

Outperforming with commitment

35th ANNUAL REPORT
2017 - 18



NATURAL
CAPITAL



SOCIAL &
RELATIONSHIP
CAPITAL



HUMAN
CAPITAL



INTELLECTUAL
CAPITAL



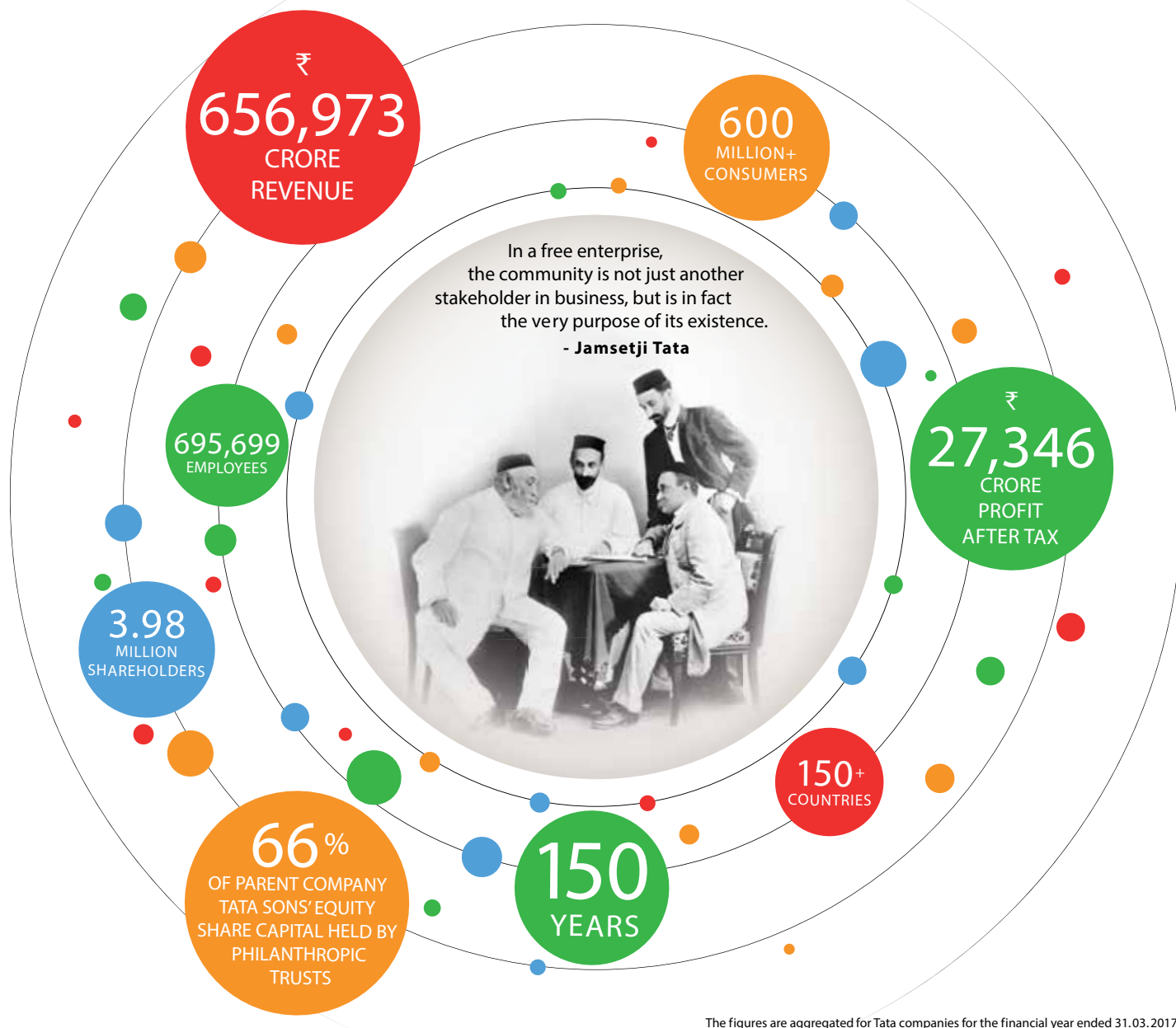
MANUFACTURED
CAPITAL



FINANCIAL
CAPITAL

LEADERSHIP WITH TRUST

SINCE 1868



The figures are aggregated for Tata companies for the financial year ended 31.03.2017.

