TATA SPONGE IRON LIMITED
P.O. Joda, Dist. Keonjhar, Orissa 758034
www.tatasponge.com

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TATA SPONGE IRON LIMITED

TATA

Redefining Performance

28th 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

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

CONTENTS

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 15th 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

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 15th 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 31st 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 23rd June, 2011 to 30th 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 22nd June, 2011. The payment will be made on or after 19th 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
6th 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 6th 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
6th 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.

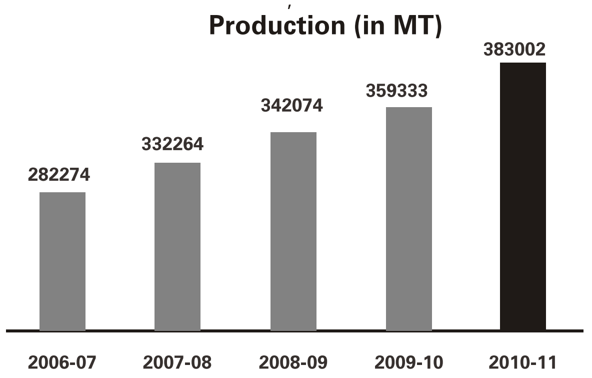
TPM is a critical adjunct to lean manufacturing. If machine uptime is not predictable and if process capability is not sustained, the process must keep extra stocks to buffer against this uncertainty or process flow will be interrupted. Unreliable uptime is caused by breakdowns or badly performed maintenance. 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 byTQMS 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.

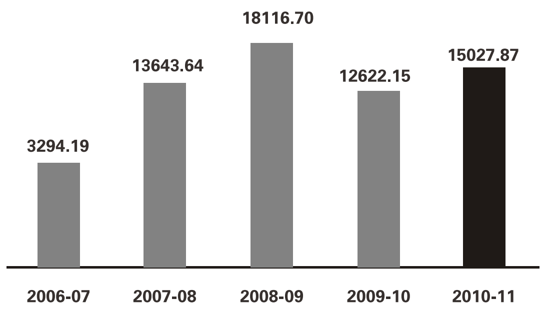
But for all practical purposes, it was not so easy at the ground level.More so because one needs to back up the bright picture with sound financials. And when it comes to financials, the challenges and odds were far too many.

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.

Profit Before Tax (In Rs. Lacs)



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 Exellance 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:

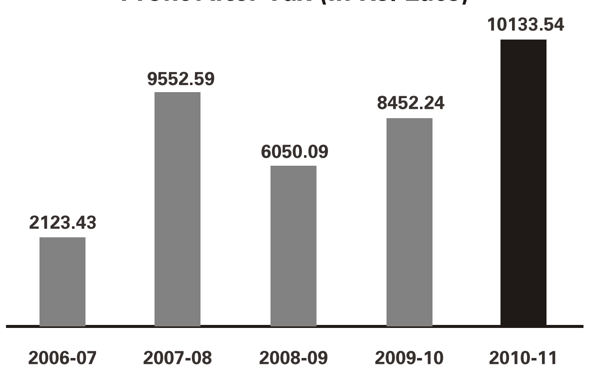
Being in Tata Group, the company assumes certain additional responsibilities. Above all, the company has to ensure that it is identified as an ethical company and there is strong process for management of business ethics (MBE).

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.

Profit After Tax (in Rs. Lacs)



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 31st March, 2011.

FINANCIAL RESULTS

			Current year (Rs. Lac)	Previous year (Rs. Lac)
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 31st 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 1st 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.

DIRECTORS

13. Mr. K.K. Varughese retires by rotation and, being eligible, offers himself for re-appointment.

14. Mr. Arun Misra retires by rotation and, being eligible, offers himself for re-appointment.

15. Mr. P. K. Lahiri, who is also due to retire at the forthcoming Annual General Meeting, had informed the company that he does not wish to seek reappointment. A resolution pursuant to Section 256 of the Companies Act, 1956, for not filling the vacancy caused by the retirement of Mr. P. K. Lahiri has been included in the Notice of the 28th Annual General Meeting.

    The Board placed on record its deep appreciation of the sincere services and invaluable advice rendered to the company by Mr. P. K. Lahiri during his long association as a Director of the company.

CORPORATE SUSTAINABILITY

16. As a member of Tata Group and as a responsible corporate citizen, the company has been undertaking steps towards welfare of society around it, community initiatives, periphery development, environment protection and improvement in harmony with the normal business and contributing to exchequer through various taxes/duties etc. At the same time, the company continued its focus on employees' health and safety, skill development and superior living conditions. The company has taken a serious note of threat of global warming and climate change. Through a specific study, the company has measured carbon foot prints and is taking steps to reduce the Green House Gas emissions.

    Corporate sustainability is aligned with Triple Bottom Line approach by complying with –

    - The UN Global Compact by addressing its ten principles
    - Guidelines of Tata Council for Community Initiatives (TCCI)

    A detailed report on Corporate Sustainability based on Triple Bottom Line approach is appearing elsewhere in the Annual Report.

INCLUSIVE GROWTH

17. The concept of inclusive growth through Affirmative Action has been adopted by the company in the past. Further efforts have been made by the company during the year to strengthen this concept.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

18. As required under Sub-section 1(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, particulars regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed to this report.

PARTICULARS OF EMPLOYEES

19. As required under Sub-section 2A of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, the particulars of such employees are given in a statement annexed to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

    (i) in the preparation of annual accounts, the applicable accounting standards have been followed and that there are no material departures;

    (ii) they have, in the selection of accounting policies, consulted the statutory Auditors and have applied them consistently and made judgements 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 2010-11 and of the profit of the company for that period;

    (iii) 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;

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

REPORT ON CORPORATE GOVERNANCE

21. Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the followings form part of this Annual Report :

    (i) Managing Director's declaration regarding compliance of Code of Conduct by Board Members and Senior Management personnel;

    (ii) Management Discussion and Analysis;

    (iii) Report on the Corporate Governance;

    (iv) Auditors' Certificate regarding compliance of conditions of Corporate Governance.

VOLUNTARY DELISTING OF THE COMPANY'S EQUITY SHARES FROM CERTAIN STOCK EXCHANGES

22. The Equity Shares of the company have been voluntarily delisted from The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Ltd. during 2004-05, from Bhubaneswar Stock Exchange during 2006-07 and from Calcutta Stock Exchange Association Ltd. during the year 2008-09.

    Shares of the company are actively traded in the National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd.

AUDITORS

23. The Auditors, Messrs Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

ACKNOWLEDGEMENT

The Board takes this opportunity to sincerely thank all its stakeholders namely, shareholders, customers, suppliers/contractors, bankers, employees, government agencies, local authorities, and the immediate society for their unstinted support and co-operation during the year.

On behalf of the Board of Directors

(A.M. Misra)
Chairman

Jamshedpur,
6th May, 2011

ANNEXURE TO THE DIRECTORS' REPORT

Statement pursuant to Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY :

	2010 - 2011		2009 - 2010	
A) Power and Fuel Consumption				
1) ELECTIRCITY	Unit KWH	Amount Rupees	Unit KWH	Amount Rupees
a) Purchased Unit / Amount	24,600	160,385	94,800	419,675
Rate per unit	–	6.52	–	4.43
b) Own Generation				
i) Through Diesel Generator				
Units per litre of Diesel (Kwh/Ltr.)	–	–	–	–
Cost per unit	–	–	–	–
ii) Through Steam Turbine Generator				
Unit / Amount (Consumption) #	55,075,284	39,891,046	53,842,543	41,038,366
Cost per unit	–	0.72	–	0.76

#Consumption includes 16660761 KWH consumed in generating power plant, but excludes 133768800 KWH sold and 2525316 KWH consumed in the township.

	2010 - 2011		2009 - 2010	
2) COAL	Unit (MT)	Amount Rupees	Unit (MT)	Amount Rupees
Consumption	483,028	2,360,073,710	455,274	1,856,233,098
Coal is used in the manufacturing process as reductant (Please refer to Schedule N of Accounts)				
3) DIESEL OIL	Unit (Ltr.)	Amount Rupees	Unit (Ltr.)	Amount Rupees
a) High Speed Diesel				
Quantity / Value	–	–	–	–
Rate / Unit	–	–	–	–
B) Consumption per unit of production				
Electricity (KWH)	100.30	–	102.94	–
Coal (MT)	1.26	–	1.27	–
Diesel Oil (Ltr.)	–	–	–	–

Note : Figures of the previous year have been regrouped wherever necessary.

