



TAYO ROLLS LIMITED

A **TATA** Enterprise



43rd Annual Report
2010 - 2011



World Environment Day



CSR Initiatives- LPG Awareness Programme for House-wives



Quality Month



National Safety Day



Tayo wins Tata Innovista - 2011 (Eastern Round)



**CONTENTS**

Chairman's Statement	3
Highlights	4
Director's Report	5
Management Discussion and Analysis	9
Certification by CEO & CFO	12
Certificate on Corporate Governance	12
Auditors' Report	13
Annexure to Auditors' Report	14
Balance Sheet	16
Profit and Loss Account	17
Cash Flow Statement	18
Schedules forming part of the Profit and Loss Account	19
Schedules forming part of the Balance Sheet	23
Significant Accounting Policies	30
Notes on the Balance Sheet and Profit & Loss Account	32
Statement giving information pursuant to Part IV of Schedule VI to the Companies Act, 1956	41
Financial Statistics	42
Annexure to Directors' Report	43
Report of the Directors on Corporate Governance	46
Shareholders' Information	52

Annual General Meeting on 26th July, 2011 at Tata Management Development Centre (TMDC) Auditorium, XLRI Campus, C. H. Area (East), Jamshedpur at 3.00 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-Third annual report 2010-11

Board of Directors

(As on 25th April, 2011)

Mr. Anand Sen (Chairman)
Dr. S. K. Bhattacharyya
Mr. S. N. Menon
Mr. Dipak Banerjee
Mr. V. S. N. Murty
Mr. Osamu Nishimura
Prof. Ranjan Das
Mr. Om Narayan (Managing Director)

Management Team

(As on 25th April, 2011)

Mr. Om Narayan	— Managing Director
Mr. Abhijit Mitra	— Vice President (Marketing)
Mr. Jaydeb Burman	— Vice President (Operations)
Mr. V Satyamohan	— General Manager (Finance & Accounts)
Mr. B. K. Sinha	— General Manager (Business Development)
Mr. N. G. Murty	— General Manager (Procurement & MSD)
Mr. Amit Gupta	— General Manager (Total Quality Management)

REGISTERED OFFICE

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

BANKERS

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

AUDITORS

Messrs. Deloitte Haskins & Sells
Chartered Accountants

SHARE REGISTRARS

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

Investors Dedicated E-Mail:

investors_helpdesk@tayo.co.in

Chairman's Statement

Dear Shareholders,

Despite the Indian economy significantly outperforming expectations, your company, TAYO, could not take the advantage of the situation.

During FY-11, the commissioning of the new project got significantly delayed due to several bottlenecks. Further, due to the price of purchased coke increasing far more than that of pig iron necessitated shutting down of the Blast Furnace from August, 2010. These factors combined to cause a severe cash flow problem, which the company has not overcome completely as yet.

Due to corrective actions taken during the last quarter of FY-11, the order book currently is robust and we were able to start the Blast Furnace from 15th April, 2011. We hope that the company's fortunes would now turn around subject to judicious management of cash.

Operationally, the company could improve its quality and has significantly reduced the percentage rejections compared to the earlier period. I am also glad to report that the commercial production of ingots has commenced from 1.11.2010 and that of the

forged roll unit with effect from 30.03.2011.

At this time your company requires complete support of all the shareholders, employees and the suppliers.

I would like to place on record our appreciation for the support received from TAYO Workers' Union in these challenging times.

I extend my gratitude to all the members of the Board for their invaluable contributions during the course of the year. I would also like to place on record our appreciation for the valuable contribution made by Mr. Vijay Mathur, who has relinquished his position from the Board with effect from 6th August, 2010.

I welcome Prof. Ranjan Das, appointed as Additional Director of the company with effect from 25th Jan., 2011, and hope that the company would benefit from his experience and guidance.

