



# TAYO ROLLS LIMITED

A **TATA** Enterprise



**42<sup>nd</sup> Annual Report  
2009 - 2010**



## *CSR Initiatives*



Health Awareness Programme



Acupressure Treatment Camp

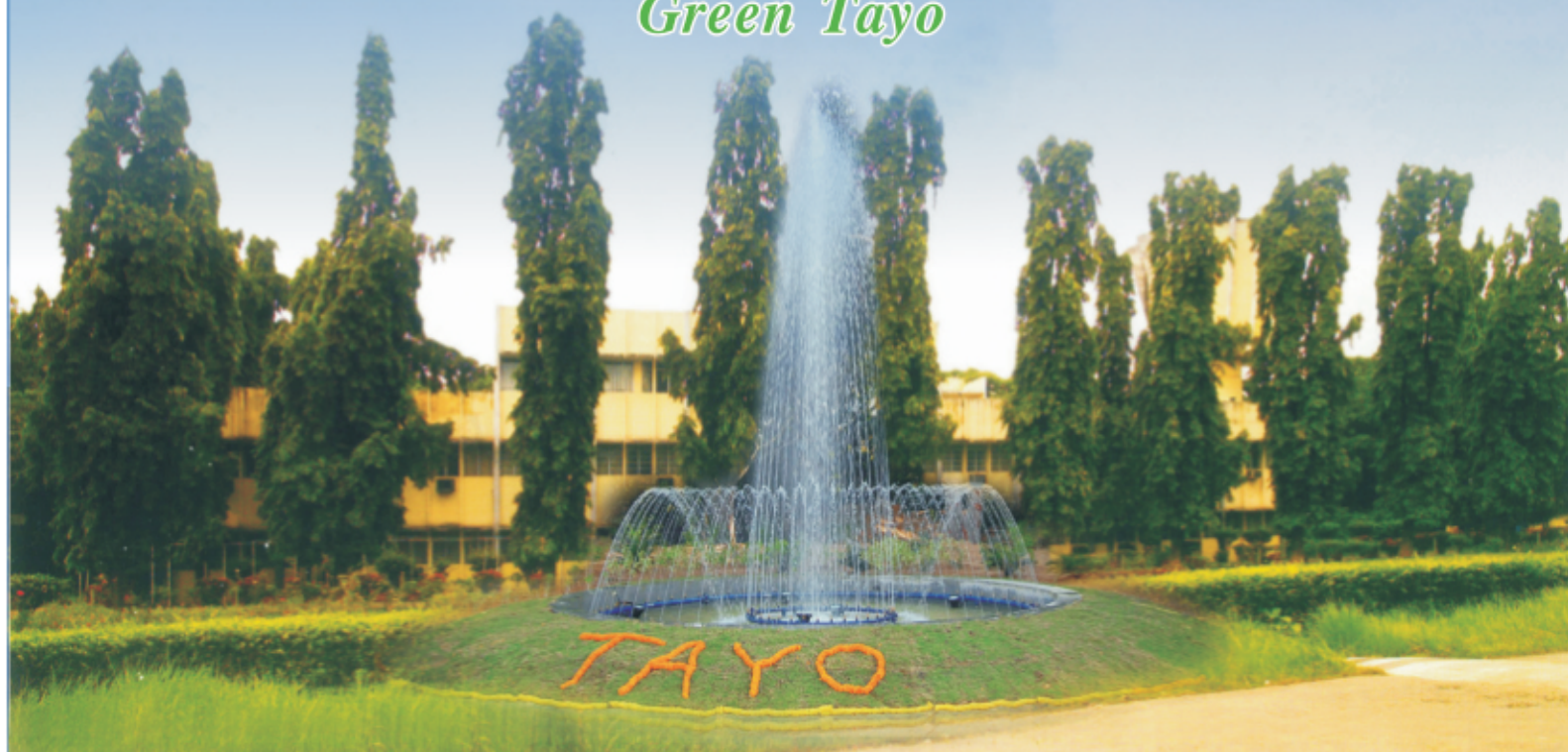


Tree Plantation



Sit & Draw Competition

## *Green Tayo*



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Annual General Meeting on Tuesday, 14th September 2010 at Centre for Excellence, Jubilee Road, Jamshedpur 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.