TECHNOLOGY ABSORPTION :

A) Research and Development

1) Specific areas in which R & D was carried out by the Company : Nil
2) Benefits derived as a result of the above : Does not arise
3) Future plan of action : Not yet decided
4) Expenditure on R & D : Nil
   a) Capital
   b) Recurring
   c) Total
   d) Total R & D expenditure as a Percentage of total turnover

B) Technology absorption, adaptation and innovation :

1) Efforts in brief, made towards technology absorption, adaptation and innovation :
   The plant has adopted Tisco Direct Reduction Process, which has been absorbed in full.
2) Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
   The Company achieves the metallisation acceptable to the user industry.
   The Company is constantly endeavouring to bring about further development in the product. Sponge Iron produced by the Company has helped the country in saving the outgo of scarce foreign exchange resources by way of import substitution.
3) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished :
   a) Technology imported : Nil
   b) Year of import : Not applicable.
   c) Has technology been fully absorbed : Not applicable.
   d) If not fully absorbed, areas where this has not taken place, reasons therefor and the plan of action : Not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Earnings : Rs.12,71,468
Outgo : Rs.86,51,96,981

On behalf of the Board of Directors
(A.M. Misra)
Chairman

Jamshedpur
6th May, 2011

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT,1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES,1975

Sl. No.	Name of the Employee	Designation/ Nature of duties	Age	Gross Remuneration received (Rs.Lac)	Qualification	Experience in No. of years	Last employment held	Commen-cement of Employment
1	Suresh Thawani	Managing Director	60 +	76.98	B. Tech (Hons) Metallurgical Engg. Diploma in Electrical & Mechanical Engineering.	38	Jamshedpur Injection Powder Ltd. Managing Director	10-03-2007

NOTES:
1. Gross remuneration comprises salary, commission, allowances, monetary value of perquisites, Company's contribution to Provident Fund and Superannuation Fund, but excludes contribution to Gratuity Fund on the basis of acturial valuation as separate figures are not available.
2. The nature of employment of the above managerial personnel is contractual.

On behalf of the Board of Directors
(A. M. Misra)
Chairman

Jamshedpur
6th May, 2011

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted Tata Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's website, www.tatasponge.com.

I confirm that the Company has in respect of the financial year ended March 31, 2011, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For TATA SPONGE IRON LIMITED
Suresh Thawani
Managing Director

Jamshedpur
6th May, 2011

MANAGEMENT DISCUSSION & ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS

1) The sponge iron industry in India is divided into two types of companies, those who are integrated with steel making and those in merchant sector. Merchant sector amounts to about 20% of the total capacity. Tata Sponge belongs to this sector.

Further, sponge iron industry is also divided into two sectors, gas based and coal based. There are only three producers in gas based sector in India and their product is known as Hot Briquetting Iron (HBI). In coal based sector there are about 400 units across the entire country and the product is known as Sponge Iron. Tata Sponge is a coal based sponge iron producer.

During the year, growth in sponge iron industry slowed down compared to previous years, especially when compared to pre economic slowdown year of 2008. The industry produced 23 million tonnes of sponge iron/HBI in year 2010-2011 with gas based units producing 6 million tonnes and coal based units producing 17 million tonnes.

Sponge iron is an intermediate product as source of metalics for electric steel making. Other sources of metalics are either steel scrap or hot metal produced in blast furnace.

Tata sponge operates three kilns with an installed capacity of 3,90,000 tonnes per annum to produce sponge iron. The waste gas from sponge making kilns have significant energy in the form of heat. This energy can be recovered in waste heat recovery boilers to generate steam and use the same for producing power. Therefore, two power plants, based on waste heat from kilns with a combined generation capacity of 26 MW were installed in the past. These plants generated power satisfactorily during the course of the year. Entire surplus power, which was about two third of generation, was exported/sold. This revenue also contributed to bottom line.

For producing targeted quantity and desired quality of sponge iron, it is important to use right quality of raw materials i.e. iron ore and coal. Tata Steel supplies full quantity of iron ore. A part of coal was sourced from indigenous sources like CIL collieries and open market procurements and balance from overseas markets. Imported coal being low in ash content, improves the average quality of coal used in sponge making. High ash content in indigenous coal is injurious to the operating conditions of kilns.

OPPORTUNITIES AND THREATS

2. a) **Opportunities** :

Growth in the steel demand has strong correlation with growth in GDP of nation. As Indian economy is slated to exhibit robust growth in GDP, steel demand is also expected to grow in tandem. The demand for sponge iron in medium term shall be healthy as secondary steel melting industry in India is meeting the growing demand of steel. With possibility of large green-field integrated steel plants coming up in the near future, non-integrated secondary steel producers without raw material base are likely to face cost pressure. Consequently merchant sponge suppliers will be under pressure on account of market demand. The company therefore has vision to shift focus to steel making from present sponge making only.

The coal block which is under development will ensure reduction in the manufacturing cost of the sponge iron.

b) **Threats:**

The cost of iron ore and coal constitute major cost of production. Therefore the profitability of the Company depends on market price of these raw materials vis-à-vis price of sponge iron. The only way to substantially reduce the cost of iron ore and coal is to have captive mines for these raw materials. The Coal block which is under development will meet only a part of the coal requirements of stipulated end uses. Further, the coal linkage was disrupted during the year, forcing the company to procure more coal through e-auctions of Coal India and overseas markets at high cost. The company does not have any iron ore mine.

With effect from 27th February, 2011, the Coal India increased the price of coal. The price of 'A' and 'B' grade coal (quality of our long term linkage) was increased by 150% to make the price of coal at par with imported coal. Better quality of 'A' and 'B' grade coal from CIL are available at the same price through e-auction. This has made long term linkages of coal quite inconsequential for Tata Sponge.

The infrastructural constraints at ports and rail-rake availability are posing problems in getting imported coal from ports by rails. The road transportation cost, both for iron ore and coal, is extremely high due to existence of transport unions in the state of Orissa.

Due to crisis in Middle East, the price of crude oil has gone up. This has resulted in increase in price of thermal coal that company purchases from international markets. Both high cost of imported and indigenous coal and increase in the price of iron ore put pressure on the profitability of the company.

Global warming and climate change have been recognised by the company as serious concerns. During the year under review, the company has pursued a climate change policy. Further, energy audit, installation of energy saving equipment /devices, measuring of carbon footprint, etc. are some of the steps taken by the Company to address these concerns.

Under the National Action Plan for Climate Change (NAPCC) announced by the Prime Minister of India, one of the eight missions is National Mission for Enhanced Energy Efficiency (NMEEE). The Bureau of Energy Efficiency (BEE) under Ministry of Power has been entrusted with operationalizing this mission. Under this, the designated consumers (DC) of energy (Tata Sponge is one of them) are being directed to reduce their specific energy consumption (SEC) Under Perform Achieve & Trade (PAT) scheme. The first period of PAT has been fixed as April, 2011 to March, 2014, during which each DC will be given a target SEC to achieve. There will be penalty for not achieving target SEC and reward for exceeding that.

SEGMENT-WISE/PRODUCT-WISE PERFORMANCE

3) During the year, company was engaged mainly in the manufacture of sponge iron which is the only reportable segment in accordance with the Accounting Standard 17 issued pursuant to the Companies (Accounting Standards), Rules, 2006. The production of sponge iron during the year was 3,83,002 MT compared to 3,59,333 MT in the previous year. The sales during the year was 3,80,273 MT compared to 3,61,207 MT in the previous year. Both production and sales quantity was higher by 7% and 5% respectively compared to previous year. Capacity utilisation of sponge iron plant was higher by 6% at 98% compared to previous year. Downtime for repairs etc was lower by 14 % compared to previous year.

