

# TAYO ROLLS LIMITED



**36th Annual Report**  
**2003 - 2004**



## *Vision*

*Tata shall be  
a knowledge driven  
company globally recognised  
as a preferred supplier  
of Relts.*

*We shall maintain our competitive  
edge through continuous  
improvements and innovation,  
thereby adding value to  
all our stakeholders.*

## *Mission*

*Consistent with our vision and  
values of the House of Tata,  
we shall make Tata a symbol of excellence through :*

- ☆ Process of empowerment*
- ☆ Quality edge*
- ☆ Cost competitiveness*
- ☆ Strong presence in global niche markets*
- ☆ Corporate social responsibility*

*We shall make every endeavour to meet the expectations  
of all our stakeholders.*

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Annual General Meeting on Tuesday, 27th July, 2004 at Centre for Excellence 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.

## Board of Directors

(As on 8th May, 2004)

Mr. A. N. SINGH (*Chairman*)

Dr. T. MUKHERJEE

Mr. SHASHI S. PRASAD

Dr. SUBIR CHOWDHURY

Mr. VIJAY K. MEHTA

Mr. N. K. MISRA

Mr. R. P. TYAGI (*Managing Director*)

Mr. P. C. SRIVASTAVA (*Jt. Managing Director*)

## Management Team

(As on 8th May, 2004)

Mr. R. P. TYAGI - *Managing Director*

Mr. P. C. SRIVASTAVA - *Jt. Managing Director*

Mr. T. SUDHAKAR - *Executive Vice President (Operations & Projects)*

Mr. VIJAY PAHWA - *Vice President (Marketing)*

Mr. P. HARIHARAN - *Vice President (Finance)*

Mr. B. K. SINGH - *General Manager (Operations)*

Lt. Col. (Retd.) B. S. BAKSHI - *Chief (Personnel & Industrial Relations)*

Mr. K. P. VERMA - *Chief (Scientific Services)*

Mr. G. VAIDYANATHAN - *Company Secretary*

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### REGISTERED OFFICE

XLRI New Administrative Building  
XLRI Campus, Circuit House Area (East)  
Jamshedpur-831 001

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### BANKERS

Bank of India

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### AUDITORS

Messrs. S. B. Billimoria & Co.  
*Chartered Accountants*

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### SHARE REGISTRARS

Tata Share Registry Limited  
Army & Navy Building  
148, M. G. Road  
Fort, Mumbai-400 001

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## Chairman's Statement

Dear shareholder,

The year 2003-04 witnessed an impressive economic performance marked by significant recovery and buoyancy across various sectors. The increased investments in infrastructure and the overall rebound in the global economy, especially in Asia, gave a major boost to the steel industry. Encouraged by the buoyancy, the steel sector has not only optimised its operations but also taken steps for enhancing capacity. This augurs well for the future of the roll industry. Capitalising on this opportunity your Company has embarked on a major expansion programme to augment its capacity. This would enable the Company to meet the increased demand of the domestic market and also accelerate the on-going thrust on exports.

The Company reinforced its market leadership with the highest ever production and despatch of rolls. However, this has not reflected in the profitability as prices of major inputs peaked to unprecedented levels during the year. Perhaps, the biggest challenge facing the roll industry today, is the rising cost of inputs coupled with the volatility in the steel industry. To address this issue, your Company has taken major initiatives in the areas of Cost reduction, Product-mix Optimisation and strengthening long term Customer Relationship.

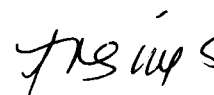
One of the significant efforts, to reduce the cost

of production, is the backward integration by installing a Mini Blast Furnace (100 tons per day capacity) for manufacture of pig iron. Besides savings in cost, this would also give opportunity to your Company for diversification into other value added products, in the future.

Tata Business Excellence Model continues to be the guiding force towards achieving stakeholder satisfaction.

The Company's greatest strength has always been its employees. I wish to thank TAYO Workers' Union and all employees for their continued support for maintaining industrial harmony and a congenial working environment. I welcome Mr.P.C.Srivastava, Joint Managing Director, on the Board of the Company and wish him all success in his new assignment. I express my sincere thanks to all my colleagues on the Board for their guidance and valuable contributions. I particularly would like to place on record my appreciation for the leadership of Mr.R.P.Tyagi, Managing Director, and other members of the management team for the excellent performance of your Company during the year.