## TAYO ROLLS

Forty-Second annual report 2009-10

### Board of Directors

(As on 27th April, 2010)

Mr. Anand Sen (Chairman)

Dr. S. K. Bhattacharyya

Mr. Vijay Mathur

Mr. S. N. Menon

Mr. Dipak Banerjee

Mr. V. S. N. Murty

Mr. Osamu Nishimura

Mr. Masahiro Nakahira (Alternate Director to Mr. Osamu Nishimura)

Mr. Om Narayan (Managing Director)

### Management Team

(As on 27th April, 2010)

Mr. Om Narayan — Managing Director

Mr. Abhijit Mitra — Vice President (Corporate)

Mr. Jaydeb Burman — Vice President (Operations)

Mr. Sushil Ray — Vice President (Marketing)

Mr. B. K. Singh — General Manager (Corporate)

Mr. N. G. Murty — General Manager (Steel & Engineering)

Mr. G. Vaidyanathan — Company Secretary & Executive Officer

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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  
Axis Bank Ltd.  
IDBI Bank Ltd.  
HDFC Bank Ltd.  
State Bank of India

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#### AUDITORS

Deloitte Haskins & Sells  
Chartered Accountants

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#### SHARE REGISTRARS

TSR Darashaw Limited  
6-10 Haji Moosa Patrawala Industrial Estate  
20, Dr. E. Moses Road, Mahalaxmi  
Mumbai-400 011

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#### Investors Dedicated E-Mail:

investors\_helpdesk@tayo.co.in

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## Chairman's Statement

Dear Shareholders,

The year FY-10 witnessed the Indian economy growing at a reasonable pace, however, spiraling inflation had its impact on our economy. The steel sector had its ups and downs; overall there has been an increase in their capacity utilization. There was an all round improvement in the performance of all the sectors in the second half of FY-10.

During FY-10, the company continued to face challenges of poor off-take of cast rolls, and deferment of orders, by the customers. This resulted in lower production and sale of rolls. The delay in the completion of Forge Project affected the sale of Forged Rolls as well. All this had its impact on the performance of the company. However, in the current year the customers have started taking deliveries of cast rolls and enquiries are looking up. There is a sign of revival with the company experiencing a better order position.

The Pig Iron market continued to be weak in the early part of FY-10. However, the second half of the year witnessed an upward trend in the demand of Pig Iron with prices moving upward. The cost reduction initiatives undertaken in the MBF during the year enabled the company to remain competitive.

FY-11 is a crucial year for the company. All efforts are being made to ensure a return to profitability. A quick stabilisation of the project and continued focus on quality and cost are key aspects of the plan. A richer product-mix in cast rolls is also expected as a consequence of the technology transfer received by the company. Supernickel grain rolls, semi hi-speed steel and

hi-speed steel rolls will become part of the product-mix this year.

I am happy to say that the Forge and Induction Hardening Shops were inaugurated on 7 January, 2010. The company is now in a position to supply its own forged rolls and explore newer markets in the Engineering Forgings segment. Though the Engineering Forging segment is highly competitive, it provides great potential for growth. The company is confident of making a mark of its own in this market.

Mr. Pradeep Srivastava's tenure as MD expired on 31st March, 2010. I on behalf of the Board would like to place on record appreciation for the valuable contribution made by Mr. Pradeep Srivastava during his long association with the company. Mr. Om Narayan has been appointed as Managing Director of the company with effect from 1st April, 2010. I extend a hearty welcome to Mr. Narayan and hope that the company would benefit immensely with his vast industrial experience.

I would like to place on record my sincere thanks to all our employees for their commitment and contribution. I would also like to thank TAYO Workers Union for their continued support in these challenging times. I thank all my colleagues on the Board for their valuable guidance.