With best regards,

Anand Sen
Chairman

HIGHLIGHTS

			2010-2011	2009-2010	2008-2009
OPERATIONAL					
Production	— Rolls	Tonnes	7221	6516	8333
	— Pig Iron	Tonnes	9479	22604	20030
	— Special Castings	Tonnes	—	16	128
	— Ingot*	Tonnes	2417	—	—
	— Engineering Forging*	Tonnes	—	—	—
Sales	— Rolls	Tonnes	7516	6594	7850
	— Pig Iron	Tonnes	8087	19634	17761
	— Special Castings	Tonnes	—	16	128
	— Ingot*	Tonnes	1615	—	—
	— Engineering Forging*	Tonnes	—	—	—
Capacity Utilisation	— Rolls	Percent	54	48	62
	— Pig Iron	Percent	24	57	50
	— Ingot	Percent	12	—	—
FINANCIAL					
Turnover (Gross)		Rs. lakhs	14728	14237	18930
Depreciation		Rs. lakhs	562	396	354
Profit before tax		Rs. lakhs	(3044)	(1153)	(1840)
Profit after tax		Rs. lakhs	(3044)	(1153)	(1674)
Net Worth per share		Rupees	64	76	88
Transfer to General Reserve		Rs. lakhs	—	—	—
Shareholder's Funds		Rs. lakhs	6566	7833	8986
Capital Expenditure		Rs. lakhs	2714	5085	8957
Employee's Cost		Rs. lakhs	2999	2384	2719
Dividend		Percent	—	—	—

* Ingot production commenced from 01.11.10 Forged Rolls production commenced from 30.03.11.

Directors' Report

The Directors have pleasure in presenting the Forty-third Annual Report on the operations of the Company and the financial accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS

	Rupees in Lakhs	Previous year Rupees in Lakhs
1. a) Profit before Depreciation, Tax and Exceptional items	(2482)	(757.74)
b) Deduct : Depreciation	562	395.56
c) Profit before Tax and Exceptional items	(3044)	(1153.30)
d) Add: (Deduct) Exceptional items	—	—
e) Loss before tax	(3044)	(1153.30)
f) Taxation	—	—
g) Loss after tax	(3044)	(1153.30)
h) Loss carried to Balance Sheet	(3044)	(1153.30)

DIVIDEND

- The Directors have decided not to recommend any dividend for the year ended 31st March, 2011.

OPERATION AND SALES

- During the year under review, the Company achieved a turnover of Rs. 147.27 crores against Rs.142.37 crores in the previous year. The production and sale of rolls were 7221 t and 7516 t. respectively as against the production and sale at 6,516 t. and 6,594 t. respectively in the previous year. This includes the sale of forged rolls of 14 t. against 100 t. in the previous year. Thus registering an increase of 10.82% and 13.98% in production and sales respectively.
- During the year under review, the production and sale of pig iron were 9479 t and 8087 t. respectively compared with 22,604 t. and 19,634 t in the previous year. Pig Iron market continued to be at a weaker note in the early part of financial year 2010-11. Prohibitive price of purchased coke vis-à-vis NR of Pig Iron compelled the management to temporarily suspend the operations of Pig Iron in August, 2010. However, the operations were resumed on 15th April, 2011.
- During the year under review, the Company posted a net loss of Rs. 30.44 crores against the net loss of Rs.11.53 crores in the previous year. Continued delay in commissioning and ramp up of new project coupled with the suspension of Pig Iron operations affected the profitability of the Company.

- During the year under review, the export of cast rolls was 1179 t. compared to 2,190 t. in the previous year, equivalent to Rs. 14.43 crores compared to Rs.25.69 crores in the previous year.

FINANCIAL AND WORKING CAPITAL MANAGEMENT

- The continued trial run production of forged roll project and suspension of Pig iron operations in the middle of the year due to economic unviability seriously affected the liquidity position of the Company. Higher inventory levels due to change in product mix of rolls also created a pressure on the working capital requirement. All this has resulted in higher working capital utilization. Towards the end of the year with several initiatives taken, the inventory levels have been brought down.
- During the year under review CRISIL has affirmed A+ (stable) rating for Term Loan and working capital (fund based) and P1+ for working capital non fund based. In addition CRISIL has reaffirmed P1+ for commercial paper upto Rs 20 crores and FAA for Fixed Deposit Programme.
- Tata Steel Limited, our holding company has placed an Inter Corporate Deposit of Rs. 1000 Lakhs which is payable on demand to ease out liquidity position of the Company.