Jamshedpur  
8th May, 2004

  
Chairman



## HIGHLIGHTS

			2003-2004	2002-2003	2001-2002
<b>OPERATIONAL</b>					
Production	— Rolls	Tonnes	11531	11023	10605
	— Special Castings	Tonnes	266	264	171
Sales	— Rolls	Tonnes	11301	11250	10623
	— Special Castings	Tonnes	266	264	172
Capacity Utilisation	— Rolls	Percent	92	88	85
<b>FINANCIAL</b>					
Turnover (Gross)		Rs. lakhs	10431	10011	9577
Depreciation		Rs. lakhs	424	467	518
Profit before tax		Rs. lakhs	596	627	211
Profit after tax		Rs. lakhs	423	408	133
Net Worth per share		Rupees	59	54	50
Transfer to General Reserve		Rs. lakhs	255	205	71
Shareholders' Funds		Rs. lakhs	3230	2974	2733
Plough back		Rs. lakhs	745	707	531
Capital Expenditure		Rs. lakhs	102	206	154
Employee's Cost		Rs. lakhs	1973	2082	1940
Dividend		Percent	27	27	22

## Directors' Report

The Directors have pleasure in presenting the Thirty-sixth Annual Report on the operations of the Company and the financial accounts for the year ended 31st March, 2004.

### FINANCIAL RESULTS

	<b>Rupees Lakhs</b>	Previous year Rupees Lakhs
2. a) Profit before Depreciation, Tax and Extra-ordinary/Exceptional items	<b>1084.61</b>	1071.55
b) Deduct : Depreciation	<b>424.14</b>	466.60
c) Profit before Tax and Extra-ordinary/Exceptional items	<b>660.47</b>	604.95
d) Add/(Deduct) : Extra-ordinary/Exceptional items	<b>(64.69)</b>	22.43
e) Profit before Tax	<b>595.78</b>	627.38
f) Tax :		
i) Current Income-Tax	<b>225.76</b>	215.65
ii) Deferred Tax	<b>(52.60)</b> <b>173.16</b>	4.18
g) Profit after Tax	<b>422.62</b>	407.55
h) Add : Balance brought forward from the previous year	<b>199.83</b>	163.98
i) Balance	<b>622.45</b>	571.53
which the Directors have appropriated as under, to		
i) General Reserve	<b>255.00</b>	205.00
ii) Proposed Dividend	<b>147.77</b>	147.77
iii) Additional Income Tax on Dividend	<b>18.93</b>	18.93
TOTAL	<b>421.70</b>	371.70
Leaving a Balance of to be carried forward	<b>200.75</b>	199.83

### DIVIDEND

3. The Directors recommend that dividend at 27 per cent, for the year ended 31st March, 2004, be paid, if approved at the Annual General Meeting to be held on 27th July, 2004, to the members whose name stands in the Register of Members as on 24th June, 2004.

### OPERATION AND SALES

4. During the year under review, the Company achieved a gross turnover of Rs.104.31 crores compared to Rs.100.11 crores in the previous year. The profit before tax was Rs.5.96 crores compared to Rs.6.28 crores in the previous year. The profit after tax for the year was Rs.4.23 crores compared with Rs.4.08 crores in the

previous year. The various cost reduction initiatives undertaken during the year, enabled the Company to counter the effect of unprecedented increase in input costs.

5. During the year under review, production and sales were all time high at 11,530 t. and 11,301 t. respectively, which compare well with the corresponding figure of 11,023 t. and 11,250 t. respectively achieved in the previous year. Of the total sales, forged rolls constitute 700 t. compared with 933 t. in the previous year. The sale of forged rolls was lower due to lower demand in the first half of the year.

6. The Company continued its thrust on export, which constituted 31% of the total cast rolls sales at 3,309 t.

compared to 3,322 t. in the previous year. The export earnings in terms of rupees was Rs.20.01 crores compared to Rs.20.22 crores in the previous year.

7. During the year, sale of special castings was at 266 t. compared to 264 t. in the previous year. The Company entered new markets during the year under review.

### **FINANCIAL AND WORKING CAPITAL MANAGEMENT**

8. Working Capital Management continues to be a focus area. The availability of scrap and other key input materials has been scarce. In addition, the prices kept on rising continuously during the year. In order to ensure uninterrupted operations and to mitigate the increasing cost, the inventory on an average had to be maintained at a higher level during the year. The receivables were maintained at reasonable levels. Prudent financial management of working capital by taking recourse to bill discounting, foreign currency and MIBOR linked borrowings at economical interest rates has enabled the Company to bring down the financial cost.

9. The Company continues to maintain sound credit rating from CRISIL and Bankers. The rating given by CRISIL for Commercial Paper continues to be P1+ (the degree of safety for timely payment on the instrument is very strong) and FAA (the degree of safety for timely payment of interest and principal is strong) for Fixed Deposit Programme.

