, The Tata Way:

16 years after its evolution, TBEM (Tata Business Excellence Model) continues to be the most preferred sustainability mantra for Tata Sponge, for managing its business most effectively, by facilitating critical evaluation of progress towards excellence and for improving the competitiveness. Amidst variety of elements that this module offers, Tata Sponge has been immensely benefited from use of statistical tools to analyse data, documentation & improvement of key work processes, fostering a team culture among employees, investing in their training & development and most importantly, becoming customer centric.

TBEM is non-prescriptive, in that it does not provide any checklist or prescription for the management of an organisation. It primarily dwells upon the four key dimensions of performance excellence - the key organisation factors, the design principles, the organisation system and the path to performance excellence. The overall performance and operational efficiencies are assessed through band ratings. Companies with a score of 600/1000 are awarded the prestigious JRD-QV Award.

The performance is assessed annually by a team of external assessors, critically examining the level of approach, deployment, evaluation & improvement and integration of approach with the key organisation needs, across business units and profit centres.

True to the words of Group Chairman of Tata Group of Companies, the TBEM framework has helped in developing the attributes that will lead us to become globally competitive and stand apart, perhaps as a role model for others to emulate, while upholding our values and business ethics.

Tata Sponge had begun its journey through the TBEM framework around 6 years ago and since then, has spanned a tenacious path to bring about a distinct level of maturity in its performance excellence. Better performance has led to its being placed at the higher band. The company is striving to join the elite group of few Tata companies who have won the coveted JRD-QV award so far in the Tata Group.

Endorsing Ethics:

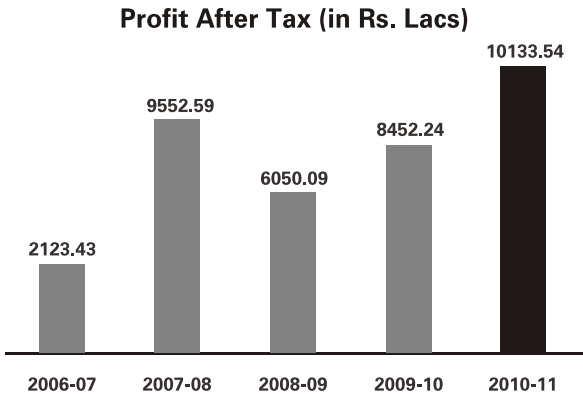
Being in Tata Group, the company assumes certain additional responsibilities. Above all, the company has to ensure that it is identified as an ethical company and there is strong process for management of business ethics (MBE).

There is an Ethics Team in the company comprising five senior officials including an Ethics Counsellor and four Ethics Coordinators. At the beginning of the year an annual MBE plan is put in place which is

approved by none other than the Managing Director. There are four important pillars of this MBE Plan: Leadership, Compliance Mechanism, Communication & Training and Measurement.

Then there is a Whistle Blower Policy empowering employees who can report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct to the Ethics Team.

A Reward & Recognition Policy for whistleblowers has also been announced. During the year, the company nominated a female Ethics Co-ordinator and has in place a sexual harassment protection committee chaired by a woman officer. Every employee, including the Managing Director is subject to Tata Code of Conduct. There is a separate Code of Conduct for all non-executive directors. The Company has an Ethics & Compliance Committee comprising two directors.



# Corporate Sustainability Report

## Forging Community Partnerships

A 360° approach to excellence is the reason for the company's sustainability and growth. And this 360° approach also weaves into the company's corporate sustainability initiatives. For TSIL, like any TATA Group company, the values of integrating community and environment wellness with corporate competitiveness is deeply ingrained. At TSIL the community - residents of 38 villages around the plant, predominantly of the ST/SC community, across five Gram Panchayats (G.P.) form the ecosystem of the manufacturing plant.

The company's Affirmative Action Policy rose to the challenge of engaging in a two-way dialogue between the company and the surrounding communities. In a strategy to foster deeper and more inclusive bonds between the Company and surrounding communities, the Company's corporate sustainability activities also got dovetailed with that of Employee Volunteering Programmes (EVP),

As CSR activities intensified, the bandwidth of activities remained more or less the same, being bottom-up and need-based. However, the depth of the activities increased significantly in the fiscal under review. The main thrust of activities was concentrated upon three critical areas: education, health and sanitation, including safe drinking water, infrastructure building and livelihood.

## TSIL in schools:

- TSIL constructed two additional classrooms and office for U.G.M.E. School at Balita
- Constructed boundary walls at Kaliabeda Primary School under Birikala G.P. and Lunguthani Primary School under Chamakpur G.P.