Two power plants generated 191 million KWH of power and exported 134 million KWH (net) of power as against 181 million KWH and 125 million KWH respectively in the previous year. This got a revenue of Rs.36 crore for the company compared to Rs.38 crore in the previous year.

For maintaining consistent quality of iron ore primarily from one single source, the company has in the past leased out mining assets worth Rs.682.29 lakhs to Tata Steel Ltd to operate Khondbond iron ore mines and supply iron ore to the company.

OUTLOOK

4) The outlook of the company is broadly described in Vision and Mission statements of the Company. Options of shifting focus to steel making , additional power generation at existing location by installing an AFBC at Joda and a separate power plant at pit head of coal block etc. are being examined to optimise the revenue in future.

RISKS AND CONCERNS

5) The process of Risk Management in the company identifies inherent risks in its operations and records residual risk after taking specific risk mitigation steps. The company has identified and categorised risks in the areas of Operations, Finance & Marketing, Regulatory Compliances and Corporate matter. Internal Auditor expresses his opinion on the level of risk identified during the audit of particular area which is reported to the Audit Committee through the Internal Audit Reports. Societal issues pose critical problems in connection with land acquisition for coal mining.

Wherever possible and necessary, appropriate insurance cover is taken for financial risk mitigation. An economic slowdown can adversely affect the demand-supply equation in the sponge iron industry. The price of sponge iron is sensitive to the demand-supply position of steel scrap in the country and selling prices of long products.

On the financial front, the Company has not borrowed any amount in foreign currency and thus has no exposure to exchange rate fluctuation risk. However, the company has a Foreign Exchange Policy approved by the Board. Credit policy of the company is primarily based on the customer profile. The Management does not perceive any major technological, environmental and/or financial risks for the Company in the near future. However, the recovery of the economy which has just begun might take some time to return to normalcy.

The Company has contingent liability as disclosed in Schedule - N of Notes to Balance Sheet and Profit & Loss Account.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

6) The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly, applicable statutes, the Tata Code of Conduct and Corporate policies are duly complied with.

The Company has an Audit Committee with majority of independent directors as members to maintain the objectivity. The Audit Charter is the guiding document in this connection. The Company has an Internal Audit Department which conducts audit in various functional areas as per audit programme approved by the Audit Committee. Audit planning and executions are oriented towards a review of internal controls and risks in the functional areas of the company. The Internal Audit Department reports its findings and observations to the Audit Committee which met four times during the year to review the audit issues and to follow up implementation of corrective actions.

The Audit Committee also seeks the views of statutory auditors on the adequacy of the internal control systems in the Company. The Auditors' report regarding adequacy of internal controls can be seen in Clause No. (v) of the Annexure to the Auditors' Report.

FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

7) (a) Financial performance of the Company has been summarised in the table below followed by explanatory remarks for significant changes in 2010-11 compared to previous year.

(Rs in lakh)

	2010-11	2009-10	Change*	% change	Remarks
Total income	69487	54194	15293	28	1
Consumption of raw material	44501	31955	(12546)	39	2
Employee cost	1983	2039	56	3	
Other expenses	6123	5616	(507)	9	3
Depreciation	1852	1938	86	4	4
Interest	-	25	25	100	
Profit after tax	10134	8452	1682	20	
Earning per share Rs	65.80	54.88	10.92	20	
Reserves & Surplus	49169	40467	8702	22	
Secured loans	-	15	15	100	
Current Liabilities & provisions	9326	7755	1571	20	
Fixed Assets (gross)	35984	35925	59	-	
Current Assets	28748	21549	7199	33	5

** figures within bracket denote adverse change.*

(1) Increase in total income is due to sale of higher quantity of sponge iron and higher net realisation during the year as compared to the previous year.

(2) Increase in raw material cost is mainly due to higher production of sponge iron and increase in raw material prices.

(3) Increase in other expenses is due to increased level of repair & maintenance and provision against demanded taxes by the commercial tax department.

(4) Decrease in depreciation charge is due to attainment of permissible depreciation on certain assets as per the depreciation policy.

(5) Increase in current assets is mainly due to increase in availability of surplus funds in short term deposit account.

7) (b) Operational performance of the Company has been summarised in the table below followed by explanatory remarks for significant changes in 2010-11 compared to previous year.

	2010-11	2009-10	Change	% change	Remarks
Sponge iron	**Tonnes**	**Tonnes**	**Tonnes**		
Production	383002	359333	23669	7	A
Despatches	380273	361207	19066	5	B
Capacity utilisation (kilns)	98%	92 %	6	6	C
Power	**Million KWH**	**Million KWH**	**Million KWH**		
Generation (gross)	191	181	10	6	D
Export	134	125	9	7	E

A & C- Reduction in downtime mainly due to adoption of modern plant maintenance techniques like TPM/CCPM and use of imported coal having high fixed carbon and low ash resulted into higher capacity utilisation and higher production.

B – Higher despatch was consequential to higher production.

D & E- Reduction in downtime due to corrective steps taken in power plants and also due to greater availability of kilns resulted into higher generation as well as export of power.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

8) The company had 444 employees as on 31st March, 2011 as compared to 454 as on 31st March, 2010. A number of training programmes were conducted to develop human resources. The Corporate Balanced Score Card approach was adopted by the company for aligning individual goals with organisational goals. The company focussed on enhancing employees' engagement plans. Reward and recognition policies created a positive work environment.

Industrial relations remained cordial throughout the year.

CAUTIONARY STATEMENT

9) ***The above Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include external economic conditions affecting demand/supply influencing price conditions in the market in which the Company operates, changes in Government regulations, statutes, tax laws, currency rate fluctuations and other incidental factors.***

AUDITORS' REPORT

TO THE MEMBERS OF TATA SPONGE IRON LIMITED

1. We have audited the attached Balance Sheet of **Tata Sponge Iron Limited ("the Company")** as at 31st March, 2011, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that

   (i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

   (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act 1956;

   (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;

      (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date;

      (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of written representations received from the directors as on 31st March 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.302009E)

Abhijit Bandyopadhyay
Partner
Membership No. 054785

Jamshedpur, 6th May, 2011

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

(i) Having regard to the nature of the Company's business/activities/result paragraphs 4(vi), (x), (xii), (xiii), (xiv), (xv) and (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation *of fixed assets.*

(b) The fixed assets were physically verified during the year by the management in accordance with a regular program of verification, which, in our opinion, provides for physical verification of all the fixed assets at regular intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of its inventories:

(a) As explained to us, inventories were physically verified during the year by the management at reasonable intervals.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

(iv) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and the sale of goods and services. During the course of our audit we have not observed any major weaknesses in the internal control system.

(vi) In respect of contracts or arrangements entered in the register maintained in pursuance of section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

(a) The particulars of contracts or arrangements referred to in section 301 that need to be entered into the register maintained under the said section have been so entered.

(b) Where each of such transaction is in excess of rupees five lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any product of the Company.

(ix) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) there were no undisputed amounts payable in respect of Income tax, Sales-tax, Wealth tax, Service tax, Custom duty, Excise duty and Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable except for sales tax of Rs. 324.58 lakhs which is outstanding for more than six months.

(c) details of dues of Income tax, Sales tax, Service tax, Customs duty, Wealth tax, Excise duty and Cess which have not been deposited as at 31st March, 2011 on account of any dispute are given below:

Name of Statute	Nature of dues	Amount (Rs. Lacs)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act 1956	Central Sales Tax	6.74	1987-88,1992-93, 1993-94,1994-95, 1997-98	Orissa Sales Tax Tribunal
		66.71	2005-06	Joint Commissioner of Sales Tax
		1226.89	2006-07, 2007-08	High Court of Orissa
Orissa Sales Tax Act	Sales Tax	4.85	1987-88,1992-93, 2000-01	Orissa Sales Tax Tribunal
		5.60	1989-90, 1990-91	Commercial Tax Officer
Orissa Entry Tax Act	Entry Tax	102.62	2005-06	Assistant Commissioner of Commercial Taxes
		477.02	2006-07, 2007-08	High Court of Orissa
Orissa Value Added Tax Act, 2004	Value Added Tax	7.14	2005-06	Commissioner of Commercial Taxes
		1065.82	2006-07, 2007-08	High Court of Orissa
Income tax Act, 1961	Income tax	257.24	2005-06	Commissioner of Income tax (Appeals)
Income tax Act, 1961	Income tax	257.60	2007-08	Commissioner of Income tax (Appeals)

(x) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

(xi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were prima facie applied by the Company during the year for the purposes for which the loans were obtained other than temporary deployment pending application.