With warm regards,

Anand Sen  
Chairman

## HIGHLIGHTS

			2009-2010	2008-2009	2007-2008
<b>OPERATIONAL</b>					
Production	– Rolls	Tonnes	6516	8333	10601
	– Pig Iron	Tonnes	22604	20030	30736
	– Special Castings	Tonnes	16	128	163
Sales	– Rolls	Tonnes	6594	7850	10888
	– Pig Iron	Tonnes	19634	17761	28600
	– Special Castings	Tonnes	16	128	163
Capacity Utilisation	– Rolls	Percent	48	62	79
	– Pig Iron	Percent	57	50	77
<b>FINANCIAL</b>					
Turnover (Gross)		Rs. lakhs	14237	18930	24679
Depreciation		Rs. lakhs	396	354	422
Profit before tax		Rs. lakhs	(1153)	(1840)	983
Profit after tax		Rs. lakhs	(1153)	(1674)	635
Net Worth per share		Rupees	76	88	86
Transfer to General Reserve		Rs. lakhs	—	—	450
Shareholder's Funds		Rs. lakhs	7833	8986	4729
Capital Expenditure		Rs. lakhs	5085	8957	2098
Employee's Cost		Rs. lakhs	2384	2719	2408
Dividend		Percent	—	—	40

## Directors' Report

The Directors have pleasure in presenting the Forty-second Annual Report on the operations of the Company and the financial accounts for the year ended 31st March, 2010.

### FINANCIAL RESULTS

	<b>Rupees in Lakhs</b>	Previous year Rupees in Lakhs
2. a) Profit before Depreciation, Tax and Exceptional items	<b>(757.74)</b>	(1530.90)
b) Deduct : Depreciation	<b>395.56</b>	354.13
c) Profit before Tax and Exceptional items	<b>(1153.30)</b>	(1885.03)
d) Add: (Deduct) Exceptional items	<b>—</b>	45.51
e) Profit before tax	<b>(1153.30)</b>	(1839.52)
f) Tax :		
i) Current Income-tax (Net)	<b>—</b>	—
ii) Deferred tax previous year	<b>—</b>	(191.11)
iii) Fringe benefit tax	<b>—</b>	25.21
	<b>—</b>	( 165.90)
g) Profit after tax	<b>(1153.30)</b>	(1673.62)
h) Add : Balance brought forward from the previous year	<b>—</b>	544.11
i) Balance to be carried forward	<b>(1153.30)</b>	(1129.51)

### DIVIDEND

3. The Directors have decided not to recommend any dividend for the year ended 31<sup>st</sup> March, 2010.

### OPERATION AND SALES

4. During the year under review, the Company achieved a turnover of Rs.142.37 crores against Rs.189.30 crores in the previous year. The production and sale of rolls were 6516 t and 6596 t. respectively as against the production and sale at 8,333 t. and 7,850 t. respectively in the previous year. This includes the sale of forged rolls of 100 t. against 483 t. in the previous year. During the year under review, the steel industry continued to operate at lower than their planned production in Europe, however, most of the steel plants has reduced their roll inventory resulting in low off-take of rolls as also deferment of delivery of confirmed orders. The volume of Forged Rolls machined and sold had also dropped during the year under review due to low availability of Rough Hardened Forged Rolls. All

this significantly affected the Company's production and sale of rolls during the year.

5. During the year under review, the production and sale of pig iron were 22,604 t and 19,634 t. respectively compared with 20,030 t. and 17,761 t. in the previous year. The sluggish casting market affected the pig iron off-take by various foundry units dependent on general casting and automobile casting. However, the demand and price of Pig Iron started moving upwards from Q3 of the year under review.
6. During the year under review, the Company posted a net loss of Rs. 11.53 crores against the net loss of Rs.16.74 crores in the previous year. The low volume of Cast Rolls & Forged Rolls coupled with the lower Pig Iron demand in the first half of the year affected the profitability of the Company.
7. During the year under review, the export of cast rolls was 2,190 t. compared to 2,165 t. in the previous year, equivalent to Rs. 25.69 crores compared to Rs.24.20 crores in the previous year.

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#### FINANCIAL AND WORKING CAPITAL MANAGEMENT

8. The high interest rates prevailed in the initial part of the year. However in general there was an improvement in the liquidity conditions in the second half of the year. High inventory levels due to poor off-take of rolls, created a pressure on the working capital requirement. Towards the end of the year with several initiatives taken, the inventory levels have been brought down.
9. The Term Loan availed in earlier years from IDBI for financing the Cast Roll expansion has been repaid in full. During the year under review an additional term loan of Rs.25 crores was availed from IDBI Bank for the Forge project to provide for the exchange variation and other cost. IDBI Bank had also revised the repayment schedule of the term loan of Rs.54 crores so as to commence from July, 2011 and complete by July, 2017.
10. During the year under review CRISIL, has reaffirmed AA-/Negative rating for term loan and working capital (fund based limit) and P1+ for working capital non-fund based limit. In addition CRISIL has reaffirmed P1+ for commercial paper upto Rs.20 crores and FAA for Fixed Deposit Programme.