From pioneering businesses, to pioneering welfare practices,
to pioneering national institutions,
the Tata Group remains committed to improving the lives of communities
we serve globally, based on leadership with trust.

Picture (left to right): The four partners - Jamsetji Tata, Founder of the Tata Group; R. D. Tata, father of J. R. D. Tata;
Sir Ratan Tata, younger son of the Founder; and Sir Dorabji Tata, elder son of the Founder.



tata150.com

Approach

The Annual Report 2017-18 is aimed at meeting the information requirements of all our stakeholders to help them make informed decisions regarding Tata Sponge Iron Limited. It informs all our stakeholders, including shareholders, customers, suppliers, employees, contractors, competitors, press, analysts, Government and others, about the Company's value creation process. It represents relevant information on the Company's performance, in a balanced and concise manner.

STANDARDS AND FRAMEWORK

Through this Report, we have attempted to enhance our disclosures and have created the content elements in the non-statutory section of the Report, following some of the guiding principles of the International Integrated Reporting Council (IIRC) recommended International Integrated Reporting <IR> Framework. The other statutory reports, including the Director's Report, Management Discussion and Analysis Report (MDA) and the Corporate Governance Report are as per the Companies Act, 2013 (including the rules thereunder), Securities Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards issued by the Institute of Company Secretaries of India.

SCOPE AND BOUNDARY OF THE REPORT

The reported information for the FY 2017-18, covers the Company's manufacturing operations at P.O. Joda, District Keonjhar, Odisha - 758 034. Comparative figures for the preceding five years have been incorporated in the Report to provide a holistic view to the stakeholders.

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for more details visit our website
www.tatasponge.com

KEY HIGHLIGHTS OF FY 2017-18

TURNOVER

Rs. **816.65** Cr
↑ **32.75%**

PROFIT AFTER TAX

Rs. **140.86** Cr
↑ **139.80%**

MARKET CAPITALISATION

Rs. **1,422.50** Cr
↑ **32.11%**

SPONGE IRON PRODUCTION

4.17 Lacs MT
↑ **6.95%**

POWER GENERATION

199 MU
↑ **7.43%**

At Tata Sponge, we believe our commitment eventually helps us stay ahead of the curve. Operating in a largely volatile industry landscape, we have consistently raised the benchmark of our performance and have continually created value for stakeholders.

During FY 2017-18, we continued to raise our operational benchmarks and deliver on the expectations of our stakeholders. We ensured seamless procurement of quality raw materials to produce at higher utilisation levels.

We also focussed on automation to raise efficiency levels and achieved measurable outcomes in the overall operational canvas. At the same time, we enhanced our engagement with customers to address and respond to their changing requirements with speed and precision.

Even as we aspire for new frontiers of growth and opportunity, we continued to work towards the empowerment of the communities where we operate. We believe, aligning our vision with those of our stakeholders is the definite pathway towards corporate sustainability.

FY 2017-18 was a year of outperformance for us in terms of operations, financial metrics and meeting customer expectations. We will continue to embrace new business opportunities, cherish our people and fulfil our social and environmental responsibilities to deliver value sustainably.

Introducing Tata Sponge

Proven mettle drives possibilities

Tata Sponge Iron Limited (Tata Sponge) is among India's largest manufacturers of merchant sponge iron.

View of the Tata Sponge plant at Joda, Odisha



Tata Sponge is a subsidiary of Tata Steel, wherein Tata Steel holds 54.5% shareholding. With sustainable performance for over two decades, Tata Sponge is actively engaged in holistic value creation for all its stakeholders — investors, employees, vendors, customers and communities, among others.

Tata Sponge commenced its journey as IPITATA Sponge Iron Limited in 1982. It was a joint venture between Tata Steel Limited and the Industrial Promotion & Investment Corporation of Orissa Limited (IPICOL) to produce sponge iron, based on the TISCO Direct Reduction (TDR) technology. Later, in 1991, Tata Steel acquired IPICOL's entire stake and Tata Sponge became an associate company of Tata Steel. The Company's shares are listed on the BSE Limited, Mumbai and National Stock Exchange of India Limited, Mumbai.