(xii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investment.

(xiii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

(xiv) The Company has not raised any money by public issue.

(xv) To best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No.302009E)

Abhijit Bandyopadhyay
Partner
Membership No. 054785

Jamshedpur, 6th May, 2011

BALANCE SHEET
AS AT 31ST MARCH 2011

	Schedule	31.03.2011 Rs. In lacs	31.03.2011 Rs. In lacs	31.03.2010 Rs. In lacs
SOURCES OF FUNDS				
1. SHAREHOLDERS' FUNDS				
a). Share Capital	A	1,540.00		1,540.00
b). Reserves and Surplus	B	49,168.73		40,467.05
			50,708.73	42,007.05
2. LOAN FUNDS				
a). Secured Loans	C		—	14.81
3. DEFERRED TAX LIABILITY (NET) (Refer Note 18 of Schedule N)			3,926.60	4,592.27
TOTAL			54,635.33	46,614.13
APPLICATION OF FUNDS				
4. FIXED ASSETS				
a). Gross Block	D	35,984.46		35,924.90
b). Less: Depreciation/Amortisation		17,111.31		15,359.13
c). Net Block		18,873.15		20,565.77
d). Capital Work-in-Progress	E	12,904.76		12,174.48
			31,777.91	32,740.25
5. INVESTMENTS	F		3,435.25	80.00
6. CURRENT ASSETS, LOANS AND ADVANCES				
a). Inventories	G	6,266.68		6,827.91
b). Sundry Debtors	H	2,232.91		3,751.03
c). Cash and Bank Balances	I	18,806.03		9,331.42
d). Other Current Assets	J	242.11		22.92
e). Loans and Advances	K	1,200.37		1,615.48
		28,748.10		21,548.76
7. LESS: CURRENT LIABILITIES AND PROVISIONS				
a). Current Liabilities	L	4,134.85		4,006.74
b). Provisions	M	5,191.08		3,748.14
		9,325.93		7,754.88
8. NET CURRENT ASSETS			19,422.17	13,793.88
TOTAL			54,635.33	46,614.13
9. NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT	N			

The Schedules referred to above form an integral part of Balance sheet and Profit and Loss Account

As per our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Abhijit Bandyopadhyay
Partner
Jamshedpur, 6th May 2011

For and on behalf of the Board of Directors
A. M. Misra - *Chairman*
N.P. Sinha - *Director*
Suresh Thawani - *Managing Director*
S. S. Dhanjal - *Company Secretary*
Jamshedpur, 6th May 2011

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	2010-11 Rs. In lacs	2010-11 Rs. In lacs	2009-10 Rs. In lacs
INCOME				
1. SALE OF PRODUCTS AND POWER	1		73,527.85	55,770.35
Less: Excise duty			5,949.50	3,768.98
			67,578.35	52,001.37
2. OTHER INCOME	2		1,908.82	2,193.03
			69,487.17	54,194.40
EXPENDITURE				
3. MANUFACTURING AND OTHER EXPENSES	3	52,607.56		39,609.75
4. DEPRECIATION / AMORTISATION		1,851.50		1,937.52
			54,459.06	41,547.27
5. INTEREST	4		0.24	24.98
6. TOTAL EXPENDITURE			54,459.30	41,572.25
PROFIT BEFORE TAXES			15,027.87	12,622.15
7. TAXES				
a). Current tax [Includes write back of excess provision for earlier years Rs. Nil *(Previous year: Rs. 1.53 lacs)*]			5,560.00	4,608.47
b). Deferred tax (Refer Note 18 of Schedule N)			(665.67)	(440.42)
c). Fringe Benefit Tax [Includes for the earlier year Rs. Nil *(Previous year Rs. 1.86 lacs)*]			—	1.86
			4,894.33	4,169.91
PROFIT AFTER TAX			10,133.54	8,452.24
8. BALANCE BROUGHT FORWARD			1,232.05	916.43
AMOUNT AVAILABLE FOR APPROPRIATION			11,365.59	9,368.67
9. APPROPRIATIONS				
a). Proposed Dividend			1,232.00	1,232.00
b). Tax on Dividend			199.86	204.62
c). General Reserve			8,500.00	6,700.00
			9,931.86	8,136.62
BALANCE CARRIED TO BALANCE SHEET			1,433.73	1,232.05
10. EARNINGS PER SHARE (Rupees)(Basic and Diluted) (Refer Note 16 of Schedule N)			65.80	54.88
11. NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT	N			

The Schedules referred to above form an integral part of Balance sheet and Profit and Loss Account

As per our report attached
For Deloitte Haskins & Sells
Chartered Accountants

Abhijit Bandyopadhyay
Partner
Jamshedpur, 6th May 2011

For and on behalf of the Board of Directors
A. M. Misra - *Chairman*
N.P. Sinha - *Director*
Suresh Thawani - *Managing Director*
S. S. Dhanjal - *Company Secretary*
Jamshedpur, 6th May 2011

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2011

	2010-11 Rs. In lacs	2010-11 Rs. In lacs	2009-10 Rs. In lacs	2009-10 Rs. In lacs
(A) Cash Flow from Operating Activities :				
Net Profit before Tax		15,027.87		12,622.15
Adjustments for :				
Depreciation	1,851.50		1,937.52	
Interest expense	0.24		24.98	
Wealth tax Provision	4.00		4.00	
Dividend Received	(239.01)		(60.00)	
(Profit)/Loss on sale of assets	1.67		(20.66)	
Provision no longer required written back	(31.88)		—	
Interest income	(935.49)		(578.91)	
		651.03		1,306.93
Operating Profit before Working Capital Changes		15,678.90		13,929.08
Adjustments for :				
Trade and Other Receivables	1,934.67		(1,372.10)	
Inventories	561.23		(1,749.05)	
Trade Payables and Other Liabilities	685.88		1,112.59	
		3,181.78		(2,008.56)
Direct taxes paid		(4,814.01)		(3,441.96)
Cash from Operating Activities ......(A)		14,046.67		8,478.56
(B) Cash Flow from Investing Activities :				
Purchase of Fixed Assets		(946.94)		(10,198.65)
Cash from Capital Subsidy		—		20.00
Purchase of Investments[2]		(16,769.24)		—
Sale of Investments		13,521.00		—
Sale of Fixed Assets		7.94		32.54
Interest received		714.85		716.44
Dividend received		132.00		60.00
Net Cash Used in Investing Activities ....(B)		(3,340.39)		(9,369.67)
(C) Cash Flow from Financing Activities :				
Borrowings		(14.81)		3.70
Dividends paid		(1,216.62)		(1,216.66)
Interest paid		(0.24)		(24.98)
Net Cash from Financing Activities ......(C)		(1,231.67)		(1,237.94)
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)		9,474.61		(2,129.05)
Cash and Cash equivalents as at 1st April 2010		9,331.42		11,460.47
Cash and Cash equivalents as at 31st March 2011[1]		18,806.03		9,331.42

Note: 1. Includes restricted balance Rs.116.58 lacs (31.03.2010 Rs. 101.20 lacs)
2. Excludes purchase made from re investment of dividend Rs. 107.01 lacs
3. Figures in brackets represent outflows

As per our report attached
For Deloitte Haskins & Sells
Chartered Accountants
Abhijit Bandyopadhyay
Partner
Jamshedpur, 6th May 2011

For and on behalf of the Board of Directors
A. M. Misra - *Chairman*
N.P. Sinha - *Director*
Suresh Thawani - *Managing Director*
S. S. Dhanjal - *Company Secretary*
Jamshedpur, 6th May 2011