TECHNOLOGY

Cast Roll

- In the year ended our focus was on stabilizing the production

TAYO ROLLS

Forty-Third annual report 2010-11

of Super Nickel Grain (SNG) roll, HiCr. Roll, with steel interlayer and development of High Speed Steel Roll (HSS). Both SNG & HiCr rolls were successfully stabilized from middle of 2nd quarter onwards. The incidence of spalling at casting stage was greatly reduced and the performance of these two rolls was highly satisfactory in the mills. Some of the good jobs done in this year are :

- Tata Steel completely switched over to Super Nickel Grain roll for their Finishing Mill Stand and we are 100% supplier of these rolls.
- Similarly HiCr. Iron rolls with Yodogawa technology met with larger amount of success in the mills.
- For the first time 1300 dia HiCr. Steel Roll was successfully spun cast and supplied to Tata Steel.
- Perennial problem of transverse crack in big Adamite Steel roll was completely eliminated through process of Hot Shake out and internal rejection has come down drastically on steel roll.
- Heat treated SG Iron rolls with lower alloy content was tried out successfully in Roughing Stands of Merchant Mills.
- In 2010-11, 8 SG Iron sleeves had rolled out from Tayo to JSPL, Universal Heavy Structural Mill manufactured through CCM route.

However, in HSS roll the problem still persists and the production is yet to be stabilized. Frequent visit of Yodogawa technical people helped in Quality and production of other grades also.

New Business

11. In new business we have been able to overcome the teething problem and stabilise the production of Melt Shop, Forging and Induction Hardening unit. A little amount of project work is still to be completed which we plan to complete in year 2011-12. Although we have some quality issues, we are sure we will be able to overcome as the root cause of the problem have been found out. The quantity of rolls which has been despatched last year has performed successfully in the mills.

GROWTH

Cast Roll

12. Development of HSS Rolls for Intermediate Stands of Hot Strip Mill has become very important as Mills are switching over from HiCr. We also plan to cast a new grade of HiCr Iron Roll with steel core for Plate Mill in Bangladesh. Besides these two, we are planning to do mist water quenching of Adamite Steel Rolls to increase the hardness and performance of Roughing Mill Stand of Hot Strip Mills. More focus will be given for development and production

of sleeve (SG and Steel) for Universal Mill Rolls. Another sector we will be looking for making back up rolls for both Cold Roll used for Hot Strip Mill. In future for this we require a capital expenditure of Rs. 400-500 lakhs for putting up a differential hardening furnace (Callus Furnace).

New Business

13. For the new business the focus will be on stabilizing the production and quality for Ingot making, Forging and Forge Roll. With greater emphasis on technical training, completion of project and increased volume, our share of business in the market will increase. Improved quality in the running grades will help us to increase the market share of Indian Market. Focus will be made on the bigger rolls market and minimize the import of these rolls. With the existing facilities and some small investment in near future, Tayo will be able to dominate the Indian Market. In Forge Rolls with the facility we have, we look forward to be the No. one Forge Roll manufacturer and a leading International player in Roll market.

Forgings and Forged Rolls

14. The commercial production of Ingots has commenced from 1.11.2010.

Forge Shop and Induction Hardening Roll Shop

15. The commercial production of Forge Shop / Induction Hardening Shop has commenced from 30.3.2011.

CONTINGENT LIABILITIES AND MAJOR LITIGATIONS

16. Consequent to the order of the Hon'ble Supreme Court vide its order dated 15th April, 2009, upholding the decision of the Hon'ble Patna High Court with a direction to BSEB to rework the rates of fuel surcharge, BSEB has adjusted Rs. 23.23 Crore against the Coal Claims of Rs. 100 crore and modified the rate of fuel surcharge for 1998-99 to 158.79 p/Kwh against the earlier notified rate of 164.83 p/Kwh for 1998-99 thus giving a benefit of 6.04 p/Kwh to consumers. However, this benefit will be passed on the consumers on receipt of Coal Claim of Rs. 100 crore by BSEB from the Coal Companies.

The Hon'ble Supreme Court has, however, given liberty to consumers to approach High Court to challenge the correctness of this adjustment as also the terms of such adjustment and also stated that the other pending issues on fuel surcharge can be taken up by the consumers before the High Court.