At Tata Sponge, we produce and market sponge iron, which is a single end use (steel making) and a single grade product. We generate power through Waste Heat Recovery Boilers (WHRB), a non-conventional source of 'green' power, which has helped us shift our dependence on thermal power. We export surplus power to our holding company.

CUSTOMER BASE

As a quality producer of sponge iron – a raw material for steel manufacturing – Tata Sponge supplies to steel producers in the secondary sector. The surplus power generated by us over our consumption is sold to our parent company.

All our customers value the Tata brand name associated with the product and for the end-to-end services provided by the Company.

LOCATIONAL ADVANTAGE

Our manufacturing facility is situated at Bileipada near Joda in the Keonjhar district of Odisha - a state, that has the largest reserves of iron ore in India. The transportation of our raw materials and product dispatch is organised by the roadway and railway networks. We are well connected to eastern India's industrial and commercial hubs such as Jamshedpur (150 km), Rourkela (150 km), Bhubaneswar (270 km) and Kolkata (390 km), among others.

STATE-OF-THE-ART MANUFACTURING

Tata Sponge operates three kilns with a total installed capacity of 3,90,000 MT/annum of sponge iron using the TDR technology (with Lurgi Modification). We have received an Environmental Clearance for producing more than the installed capacity i.e. up to 4,25,000 MT. We are also engaged in power generation — 26 MW — based on the waste heat recovery technique in two of our power plants.

TATA SPONGE'S VISION

Tata Sponge shall endeavour to be a sustainable and learning organisation for setting a benchmark in creating value in the sponge iron business, so as to meet the aspirations of its stakeholders. It shall do so through the pursuit of operational excellence and by adopting opportunities of new investments in its value chain. While doing so, Tata Sponge shall continue to remain a responsible corporate citizen.

TATA SPONGE'S MISSION

Tata Sponge shall always contribute towards the progress of the nation through economic value creation. In doing so, and consistent with the Tata group's purpose, it will also try to improve the quality of life in its sphere of influence, by contributing to society, from what it earns.

TATA SPONGE'S CORE VALUES

PIONEERING

We will be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.

INTEGRITY

We will be fair, honest, transparent and ethical in our conduct; everything we do must stand the test of public scrutiny.

EXCELLENCE

We will be passionate about achieving the highest standards of quality, always promoting meritocracy.

UNITY

We will invest in our people and partners, enable continuous learning and build caring and collaborative relationships, based on trust and mutual respect.

RESPONSIBILITY

We will integrate environmental and social principles in our businesses, ensuring that what comes from the people goes back to the people many times over.

INSTALLED CAPACITY

SPONGE IRON PRODUCTION

3,90,000 MT

POWER GENERATION

26 MW

KEY CERTIFICATIONS AND RECOGNITIONS

- The Company's shares are elevated to 'Group A' category by BSE Limited
- Accredited with ISO 9002 certification ensuring stringent quality protocol
- Accredited with ISO 14001 certification assuring responsible environmental practices
- Certificated with the OHSAS 18001 certification, ensuring the best-in-class health and safety management system

Business Model

Creating value for stakeholders sustainably

We utilise our key resources



Lead business initiatives



SUSTAINABLY GROWING FINANCIAL RESOURCES

The financial resources used for both capital and operational expenditures are raised from various sources. It also involves redeploying our earnings and managing our reserves. These financial resources form part of our financial capital.



INDUSTRY-LEADING MANUFACTURING ASSETS

Manufacturing assets comprise machines, instruments and production equipment. The manufacturing technology helps convert and process raw materials to produce the end product (sponge iron).



NATURAL RESOURCES

Raw materials are extracted from natural resources; our production process depends on natural resources such as water. Our production process has several impacts on the natural environment including air, water and land.



TALENTED WORKFORCE

Workforce is at the heart of our manufacturing process and their collective experience, skills and knowledge are key inputs to our organisation.