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

		2010-11 Rs. In lacs	2009-10 Rs. In lacs
SCHEDULE 1 : SALE OF PRODUCTS AND POWER			
a) Sale of Products		69,924.40	51,937.18
b) Sale of Power		3,603.45	3,833.17
		73,527.85	55,770.35
SCHEDULE 2 : OTHER INCOME			
a) Interest on deposits with bank and other accounts [Tax deducted at source Rs.94.55 lacs *(Previous year : Rs.122.07 lacs)*]		935.49	578.91
b) Lease rentals [Tax deducted at source Rs. 3.26 lacs *(Previous year : Rs.11.37 lacs)*]		24.52	59.08
c) Income from Investments			
i) Trade Investment		132.00	60.00
ii) Current Investments		107.01	—
		239.01	60.00
d) Miscellaneous Income [Net of Excise Duty of Rs.12.12 lacs *(Previous year : Rs.5.75 lacs)*] [Tax deducted at source Rs.7.19 lacs *(Previous year Rs. 11.70 lacs)*]		677.92	1,298.62
e) Sale of Carbon Credit		—	196.42
f) Provision no longer required, written back		31.88	—
		1,908.82	2,193.03
SCHEDULE 3 : MANUFACTURING AND OTHER EXPENSES			
a). Raw Materials consumed			
i) Opening stock	5,234.85		3,431.19
ii) Add: Purchases	43,444.64		33,758.87
	48,679.49		37,190.06
iii) Less: Closing stock	4,178.79		5,234.85
		44,500.70	31,955.21
b). Payments to and Provisions for Employees			
i) Salaries, Wages, Bonus and Leave salary	1,587.28		1,617.59
ii) Company's Contribution to Provident and other Funds	231.65		271.24
iii) Staff Welfare Expenses	164.54		150.19
		1,983.47	2,039.02
c). Operation and other expenses			
i) Consumption of Stores and Spares	231.54		238.87
ii) Power and Fuel	147.24		176.44
iii) Repairs to Buildings	314.26		343.20
iv) Repairs to Machinery	1,579.26		1,390.81
v) Rent	40.81		38.10
vi) Rates and Taxes	2.68		1.52
vii) Insurance (net of recoveries)	39.65		16.53
viii) Packing and Forwarding	888.79		763.62
ix) Commission and Discount	48.41		51.07
x) Other Expenses	2,593.38		1,759.56
		5,886.02	4,779.72
d) Sales Tax		680.82	573.43
e) Change in excise duty on finished stock		54.09	7.13
f) (Accretion)/Reduction in stock of finished goods (Deducted)/Added			
i) Opening Stock	418.03		673.27
ii) Closing Stock	915.57		418.03
		(497.54)	255.24
Decrease in stock of finished goods			
		52,607.56	39,609.75
SCHEDULE 4 : INTEREST			
a) Interest on			
i) Others		0.24	24.98
		0.24	24.98

SCHEDULES FORMING PART OF BALANCE SHEET

	31.03.2011 Rs. In lacs	31.03.2010 Rs. In lacs
SCHEDULE A : SHARE CAPITAL		
Authorised		
25,000,000 *(25,000,000 as at 31.03.2010)* Equity Shares of Rs. 10 each	**2,500.00**	2,500.00
Issued, Subscribed and paid up		
15,400,000 *(15,400,000 as at 31.03.2010)* Equity Shares of Rs. 10 each	**1,540.00**	1,540.00
	1,540.00	1,540.00
SCHEDULE B : RESERVES AND SURPLUS		
a) Capital Reserve		
Central Subsidy		
As per the last Balance Sheet	**35.00**	15.00
Add : Amount received from Government of Orissa	—	20.00
	35.00	35.00
b) General Reserve		
As per the last Balance Sheet	**39,200.00**	32,500.00
Add : Transfer from Profit and Loss Account	**8,500.00**	6,700.00
	47,700.00	39,200.00
c) Surplus in Profit & Loss Account		
Balance carried forward as per Profit and Loss Account	**1,433.73**	1,232.05
	49,168.73	40,467.05
SCHEDULE C : SECURED LOANS		
a) Cash Credits from Banks		
State Bank of India	—	—
Canara Bank	—	14.81
	—	14.81

Note:-

Cash Credits from banks are secured by first charge by way of hypothecation of stock of raw materials, stock-in-process, finished goods, stores and spares, book debts and other liquid assets of the Company, both present and future and further by a pari-passu second charge on the immovable properties

SCHEDULES FORMING PART OF BALANCE SHEET

SCHEDULE D : FIXED ASSETS

Rs. In lacs

ASSETS	Gross Block (At Cost)				Depreciation/ Amortisation				Net Block
	As at 01.04.2010	Additions	Deletions (Refer Note 1)	As at 31.03.2011	As at 01.04.2010	For the year (Refer Note 1)	On Deletions	As at 31.03.2011	As at 31.03.2011
TANGIBLE ASSETS									
Freehold Land	**78.12**	**-**	**-**	**78.12**	**-**	**-**	**-**	**-**	**78.12**
	78.12	*-*	*-*	*78.12*	*-*	*-*	*-*	*-*	*78.12*
Leasehold Land	**3.02**	**-**	**-**	**3.02**	**0.86**	**0.03**	**-**	**0.89**	**2.13**
	3.02	*-*	*-*	*3.02*	*0.83*	*0.03*	*-*	*0.86*	*2.16*
Land Development	**39.86**	**-**	**-**	**39.86**	**11.44**	**0.45**	**-**	**11.89**	**27.97**
	39.86	*-*	*-*	*39.86*	*10.99*	*0.45*	*-*	*11.44*	*28.42*
Building	**3,515.69**	**82.31**	**0.35**	**3,597.65**	**776.12**	**83.17**	**-**	**859.29**	**2,738.36**
	3,447.46	*68.23*	*-*	*3,515.69*	*694.24*	*81.88*	*-*	*776.12*	*2,739.57*
Railway Siding	**363.86**	**-**	**-**	**363.86**	**363.86**	**-**	**-**	**363.86**	**-**
	363.86	*-*	*-*	*363.86*	*363.86*	*-*	*-*	*363.86*	*-*
Plant and Machinery	**30,779.51**	**71.22**	**97.11**	**30,753.62**	**13,418.12**	**1,622.71**	**80.03**	**14,960.80**	**15,792.82**
	30,838.72	*93.72*	*152.93*	*30,779.51*	*11,890.63*	*1,651.24*	*123.75*	*13,418.12*	*17,361.39*
Furniture and Fittings	**241.74**	**7.60**	**-**	**249.34**	**192.80**	**17.69**	**-**	**210.49**	**38.85**
	224.93	*16.81*	*-*	*241.74*	*170.60*	*22.20*	*-*	*192.80*	*48.94*
Office Equipment	**36.46**	**0.67**	**0.38**	**36.75**	**15.08**	**1.54**	**0.12**	**16.50**	**20.25**
	35.62	*0.84*	*-*	*36.46*	*13.50*	*1.58*	*-*	*15.08*	*21.38*
Vehicles	**232.03**	**17.19**	**21.59**	**227.63**	**148.76**	**28.96**	**19.17**	**158.55**	**69.08**
	248.79	*14.73*	*31.49*	*232.03*	*144.19*	*31.13*	*26.56*	*148.76*	*83.27*
Sub Total	**35,290.29**	**178.99**	**119.43**	**35,349.85**	**14,927.04**	**1,754.55**	**99.32**	**16,582.27**	**18,767.58**
	35,280.38	*194.33*	*184.42*	*35,290.29*	*13,288.84*	*1,788.51*	*150.31*	*14,927.04*	*20,363.25*
INTANGIBLE ASSETS (OTHER THAN INTERNALLY GENERATED)									
Mining Geological Report	**468.90**	**-**	**-**	**468.90**	**269.78**	**93.78**	**-**	**363.56**	**105.34**
	468.90	*-*	*-*	*468.90*	*176.00*	*93.78*	*-*	*269.78*	*199.12*
Software	**165.71**	**-**	**-**	**165.71**	**162.31**	**3.17**	**-**	**165.48**	**0.23**
	165.71	*-*	*-*	*165.71*	*107.08*	*55.23*	*-*	*162.31*	*3.40*
Sub Total	**634.61**	**-**	**-**	**634.61**	**432.09**	**96.95**	**-**	**529.04**	**105.57**
	634.61	*-*	*-*	*634.61*	*283.08*	*149.01*	*-*	*432.09*	*202.52*
Total	**35,924.90**	**178.99**	**119.43**	**35,984.46**	**15,359.13**	**1,851.50**	**99.32**	**17,111.31**	**18,873.15**
	35,914.99	*194.33*	*184.42*	*35,924.90*	*13,571.92*	*1,937.52*	*150.31*	*15,359.13*	*20,565.77*