#### TECHNOLOGY AND GROWTH

##### Cast Rolls -

11. The transfer of technology for the manufacture of High Speed Steel Rolls, Semi-High Speed Steel Rolls and Super Ni-Grain Rolls, from Yodogawa Steel Works Limited, Japan, is under absorption. The Super Ni-Grain Rolls manufactured and supplied to a few customers have been well received. The supply of High Speed Steel Rolls and Semi-High Speed Rolls is expected to take place by H-1 of the FY'11.

##### Forgings and Forged Rolls -

12. The Forging Quality Ingots are being supplied to various customers on trial basis. Indications are there that the Company's Forging Quality Ingots are being well accepted by the customers. Repeat orders are being placed by them.

##### Forge Shop and Induction Hardening Roll Shop -

13. During the year under review the erection and commissioning of 2,500 t. open die forging press have been completed. M/s. Sheffield Forgemasters International Limited, U.K. (SFIL) engineers

supervised the erection and commissioning and also imparted hand-on training to TAYO's engineers on the Press. The Forge Shop was inaugurated on January 7, 2010. The hot trial is under progress and the commercial production is expected to commence at the earliest.

14. The induction hardening equipment was erected and commissioned under the supervision of SFIL Engineers. The shop was inaugurated on January 7, 2010. The trial production is under progress. The results of the trials are very encouraging. During the year few trial orders for Forged Rolls were executed and feed back from the customer on the performance is awaited. Tayo manufactured Forged Rolls would be hitting the market in a big way very soon.
15. During the year under review, to provide for additional equipments as also to take care of the increase in cost substantially towards exchange variation, the project cost was revised to Rs.168 crores from Rs.157 crores.

#### CONTINGENT LIABILITIES AND MAJOR LITIGATIONS

16. The Supreme Court vide its order dated 15<sup>th</sup> April, 2009, upheld the decision of the Hon'ble Patna High Court with a direction to BSEB to rework the rates of fuel surcharge within a period of 3 months from the date of the order. Against the said order, BSEB filed an Interim Appeal with the Hon'ble Supreme Court for modification and/or clarification of the Judgment and order dated 15.04.2009. The matter came up for hearing on 25.01.2010, the Hon'ble Supreme Court extended the time granted for completing the calculation of Fuel Surcharge by another four (4) months from 26.01.2010.
17. The writ petition filed by the Company challenging the applicability of the power tariff structure on the Company's Induction Furnace unit from 1.9.1999 is pending before the Hon'ble Jharkhand High Court.

#### BUSINESS EXCELLENCE

18. The company in its quest towards excellence, continues to participate in the Tata Business Excellence Model (TBEM) journey. Based on the feedback received from the earlier year's assessment by Tata Quality Management Services the following new initiatives were undertaken :
  - Daily Works Management to reduce variation and improve consistency in operations (Deming methodology)



- Safety Excellence Journey based on the DuPont methodology
  - Awareness and initiatives on climate change
19. On the TPM journey, activities on the Safety, Health and Environment (SHE) and Office TPM pillars were started. It has been decided to challenge the TPM award by end of FY'12.
  20. During the year, the Company successfully underwent a surveillance audit on QMS, EMS and OHSAS by M/s. IRQS for up-gradation to 2008 standard and inclusion of Ingot Shop.