### **FINANCIAL RESTRUCTURING**

10. At the Extra-ordinary General Meeting held on 18th August, 2003, the shareholders approved the Financial Restructuring Scheme, subject to the confirmation of the Hon'ble High Court of Jharkhand at Ranchi, for utilisation of the balance of Rs.297.34 lakhs in the Securities Premium Account as at 31st March, 2003, for adjustment against the balance of Miscellaneous Expenditure (to the extent not written off or adjusted) in respect of employees separation compensation as at 31st March, 2003. Pending confirmation by the Hon'ble High Court of Jharkhand at Ranchi, the application for which had been made, the aforesaid Financial Restructuring has not been given effect to in the accounts for the year 31st March, 2004.

### **TECHNOLOGY AND GROWTH**

11. The technology agreement with M/s.Eisenwerk Sulzau-Werfen (ESW), Austria, has expired on 6th May, 2004. The Company has had a fruitful relationship with ESW and was successful in absorbing the technology for

manufacture of various grades of rolls through Centrifugal Casting route including Hi-Speed Steel rolls. The Company has also successfully introduced enhanced carbide rolls in the steel plants in domestic market. Keeping in view the need to update technology, the Company is exploring further technology tie-up arrangement with other reputed roll manufacturers.

12. The technology agreement with M/s.Union Electric Steel Corporation (UES), USA, for forged rolls continues. This has enabled the Company to make a mark in the forged roll segment in the country.

13. Conscious of the growth in the steel sector and the consequent increase in demand for rolls, the Company has embarked on a modernisation-cum-expansion programme involving an outlay of Rs.38 crores over a period of three years. The expansion programme envisages phased increase in the roll making capacity from the present level of 12,500 t. per annum to 17,000 t. per annum by 2007-08. The first phase of capital investment programme envisages installation of high productivity state-of-the-art rough grinder, various cost savings and quality related equipment, and conversion of existing oil fired furnaces into gas fired furnaces.

14. The prices of pig iron, which is a critical input in the roll making having increased to an alarming level, the Company has decided to go in for a backward integration by installing a Mini Blast Furnace (MBF) of 100 tons per day capacity for manufacture of foundry grade and steel grade pig iron. The production of pig iron in liquid form would be used for captive consumption in roll making and the surplus quantity will be sold in the open market. Besides ensuring availability of pig iron of desired chemistry for roll metal, there would be substantial savings in the cost of electrical energy.

15. Tata Steel on 20th December, 2003, took over the management of M/s. Indian Steel & Wire Products Limited (ISWP) under a scheme of rehabilitation approved by the Board for Industrial and Financial Reconstruction (BIFR) along with its Roll Foundry Division (JEMCO). The Company is presently extending management assistance to JEMCO, after the take-over by Tata Steel.

### **CONTINGENT LIABILITIES AND MAJOR LITIGATIONS**

16. The special leave petitions filed by the Company as well as the Bihar State Electricity Board (BSEB) before the Hon'ble Supreme Court, challenging the orders of the Hon'ble Patna High Court dated 26.6.2000 on the fuel surcharge rates for the years from 1996-97 onwards,



are yet to be disposed of. Pending disposal, the Company continues the payment of the fuel surcharge pertaining to the year in accordance with the orders of the Hon'ble Jharkhand High Court.

17. The writ petition filed by the Company before the Hon'ble Jharkhand High Court challenging the applicability of the power tariff structure for Induction Furnace units of the Company with effect from 1.9.1999 is pending before the Hon'ble Jharkhand High Court.

18. The Company's writ petition challenging the order of the State of Bihar, withdrawing the exemption granted to the Company as regards applicability of the ESI Act, 1948 retrospectively from 1.10.1996 is before the Hon'ble Jharkhand High Court at Ranchi. The matter is yet to be heard on merits.

## **BUSINESS EXCELLENCE**

19. The Company is a signatory to "Brand Equity and Business Promotion" (BEBP) Scheme of Tata Sons Limited. The Company has adopted Tata Business Excellence Module (TBEM) as a vehicle for excellence in business and has undergone five cycles of Internal Assessment and four cycles of External Assessments conducted by Tata Quality Management Services (TQMS). The Company today is well established on the path of excellence in all its activities. The Company has been regularly participating in ground level and regional level quality circle competitions, where the Company's teams have performed well and have won many prizes and recognitions. An assurance survey was conducted by an outside agency on TBEM and Corporate Social Responsibility (CSR) on behalf of TQMS and Tata Council for Community initiatives (TCCI).