Notes :

1. Deletions for the year includes Rs. 10.50 lacs (31.03.2010 : Rs.22.23 lacs)on account of write back of liabilities. The depreciation charge for the period are net of Rs. 2.42 lacs (31.03.2010 : Rs.1.53 lacs) being the depreciation charged on such writeback up to 31 st March 2010.
2. Fixed assets include Plant and Machinery, Vehicle and Office Equipment with an original cost of Rs.682.29 lacs (31.03.2010:Rs. 682.29 lacs) given on lease to Tata Steel Limited. The lease agreement with Tata Steel Ltd expired on 31st August, 2010 but the Fixed assets are still in the possession of Tata Steel pending final negotiation. Those leased assets are carried at Re.1 each in the books as at 31st March, 2011.
3. Figures in italics are for previous year

SCHEDULES FORMING PART OF BALANCE SHEET

	31.03.2011 Rs. In lacs	31.03.2010 Rs. In lacs
SCHEDULE E : CAPITAL WORK-IN-PROGRESS		
a) Work-in-progress (at cost)	**1,191.28**	982.21
b) Advances for Capital Expenditure(Unsecured, considered good)		
i) For purchase of land	**11,713.48**	11,192.27
	12,904.76	12,174.48
SCHEDULE F : INVESTMENTS		
a) **Long term investments** (At Cost less provision for diminution in value)		
Trade Investments (Unquoted) 800,000 *(31.3.2010 : 800,000)* equity shares of Rs.10 each in JAMIPOL Ltd., fully Paid-up	**80.00**	80.00
b) **Current investments** (At lower of cost and fair value)		
Investment in Mutual Liquid Fund (Unquoted)		

NAME OF MUTUAL FUND	Balance As at 01.04.2010		Purchased during the Year		Sold during the Year		Balance As at 31.03.2011	
	No.of Units	Rs. In lacs	No. of Units	Rs. In lacs	No.of Units	Rs. In lacs	No.of Units	Rs. In lacs
NLFID Canara Robeco Liquid Fund- Institutional Daily Dividend Reinvest	-	-	24,115,143.323	2,424.78	17,996,733.395	1,809.57	6,118,409.928	615.21
ICICI Prudential Liquid Fund-Institutional Daily Dividend	-	-	168,986.326	200.25	168,986.326	200.25	-	-
JPMorgan India Liquid Fund-Super Instnl. Daily Dividend Plan-Reinvest	-	-	24,822,426.162	2,484.20	24,822,426.162	2,484.20	-	-
SBI-Magnum Insta Cash Fund-Daily Dividend	-	-	24,573,306.342	4,116.10	22,179,056.992	3,715.06	2,394,249.350	401.04
SBI-SHF-ULTRA Short Term Fund-Institutional PLAN - Daily Dividend	-	-	1,000,119.371	100.07	1,000,119.371	100.07	-	-
SBNPP Money Fund Inst.-Daily Div Reinvestment	-	-	14,981,692.924	1,512.45	10,915,908.010	1,101.99	4,065,784.914	410.46
TATA Liquid Super High Investment Fund-Daily Dividend	-	-	234,185.582	2,610.05	170,899.189	1,904.71	63,286.393	705.34
Templeton India Treasury Management Account Institutional Plan- Daily Dividend	-	-	186,112.753	1,862.38	135,202.467	1,352.93	50,910.286	509.45
Peerless Liquid Fund-Super Institutional Daily Dividend	-	-	2,023,278.449	202.36	-	-	2,023,278.449	202.36
C54 L & T Liquid Inst Daily Dividend Reinvestment Plan	-	-	8,536,814.845	863.61	3,481,688.768	352.22	5,055,126.077	511.39
C154 L & T Liq Sup Inst. Plan	-	-	3,816,706.488	500.00	3,816,706.488	500.00	-	-
TOTAL	-	-	-	16,876.25		13,521.00		3,355.25

	31.03.2011	31.03.2010
Total Investments	3,435.25	80.00
	Book Value	Book Value
Agregate amount of Unquoted Investments	3,435.25	80.00

SCHEDULES FORMING PART OF BALANCE SHEET

	31.03.2011 Rs. In lacs	31.03.2010 Rs. In lacs
SCHEDULE G : INVENTORIES		
a) Finished Products (at lower of cost or net realisable value)	**915.57**	418.03
b) Raw materials (at cost) [Includes goods in transit Rs. Nil *(31.03.2010 Rs. 2673.43)*]	**4,178.79**	5,234.85
c) Stores and spares (at cost less provision for obsolescence)	**1,172.32**	1,175.03
	6,266.68	6,827.91
SCHEDULE H : SUNDRY DEBTORS		
(Unsecured, considered good)		
a) Debtors outstanding for a period exceeding six months	**633.39**	—
b) Others	**1,599.52**	3,751.03
	2,232.91	3,751.03
SCHEDULE I : CASH AND BANK BALANCES		
a) Cash in hand	**2.03**	2.03
b) Balances with scheduled banks		
i) On Current Account	**250.43**	543.19
ii) On Term Deposit Account	**18,438.29**	8,686.30
iii) Unclaimed Dividend Account	**115.28**	99.90
	18,806.03	9,331.42
SCHEDULE J : OTHER CURRENT ASSETS		
a) Lease rent receivable	**0.71**	2.16
b) Interest accrued	**241.40**	20.76
	242.11	22.92
SCHEDULE K : LOANS AND ADVANCES (Unsecured, considered good)		
a) Advances recoverable in cash or kind for value to be received [Includes balances with Excise authorities Rs.34.27 lacs *(31.03.2010 Rs.134.88 lacs)*]	**841.81**	1,256.91
b). Advance Payment of Taxes [Net of Provision Rs.1,348.54 Lacs *(31.03.2010 Rs.1,348.54 Lacs)*]	**358.56**	358.57
	1,200.37	1,615.48
SCHEDULE L : CURRENT LIABILITIES		
a) Sundry Creditors		
i) total outstanding dues of micro enterprises and small enterprises	—	—
ii) total outstanding dues of creditors other than the micro enterprises and small enterprises [Includes on Capital account Rs. 105.17 lacs *(31.03.2010 Rs. 142.84 lacs)*]	**2,401.49**	2,484.40
	2,401.49	2,484.40
b) Advance Payments from Customers	**458.99**	384.16
c) Liability towards Investors Education and Protection Fund under section 205 C of the Companies Act, 1956 in respect of unclaimed dividend, not due	**115.28**	99.90
d) Other Liabilities	**1,159.09**	1,038.28
	4,134.85	4,006.74
SCHEDULE M : PROVISIONS		
a) Provision for Taxation [Net of Advance Rs.15,768.07 Lacs *(31.03.2010 Rs. 11,163.02 Lacs)*]	**2,955.51**	2,005.32
b) Proposed Dividend	**1,232.00**	1,232.00
c) For Employees' Post Retirement Benefit schemes	**249.77**	292.17
d) For Employees' Other Long Term Benefit schemes	**69.84**	42.18
e) Other Provisions	**683.96**	176.47
	5,191.08	3,748.14

SCHEDULE N : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

1. Accounting Policies

a) Basis of Accounting

The financial statements are prepared under historical cost convention on going concern and on accrual basis and are in compliance with the accounting standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

The financial statements are presented in accordance with Generally Accepted Accounting Principles in India, Accounting Standards notified under Section 211 (3C) of the Companies Act, 1956 and the relevant provisions thereof. The accounts presentation under Indian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities as at the balance sheet date.

b) Revenue Recognition

i). Sale of goods
Revenue from the sale of goods is recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer. Revenue includes consideration received or receivable, excise duty but net of discounts and other sales related taxes.