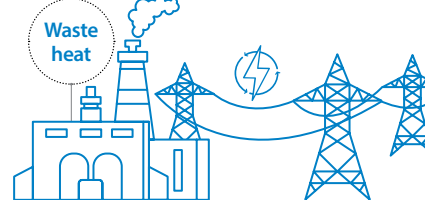
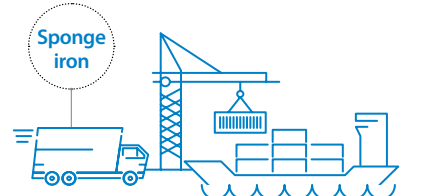
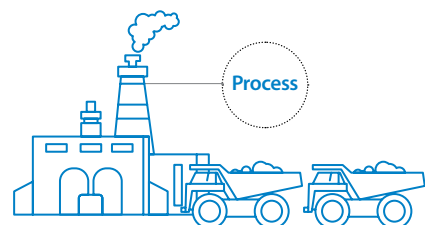
BUSINESS INSIGHTS AND KNOWHOW

Constant innovation and improvements for optimising our production output and customisation are the key determinants of our competitiveness.



HARMONIOUS AND MUTUALLY BENEFITTING RELATIONSHIPS

Growth and competitiveness are based on our long-term relationships with our stakeholders, including vendors and customers. Our social license to operate is based on the harmonious relationship with our neighbouring communities and the value we create for them.



Driven by core strengths

Raw material (iron ore) security and its proximity

Fair, transparent and ethical business practices

Consistent product quality

Competent, motivated and engaged workforce, resulting in lower attrition

To deliver value for our stakeholders

RAW MATERIAL TREATMENT

Sponge iron manufacturing is highly sensitive to raw material characteristics that would help obtain the rated capacity and the desired product quality. The raw materials' chemical and physical properties are tested and optimised individually for each raw material and also in combination.

MANUFACTURING SPONGE IRON BY THE TISCO DIRECT REDUCTION (TDR) PROCESS

The manufacturing operations including the kilns, coolers and Electro-static Precipitators (ESPs) are constantly optimised with improvement projects to maximise yield, minimise losses and optimise the number of available days. With digitisation, the production process ensures greater efficiency without compromising on quality.

EFFICIENT PRODUCT HANDLING AND LOGISTICS

The end product — sponge iron - is screened in size fractions of lump (+3 mm) and fines (0-3 mm). Preserving the quality and ensuring reduced reoxidation, the final product is moved through trucks and railway containers. This also helps in efficient logistics management.

POWER GENERATION WITH WASTE HEAT RECOVERY

Moving much ahead of the environmental regulations of the land, the non-conventional route of power generation using kiln waste heat has been adopted by Tata Sponge, thereby shifting dependence on thermal power completely. The surplus power is exported to our holding company, Tata Steel Limited.



SHAREHOLDERS

Earnings per share: Rs. 91

Dividend payout: Rs. 20 per share*



CUSTOMERS

Customer satisfaction index: 4.5/5



EMPLOYEES

Lost Time Injury Frequency Rate (LTIFR): 0

Employee satisfaction index: 4.8/5



COMMUNITIES

Number of beneficiaries: 34,000 people

Corporate Social Responsibility (CSR) spend: Rs. 180.46 lacs

*(subject to the approval of shareholders)

Enriched customer relationship management practices

Cogeneration of power for own use and sale

Reliable manufacturing workflow with online information system and data back-up

Efficient environment and waste management systems

Infrastructural facilities to support manufacturing and delivery of finished products






Deep community relationships

Strategic Priorities

Our roadmap to excellence

All the key functions come together to shape and implement our strategy.

Strategic Framework

Strategic priority area	Key enablers	Capitals deployed	Performance
BUSINESS STRATEGY Sustaining financial performance and continuing focus on growth aspirations.	<ul style="list-style-type: none"> → Focus on financial strengthening and deleveraging balance sheet → Minimising operational costs → Contemplating growth options in the value chain 	 	 See page 16 in the Financial Capital section
OPERATIONAL STRATEGY Continue being the industry benchmark for capacity utilisation with a strong focus on raw material optimisation, quality and waste minimisation.	<ul style="list-style-type: none"> → Breakthrough and incremental changes with focus on minimising losses and debottlenecking processes → Digitisation of operational processes for optimal raw material utilisation, desired quality of output and cost efficiency → Maximising efficiency of logistics 	 	 See page 18 in the Manufactured Capital section
MARKET STRATEGY Capitalising on the prospects of infrastructure development in the country along with penetrating deeper in existing markets.	<ul style="list-style-type: none"> → Emphasise on customisation and meet customer requirements 	 	 See page 04 in the section on Introducing Tata Sponge