- Provided 150 dual bench desks to various primary schools in the five Gram panchayats.
- Extended support to five SC/ST students at Shishuprem Nursery School at Bileipada, and granted scholarship to an SC/ST student through Foundation of Academic Excellence and Access.

## TSIL for Drinking Water

- Provided one ring well each in village Lahanda (Mankdi Chuan), Mahadevnasa Bhunya Sahi, Gugudari and Sanbarbil (Kalandi Sahi).
- Provided a bore well each in village Bileipada Munda sahi, Karan Sahi and Lunguthani.
- Preventive maintainance was carried out for existing 68 tube-wells and 32 nos. which needed repair were executed.

## TSIL for Health

- To meet the ever increasing primary health care requirement of the community construction of a rural dispensary at Bileipada has been undertaken.
- To strengthen the Govt.'s Total Sanitation Campaign (Sampoorna Parimala Abhiyana) construction of forty rural toilets mainly for families below the poverty line has been taken up at Anseikala, Narayanpur, Sanabarbil (Anseikala G.P.) and Bileipada, to mention a few.
- In collaboration with District Chemist & Druggist Association, Keonjhar, health check-up camps were organized in three schools for the students of Saraswati Shishumandir Bileipada, Bileipada High School and Kaliabeda Primary Schools. Around 500 children were given treatment with free medicine & vitamin supplements.

## TSIL in sports and cultural activities

- To encourage various cultural activities, a Community Centre has been built at Lahanda (Birikala G.P.) and constructed an Open Cultural Theater at Badahundula (Kandara G.P.).
- A village sports ground is being given a face lift by constructing a boundary wall with gate at Sialijoda sports ground (Deojhar G.P.)
- Sponsored various sports tournament i.e. volleyball, football at Club level and inter panchayat level. Other sports events were also organized for school children.

## TSIL for livelihood

- Under the company's AA income generation scheme, a Self Help Group (SHG) was created from within the SC/ST Community from Gobardhanpur under Deojhar G.P. and a power tiller to this SHG namely Goberdhanpur Farmers Group has been provided.
- Repaired 1.5 km Panchayat road from Bileipada to Birikala.
- Installed 7 solar street lights in different villages.
- Provided a laptop with printer to G.P. Office, Deojhar.

## A Helping Hand : Vidya Shakti Niyas (VSN)

It all started some ten years ago, when an effervescent group of spouses of TSIL employees came forward for community development, through floating a philanthropic trust, now known as Vidya Shakti Niyas.

Fired by a dream of changing the surrounding for the better, these spirited spouses of TSIL employees had adopted Kanhupur, a below-poverty-line, underprivileged village with a 100 per cent tribal population. The move was driven by the

mission to develop it into a model village. After successfully establishing linkages between this village and development pillars like health, education and capacity building, VSN, in the last year, adopted another adjacent tribal village - Lohanda (Munda Sahi), inhabited by about 101 SC/ST families with a population of 438 persons. VSN works in these areas in a concerted manner with TSIL. The VSN runs a school (up to class-III) which now has three teachers. With the advent of this school the number of school going students has gone up from 66 to 109. Apart from the normal classes, there are lots of extra-curricular activities and competitions to keep the students motivated.

VSN also runs night schools (for adult education) and conducts weekly medical camps on Fridays. The night school is attended by 43 men and 3 women separately. These adults are also motivated to take up various productive activities like farming, soap making and other cottage industry related activities. In its erstwhile adopted village Kanhupur, while repairing of two wells, two more tube wells were provided to mitigate drinking water scarcity during summer.

Besides, VSN also conducted as many as 12 AIDS awareness camps. At Kanhupur village, VSN installed 3 solar lamps including one at the night school. On the education and vocational training front, VSN offered financial and other support to SC/ST students pursuing ITI Diploma Engineering Courses. It also conducted training for driving. VSN offers support to students pursuing course in mining at Orissa School of Mining. The year ended on a good note with job opportunities opening up for two such students. They are now employed with two leading companies.