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. In this year the company widened the ambit of Business Excellence into Total Quality Management.
 - TAYO was declared one of the winners in the India – East regional round of Tata Innovista – 2011 in the Sub category, Process Innovation in core operations. The Innovation achieved zero defect, reduction in cycle time and cost, energy saving and reduction in Carbon footprint, and above all Customer Delight. So great was the interest, that number of entries in TATA Innovista from TAYO registered a jump and stood at 43 nos.
 - Action has been taken on Tata Business Excellence assessment findings of the year and there have been Shining examples of improvements/Innovations.
 - As a part of Small Group Activity Circle, a campaign was undertaken to encourage Quality circles amongst workmen. It evoked encouraging response. Tayo workers' Union Office-bearers were co-opted into this initiative.
 - Launched Development Management, the eighth pillar of Total Productive Maintenance (TPM). With this all eight Pillars of TPM are functioning. We plan to challenge the award by the end of FY12.
 - During the year, the Company successfully completed IRQS surveillance audit for all the systems- QMS, EMS and OHSAS for continuity of their certification. Also we have initiated actions to include in the ISO scope the New Business (Forge Shop & Induction Hardening Shop). I.e. in the forthcoming certification audit which will be conducted in Jun/Jul 11, the entire range of products including the in-house forge rolls & Engg. Forgings will get covered in the ISO scope.

COMMUNITY INITIATIVES

19. Community Initiatives forms an integral part of the Company's business process activity. The Company promotes social organizations and various Educational Institutions including those associated with sports, trade skills, community welfare in the direction of developmental activities undertaken by them from time to time. The Company also supports reputed associations and institutions such as the Family Planning Association of India, ITI – Seraikela etc. towards the implementation of Projects undertaken by them in and around our Company's Plant.
20. During the year under review, the Company in association with the Centre for Family Initiatives Foundation, Tata Steel conducted an HIV/Aids Awareness programme for the residents of Tata Complex Colony, Gamahria which was followed by a NUKAD skit by their representative and oral Quiz competition for the participants.

21. A two-day free Acupressure Treatment Camp was conducted during 2010-11 which was well received by the community in and around the Plant and residents of Gamharia. Large number of local persons participated and benefitted from the programme.
22. Guest lectures were delivered for the student of Xavier Institute of Tribal Education, Tata Complex Colony, Gamharia covering subjects such as Leadership, Communication Skills, Legal aspects of Business etc. by the Executives and Officers of the Company.
23. Blood Donation Campaign was organized in Tata Complex Colony, Gamharia where residents in and around the Colony came forward and voluntarily donated blood.

SAFETY, HEALTH & ENVIRONMENT

24. The Company continues to pay lot of emphasis in the direction of Safety, Health and Environment of the employees, the Company and the community at large. With the objective of keeping employees and contractor labour consistently aware and conscious of the safety processes and regulations, Safety Campaigns were observed every alternate month. During the year under review, safety quiz, safety song, safety talk, sit-and-draw competition etc. were conducted where employees and their children participated in large numbers and the winners were recognized.
25. With the launch of Safety Excellence Journey, several observations have been logged and closed by employees which have yielded positive results in reducing the number of First-Aid cases and improving the house-keeping of Plant during the year. Use of PPEs has become a Way-of-Life and are being utilized regularly by employees and contractor labour inside the Plant. Training programmes on Safety & Fire Fighting forms an integral part of safety practices adopted by the Company.
26. The Company participated in the SHE Excellence Award competition conducted by CII (ER) 2010-11 and were short-listed for presenting their detailed presentation before the Jury this year.
27. National Safety Day was observed on 4th March where employees were addressed on safety aspects by Senior Executives and Office Bearers of Tayo Workers Union. Safety Badges were distributed on this occasion to remind employees to observe safety precautions on duty. On this occasion, employees were made aware of the theme laid down by the National Safety Council on "Establish and Maintain Preventative Safety & Health Culture".
28. World Environment Day was observed on 5th June, 2011, where Sr. Executives of the Company and Office Bearers of Tayo Workers Union deliberated on the theme "Many Species. One Planet, One Future", which was followed by tree plantation at the Works.