ii). Sale of power
Revenue from the sale of power is recognised based on bills raised to Power Transmission Company.

iii). Dividend and Interest income
Dividend income is recognised when the company's right to receive dividend is established. Interest income is recognised on accrual basis based on interest rates implicit in the transactions.

c) Fixed Assets

All fixed assets are valued at cost less depreciation/amortisation. The cost of an asset includes the purchase cost of materials, including import duties and non refundable taxes, and any directly attributable costs of bringing an asset to the location and condition of its intended use. Interest on borrowings used to finance the construction of fixed assets are capitalised as part of the cost of the asset until such time that the asset is ready for its intended use.

d) Depreciation

Assets given on lease are depreciated on a straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956 or based on the lease period whichever is higher. Freehold land is not depreciated. Premium paid on leasehold land and land development expenses are amortised over the period of lease. Other fixed assets are depreciated on a straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956 or based on estimated useful life whichever is higher. Intangible assets are amortised over a period of three to five years. The estimated useful life for each category is as under:

i)	Buildings	:	30 to 61 Years
ii)	Plant & Machinery	:	14 to 21 Years
iii)	Furniture fixture, Air Conditioners and Office equipment	:	5 Years
iv)	Computers	:	3 Years
v)	Vehicles	:	5 Years

e) Investments

Long term investments are carried at cost less provision for permanent diminution (if any) in value of such investments.Current investments are carried at lower of cost and fair value

f) Inventories

Raw materials are valued at cost comprising purchase price, freight and handling, non refundable taxes and duties and other directly attributable costs.
Finished products are valued at lower of cost and net realisable value.
Stores and spares are valued at cost comprising of purchase price, freight and handling, non refundable taxes and duties and other directly attributable costs.
Value of inventories are generally ascertained on the "weighted average" basis.

g) Foreign Currency Transactions

Foreign Currency transactions are recorded on initial recognition in the reporting currency i.e. Indian rupees, using the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in currencies other than the reporting currency and foreign exchange contracts remaining unsettled are remeasured at the rates of exchange prevailing at the balance sheet date. Exchange difference arising on the settlement of monetary items, and on the remeasurement of monetary items, are included in profit and loss for the year.

Foreign Currency forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 - Effects of Changes in Foreign Exchange Rates. The difference between the contract rate and spot rate on the date of transaction is recognised as premium/discount and recognised over the life of the contract. Exchange differences arising from remeasurement of contracts are included in the profit and loss for the year. Gains and losses arising on account of roll over/cancellation of forward contracts are recognised as income/expenses in the preoperative expenses.

All other derivative contracts including forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statements at fair value as on the Balance Sheet date in pursuance of the announcement of the Institute of Chartered Accountants of India dated March 29, 2008 on accounting of derivatives.

h) Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction of qualifying assets are capitalised as part of the cost of such assets till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the profit and loss account in the period in which they are incurred.

i) Employee Benefits

i). Short term benefits
Short term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

ii). Post employment benefits

Defined Contribution plans

Defined contribution plans are those plans where the Company pays fixed contributions to a separate entity. Contributions are paid in return for services rendered by the employees during the year. The company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay employee benefits. The contributions are expensed as they are incurred in line with the treatment of wages and salaries.

In respect of contribution of provident fund to the trust set up by the Company, since the Company is obligated to meet interest shortfall, if any, with respect to covered employees, such employee benefit plan is classified as Defined Benefit Plan in accordance with the Guidance on implementing Accounting Standard (AS) 15 (Revised) on Employee Benefits.

Defined Benefit Plans

Defined benefit plans are arrangements that provide guaranteed benefits to employees, either by way of contractual obligations or through a collective agreement. This guarantee of benefits represents a future commitment of the Company and, as such, a liability is recognised. The present value of these defined benefit obligations are ascertained by independent actuarial valuation as per the requirement of Accounting Standards 15 - Employee Benefits. The liability recognised in the balance sheet is the present value of the defined benefit obligations on the balance sheet date less the fair value of the plan assets (for funded plans), together with adjustments for unrecognised past service costs. All actuarial gains and losses are recognised in Profit and Loss Account in full in the year in which they occur.

j) Taxes on Income

Current Taxes

Provision for Current tax is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Taxes

Deferred tax assets and liabilities are recognised by computing the tax effect on timing differences which arise during the year and reverse in the subsequent periods. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

k) Leases

Amounts due under finance leases are recorded as receivables at the amount of the Company's net investment in the leases . Finance lease income is allocated to accounting periods so as to reflect a constant period rate of return on the Company's net investments standing in respect of the leases.

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant leases.

l) Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Accounting Standard (AS) 20- Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax attributable to equity share holders by the weighted average numbers of equity shares outstanding during the year. Diluted earnings during the year adjusted for the effects of all dilutive potential equity shares per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

m) Impairment

Wherever events or changes in circumstances indicate that the carrying value of fixed assets may be impaired, the company subjects such assets to a test of recoverability, based on discounted cash flows expected from use or disposal of such assets. If the assets are impaired, the company recognises an impairment loss as the difference between the carrying value and value in use.

n) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

o) Government Grants

Government grants which are given with reference to the total investments in an undertaking and no repayment is ordinarily expected in respect thereof, the grants are treated as capital reserve which can be neither distributed as dividend nor considered as deferred income.

2. Contingent Liabilities

	31.03.2011 Rs. In lacs	31.03.2010 Rs. In lacs
Contingent Liabilities not provided for		
a). Income tax	589.22	92.46
b). VAT/CST	2,001.28	-
c). Entry tax	260.97	-
d). Bank Guarantee	5,133.83	5,360.79
e). Letter of credit	3,791.52	101.31

3. Estimated amounts of contracts remaining to be executed on capital account and not provided : Rs.658.93 lacs (As at 31.3.2010 Rs. 444.48 lacs) [Net of advances Rs. 10.90 (As at 31.03.2010 Rs. Nil)].

4. The Company had been allotted a Coal block along with two other companies in 2006-07. The investment and the operation of the mine would be done by the company as the leader of the group. The company has paid advance payments for acquisition of land. The Company has arranged for bank guarantee of Rs. 3250.00 lacs as at 31.03.2011 (As at 31.03.2010 Rs.3250.00 lacs).

5. Sales Tax

a). The Company had filed a writ petition before the High Court of Orissa for sales tax exemption for a period of two years w.e.f. 10th June 1997 as a Pioneer Unit. The High Court initially ruled that the Company should pay the sales tax under dispute pending disposal of the writ petition. Accordingly, the Company paid Sales tax, which had not been collected from customers, and amounts aggregating to Rs 573.73 lacs had been charged to the Profit & Loss Account during the years 1997-98 to 1999-2000.

The High Court directed the Sales Tax Authorities to refund the amount after ascertaining that the said refund shall not unjustly enrich the Company. The Sales Tax Officer passed the order stating that the refund shall unjustly enrich the Company against which the Company has filed a writ petition in the High Court challenging the correctness of the assessment and the same is pending. No credit has been taken in the accounts, as the matter has not reached finality.

b). As per Industry Policy Resolution 1992 of Government of Orissa, the company has to pay a minimum sales tax of Rs. 252.56 lacs before availing exemption from sales tax on incremental sale of Sponge Iron from Kiln 1 and 2. The company was paying the above amount until the rate of sales tax was reduced. With reduction in rate of sales tax, the company contends that the above limit of Rs. 252.56 lacs has to correspondingly reduce and accordingly is making reduced payment. The company however has provided for the differential amount of Rs. 397.92 lacs as at 31st March 2011 (As at 31.03.2010 Rs. 271.64 lacs).