## DIRECTORS' REPORT

The Directors take pleasure in presenting the Twenty-eighth Annual Report on the business and operations of the company and its financial results for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS

	<b>Current year (Rs. Lac)</b>	<b>Previous year (Rs. Lac)</b>
2. (i) Sales (Net of Excise Duty) and other income	69487	54194
(ii) Profit before depreciation	16880	14560
(iii) Depreciation and other non-cash expenses	1852	1938
(iv) Profit before taxes	15028	12622
(v) Provision for Current Tax	5560	4608
(vi) Provision for Deferred Tax	(666)	(440)
(vii) Fringe Benefit Tax	-	2
(viii) Profit after tax	10134	8452
(ix) Profit brought forward from previous year	1232	917
(x) Profit available for appropriation	11366	9369
(xi) Dividend: 80% (2009-2010 : 80%)	1232	1232
(xii) Tax on Dividend	200	205
(xiii) Transfer to General Reserve	8500	6700
(xiv) Surplus carried to Balance Sheet	1434	1232

### DIVIDEND

3. The Board has recommended a dividend of Rs.8/- per share (i.e. 80%) on 1,54,00,000 equity shares of Rs.10 each for the financial year ended 31<sup>st</sup> March, 2011, subject to approval of the shareholders at the ensuing Annual General Meeting. The total outgo on account of dividend (excluding dividend distribution tax) will be Rs. 1232 lac.

### OPERATIONS

4. During the year, all three kilns were in operation and achieved the highest ever production of 3,83,002 MT of sponge iron compared to 3,59,333 MT in the previous year. The capacity utilisation was 98 % as compared to 92% in the previous year, i.e. an increase of 6%.

Iron ore and coal are two major raw materials for making sponge iron in rotary kilns. Tata Steel Ltd supplied entire quantity of iron ore. Coal India supplied negligible coal against linkages. The company had to largely source coal from domestic sources through e-auctions and imports. The indigenous coal was optimally used along with imported coal. Improved operating practices resulted into longer campaign life of Kilns. Substantial reduction in down time of kilns for repairs and maintenance was achieved by focussing on modern project management techniques.

The despatch of sponge iron during the year was the highest ever at 3,80,273 MT as compared to 3,61,207 MT in the previous year, i.e. an increase of 5%.

### POWER

5. During the year, both the power plants (of 7.5MW and 18.5 MW capacity) together produced 191.37 million kwh of power and 133.77 million kwh of surplus power was sold compared with generation of 181.39 million kwh and sale of 125.01 million kwh in the previous year. There was improvement in supply of power from various power plants to State Grid. This led to reduction in price of power during course of the year.

The Board in its meeting held in March, 2011, has approved the installation of an AFBC boiler based power plant with a capacity of 25 MW to utilise the solid waste. The project will be financed with internal generation and borrowings. This is subject to obtaining necessary approvals / clearances etc.

### FINANCE

6. The market for steel and therefore sponge iron was normal with seasonal fluctuations in demand and prices. Prices of iron ore and coal gradually firmed up during the year and these reflected in the price of product too. Earning per share increased to Rs.65.80 as compared to previous year (Rs.54.88). The company remained debt free during the year.

### DEVELOPMENT OF COAL BLOCK

7. The work in connection with development of coal block at Radhikapur (East) and Utkal-F in Talcher coalfields was started in 2006-07. The Company made significant progress in land acquisition and has deposited requisite money with Government of Orissa for 1<sup>st</sup> phase of land requirement. Depending upon the money needed, the financial tie-up for the coal block will be completed in next few months. The coal block is expected to become operational from 2012-13.

### TATA BUSINESS EXCELLENCE MODEL (TBEM)

8. Further efforts were made by the company to improve its business processes across all functions. During the year the company participated in JRD-QV Quality Award competition and scored over 550 marks thereby declared as "Emerging Industry Leader". During the year, the spirit of achieving excellence was reinforced across the organisation through appropriate training and communication by the management.

### INTEGRATED MANAGEMENT SYSTEM (IMS) FOR QMS,EMS,AND OHSAS:

9. The company continued to maintain Integrated Management System (IMS) comprising of Quality Management System(ISO : 9001), Environment Management System(ISO:14001) and Occupational Health, Safety & Accountability Management System(ISO: 18001). The performance on these fronts has been mentioned in the Triple Bottom Line report given elsewhere in the Annual Report.

### AWARDS

10. In recognition of company's effective pollution control measures with adoption of sound environment management practices, the Orissa State Pollution Control Board has conferred the company with Pollution Control Appreciation Award for 2010.
11. The Company continues to maintain high product quality standards. During the year it won, yet again, the prestigious CII (Eastern Region) Quality award for the year 2010. The company was also certified as a Model TQM Company for 2010 in an industry wide contest.

### LISTING FEES

12. The Annual Listing Fee for the year 2010-11 had been paid to those Stock Exchanges where the company's shares are listed.