### COMMUNITY INITIATIVES

21. The Company continues to be involved in supporting the cause of welfare and development of communities and social organisations in and around the vicinity of its Works. The Company is also involved in supporting various Institutions and Social Organisations including those associated with Sports, Education and Community Development in the direction of social and welfare activities carried out by them.
22. During 2009-10, the Company organised a two-day free Acupressure Treatment Camp at Tata Complex Colony, Gamharia for the community and residents in and around the Plant. A large number of young and old persons benefitted from the treatment of migraine, sinus, thyroid, cervical lumbar, sciatica, joint pains, spinal disorder, gastritis etc. During the year 2009-10, the Company observed 'Joy of Giving' week in October, 2009, when the employees donated clothes, which were handed over to Deeksha Community Centre, Rotary Club of Jamshedpur West for distribution to needy persons.
23. A general health awareness programme was conducted by the Company's Doctor for the students of Xavier Institute of Tribal Education, Tata Complex Colony, Gamharia covering general Health, Hygiene and Balanced Diet for reducing stress and fatigue. A Blood donation Camp was organized at the Tayo Complex Colony, Gamaharia where residents in and around the colony came in large to donate blood.

### SAFETY, HEALTH AND ENVIRONMENT

24. Safety, Health & Environment are the key thrust areas of the Company which has contributed towards maintaining a safe working environment throughout the year. Safety Awareness

Programmes, Competitions and Campaigns were observed every alternate month for the enhancement of the degree of awareness and consciousness of employees and contract labour.

25. During the year under review, Safety Excellence Journey (SEJ) was launched by the Company and the monitoring of short term as well as long term targets has reaffirmed the commitment level of employees towards good house-keeping and accident-free environment in the Company.
26. National Safety Day was observed on 4th March, 2010 where Sr. Executives & Union Office Bearers addressed the employees and jointly read the Safety Pledge assuring to work safely and to comply with the statutory provisions to achieve the target of zero accident during the year.
27. World Environment Day was observed on 5th June, 2009 on the theme "Your Planet Needs You! Unite To Combat Climate Change". The green environment maintained in and around the Plant ensures a clean and pollution free environment throughout the year.

### AFFIRMATIVE ACTION

28. The Company is guided by the Tata Code of Conduct - 2008 version on Affirmative Action. Awareness programmes were conducted on the subject across the Company. The base data compiled on Affirmative Action indicates a positive trend in the direction of "4 Es" i.e. Employment, Employability, Entrepreneurship Development & Education.

### DIRECTORS

29. In accordance with the provisions of Companies Act, 1956, and Articles of Association of the Company, Mr. Dipak Banerjee, Mr. V. S. N. Murty and Mr. Vijay Mathur retire by rotation and being eligible offer themselves for re-appointment.
30. The Board at its meeting held on October 28, 2009, appointed Mr. M. Nakahira as the Alternate Director to Mr. Osamu Nishimura pursuant to Section 313 of the Companies Act, 1956.
31. Mr. P. C. Srivastava's term as the Managing Director of the Company expired on January 31, 2010. The Board at its meeting held on January 29, 2010 re-appointed him as the Managing Director for a further period of 2 months i.e., upto March 31, 2010. Mr. Srivastava ceased to be the Managing Director and Director of the Company with effect

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from April 01, 2010. The Directors place on record their appreciation for the valuable contribution made by Mr. Srivastava during his tenure.

32. Mr. Om Narayan was appointed as an Additional Director of the Company with effect from April 1, 2010, by the Board of Directors at their meeting held on January 29, 2010. At the same meeting Mr. Om Narayan has been appointed as the Managing Director of the Company for a period of 3 years with effect from April 1, 2010.

#### DIRECTORS' SHAREHOLDING

33. The shareholding of Managing Director and Non-executive Directors in the Company is NIL.

#### RESPONSIBILITY STATEMENT

34. 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 2009-10;
- (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

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

#### PARTICULARS OF EMPLOYEES

36. 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 45.

#### ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

37. 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 44 & 45.

#### AUDITORS

38. Messrs. Deloitte Haskins & Sells, 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  
April 27, 2010

Anand Sen  
Chairman

#### ADDENDUM TO THE DIRECTORS' REPORT DATED 27<sup>TH</sup> APRIL, 2010.

Mr. Vijay Mathur who was appointed as a Director effective 27<sup>th</sup> July, 2006, resigned from the Directorship of the Company with effect from August 6, 2010. The Board placed on record the valuable contribution made by him during his tenure on the Board.

On behalf of the  
Board of Directors

Jamshedpur  
August 6, 2010

Anand Sen  
Chairman