20. During the year under review the Company participated in JN Tata/S.Viswanathan Total Quality Award-2004 conducted by Tata Steel. The Company has been awarded a commendation for its commitment to business excellence. The surveillance audit of ISO 9001:2000 has been successfully completed in January, 2004. This affirms the Company's commitment towards adherence to Quality Management system. During the year under review the Company also bagged the following Awards:

- Quality Circle Award in a competition conducted by Business Excellence group of Tata Steel for the Tis-group Companies.
- Export Excellence Award (2000-01) in recognition of the highest performance in the export of

Engineering goods, Cast Iron & Steel Rolls for Rolling Mills of Engineering Export Promotion Council (EEPC), Eastern Region.

## **COMMUNITY INITIATIVES**

21. The Company has constantly endeavoured to contribute, assist and positively influence the community through various social organisations/institutions. As an initiative to support and promote community development activities, the Company co-sponsored a Mobile Clinic for Mother and Child Health Care conducted by the Family Planning Association of India (FPAI) in and around the vicinity of the Works. Seven such programmes were conducted covering seven villages and 175 villagers. A Housewives Awareness Campaign on different subjects such as health & hygiene, reproductive life & adolescent health, health and healthy life, reduction in consumption of electricity in house etc., was also conducted by the Company as part of its community initiatives.

22. The Company assisted and guided a renowned school of Jamshedpur, in developing an Excellence model and drafting of their Vision, Mission and Core values statements. The Company continues to fulfill its social commitments by way of annual grant and financial support to various Institutions, Associations and Social bodies in the Eastern Region.

## **SAFETY, HEALTH AND ENVIRONMENT**

23. The Company continues to accord priority to the issues of Safety, Health and Environment with a commitment to achieve and sustain highest standards. The Company maintains a pollution-free, clean and green environment inside the Works. The Company has implemented a number of initiatives and has given top most importance to the safety of its employees. Monthly safety campaigns are being conducted, which have enabled to bring about a wide-spread awareness and safety consciousness amongst the employees. During the year, the Company celebrated world Environment Day on 5th June, 2003 which was followed by plantation of trees in the vicinity of Works. A Safety Audit Team has been constituted to ensure compliance of safety plan by all departments and adherence to safety rules and procedures by employees.

## **DIRECTORS**

24. In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr.A.N.Singh and Mr.Vijay K. Mehta retire by rotation

and being eligible offer themselves for re-appointment. Mr. T.Suzuki resigned from the Directorship of the Company with effect from 27.1.2004. The Board of Directors placed on record their appreciation for the continued assistance and guidance extended by Mr.Suzuki during his tenure on the Board.

25. Mr.P.C.Srivastava was appointed as Additional Director with effect from 1st February, 2004. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr.Srivastava shall hold office upto the ensuing Annual General Meeting. The Company has received a notice from a member under Section 257 of the Companies Act, 1956, proposing Mr.Srivastava to the office of Director.

26. The Board at its meeting held on 27th January, 2004, has appointed Mr.P.C.Srivastava as Joint Managing Director of the Company for a period of 3 years (upto 31.1.2007) with effect from 1.2.2004.

### CHANGE IN COMPANY'S NAME

27. The Company's name has been changed from 'Tata-Yodogawa Limited' to "TAYO ROLLS LIMITED" effective 9th September, 2003.

### WEBSITE

28. The Company launched its website, 'www.tayorolls.com'. The site is periodically updated and contains relevant information of the Company.

### RESPONSIBILITY STATEMENT

29. Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that -

- (a) in the preparation of annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2003-04 and of the profit of the Company for that period;

(c) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) they have prepared the annual accounts on a going concern basis.

### LISTING AGREEMENT

30. Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a note on Management Discussions and Analysis and Corporate Governance are made part of this Annual Report.

### PARTICULARS OF EMPLOYEES

31. The details of employees who were in receipt of remuneration of Rs.24,00,000 and above during the financial year under review or Rs.2,00,000 and above per month pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are furnished on page 32.

### ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

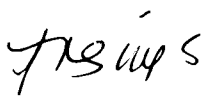
32. In terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars in respect of (a) Conservation of Energy (b) Technology Absorption and (c) Foreign Exchange Earnings and Outgo are furnished on pages 31 & 32.

### AUDITORS

33. Messrs. S.B. Billimoria & Co., Auditors, retire and, being eligible, offer themselves for re-appointment. They have furnished a certificate to the Company that their re-appointment, if made, will be in accordance with Sub-section 1B of Section 224 of the Companies Act, 1956.

On behalf of the  
Board of Directors

Jamshedpur  
8th May, 2004.

  
Chairman