6. Licensed and Installed Capacities and Production

a). Licensed capacity is not applicable in terms of Government of India's Notification No. S.O.477(E) dated 25th July 1991

	2010-11 Tonnes	2009-10 Tonnes
b) Installed Capacity		
i) Sponge Iron (As certified by the Management and relied upon by the Auditors)	390,000	390,000
c) Production	383,002	359,333

	2010-11 Quantity (Tonnes)	2010-11 Amount (Rs. In lacs)	2009-10 Quantity (Tonnes)	2009-10 Amount (Rs. In lacs)
7. Turnover, Closing and Opening Stocks				
a) Turnover Sponge Iron	380,273	69,924.40	361,207	51,937.18
b) Closing Stock Sponge Iron	6,579	915.57	3,850	418.03
c) Opening Stock Sponge Iron	3,850	418.03	5,724	673.27

SCHEDULE N (Contd.) :

	2010-11 Quantity (Tonnes)	2010-11 Amount (Rs. In lacs)	2009-10 Quantity (Tonnes)	2009-10 Amount (Rs. In lacs)
8. Raw Materials consumed				
a) Iron Ore	600,238	20,805.00	571,644	13,284.99
b) Coal	483,028	23,600.74	455,274	18,562.33
c) Dolomite	6,117	94.96	6,882	107.89
		44,500.70		31,955.21

	2010-11 %	2010-11 Amount (Rs. In lacs)	2009-10 %	2009-10 Amount (Rs. In lacs)
9. Consumption of Imported and Indigenous Materials				
a) Raw Materials consumed				
- Indigenous	64.42%	28.665.88	75.28%	24,056.65
- Imported	35.58%	15,834.82	24.72%	7,898.56
	100.00%	44,500.70	100.00%	31,955.21
b) Stores and Spare parts				
- Indigenous	91.54%	1,055.98	93.10%	812.87
- Imported	8.46%	97.57	6.90%	60.24
	100.00%	1,153.55	100.00%	873.11
Less: Charged to repairs to Building and Plant and Machinery		922.01		634.24
		231.54		238.87

	2010-11 Amount (Rs. In lacs)	2009-10 Amount (Rs. In lacs)
10. Value of Imports (C. I .F)		
a) Raw Materials	8,586.14	8,479.95
b) Components, Stores and Spares	59.96	143.99
11. Expenditure in Foreign Currency		
a) Others - Travelling Expenses	5.87	0.49
12. Earnings in Foreign Exchange		
a) Others - Sale of Carbon credits	—	196.42
b) Service income	12.71	—
13. Managerial Remuneration		
a) Remuneration to Managing Director		
i) Salary	28.80	25.60
ii) Contribution to Provident and Superannuation Funds	5.83	5.18
iii) Commission	39.60	38.40
iv) Value of Perquisites	2.75	2.49
	76.98	71.67
b) Remuneration to Non Executive Directors		
i) Commission	25.00	25.00
	25.00	25.00

SCHEDULE N (Contd.) :

	2010-11 Amount (Rs. In lacs)	2009-10 Amount (Rs. In lacs)
Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956		
Profit before tax	**15,027.87**	12,622.15
Add: i) Provision for depreciation	**1,851.50**	1,937.52
ii) Managerial remuneration	**101.98**	96.67
iii) Provision for Wealth Tax	**4.00**	4.00
iv) Directors' sitting fees	**7.41**	4.86
	16,992.76	14,665.20
Less: i) Depreciation under section 350 of the Companies Act, 1956	**1,851.50**	1,937.52
Net profit as per Section 309(5) of the Companies Act, 1956	**15,141.26**	12,727.68
1% of Net profit as per section 309(5) of the Companies Act, 1956	**151.41**	127.28
Commission to:		
i) Managing Director	**39.60**	38.40
ii) Non Executive Directors	**25.00**	25.00
	64.60	63.40

14. Auditor's Remuneration

	2010-11	2009-10
Other expenses includes		
i) Audit Fees	**13.25**	8.75
ii) Tax Audit Fees	**1.25**	1.25
iii) Travelling and out-of-pocket expenses	**0.36**	0.20
	14.86	10.20

The above figures are exclusive of Service Tax

15. Related party transaction

a) List of Related Parties and Relationship

Name of the Related Party

i) Tata Steel Limited — Promoter Company holding more than 20%

ii) Key Management Personnel
Mr. Suresh Thawani — Managing Director

b) Related party transactions

Name of the related party	Nature of transactions	2010-11 Amount (Rs. In lacs)	2009-10 Amount (Rs. In lacs)
Tata Steel Limited	Purchase of goods	20,312.53	14,399.48
	Services received	24.64	25.43
	Leasing arrangements	32.62	71.46
	Sale of Assets	-	31.33
	Services rendered	1.38	0.29
	Dividend paid	489.60	489.60
		31.03.2011	31.03.2010
		Amount (Rs. In lacs)	Amount (Rs. In lacs)
	Amounts payable	385.36	831.80
	Amounts receivable	11.67	1.10
Key Management Personnel	Remuneration:	2010-11	2009-10
	Mr. Suresh Thawani	76.98	71.67

SCHEDULE N (Contd.) :

	2010-11	2009-10
16. Earnings per share		
Net Profit for the Year (Rs. In lacs)	10,133.54	8,452.24
Number of equity shares (Face value Rs. 10/- each)	15,400,000	15,400,000
Basic and diluted earnings per share (Rs.)	65,80	54.88

17. Disclosure in respect of assets given on finance lease

The Company has given Machinery, Equipment and Vehicles on lease to Tata Steel Limited having an aggregate cost of Rs. 2.46 lacs *(31.3.2010 Rs. 6.78 lacs).* The break up of total minimum lease receivables due as at 31st March and their corresponding present value are as follows:

(Rs. In lacs)

Period	31.03.2011		31.03.2010	
	Minimum Lease Receipts	Present Value	Minimum Lease Receipts	Present Value
Not later than one year	2.46	0.71	4.42	1.45
Later than one year but not later than five years	—	—	2.36	0.71
Later than five years	—	—	—	—
Total	2.46	0.71	6.78	2.16
Un earned finance Income	1.75	—	4.62	—

18. Deferred Tax Liability

(Rs. In lacs)

	Deferred tax liability/(Asset) as at 01.04.2010	Current Year Charge/ (Credit)	Deferred tax liability/(Asset) as at 31.03.2011
Deferred Tax Liabilities			
i) Difference between book and tax depreciation	4,976.71	(426.45)	4,550.26
	4,976.71	(426.45)	4,550.26
Deferred Tax Assets			
i) Provision for Leave Salary	(89.29)	(8.49)	(97.78)
ii) Others	(295.15)	(230.73)	(525.88)
	(384.44)	(239.22)	(623.66)
Deferred Tax Liability	4,592.27	(665.67)	3,926.60

19. Details of Excise duty pertaining to (accretion)/reduction to stock of finished goods is as under :

	2010-11 Amount (Rs. In lacs)	2009-10 Amount (Rs. In lacs)
On Opening Stock	67.40	60.27
On Closing Stock	121.49	67.40
	54.09	7.13

20. Employee Benefits

Defined Contribution Plans

The Company has recognised, in the Profit and Loss Account for the current year an amount of Rs. 178.58 lacs *(Previous year : Rs. 173.83 lacs)* expenses under defined contribution plans.

	2010-11 Amount (Rs. In lacs)	2009-10 Amount (Rs. In lacs)
i) Contribution to Provident Fund	111.26	107.95
ii) Contribution to Superannuation Fund	67.32	65.88
	178.58	173.83

Staff welfare expenses includes Rs. 10 lacs (Previous year Rs. Nil) towards estimated amount of shortfall in the Provident Fund Trust managed by the Company in meeting the interest liability at the rate declared by the Employees Provident Fund Organisation.

Defined Benefits Plans

Details of the Gratuity, Leave Salary Benefits are as follows :

Description	2010-11 Gratuity Amount (Rs. in lacs)	2010-11 Leave Amount (Rs. in lacs)	2009-10 Gratuity Amount (Rs. in lacs)	2009-10 Leave Amount (Rs. in lacs)
1. Reconciliation of opening and closing balances of obligation				
a. Obligation as at 01.04.2010	**738.12**	**235.89**	610.50	214.12
b. Current service cost	**45.77**	**36.79**	41.59	36.12
c. Interest cost	**56.88**	**17.20**	45.80	15.70
d. Acquisition adjustment	**1.52**	**1.36**	-	-
e. Actuarial (gain)/loss	**25.94**	**29.84**	77.85	(7.02)
f. Benefits paid	**(54.09)**	**(41.83)**	(37.62)	(23.03)
g. Obligation as at 31.03.2011	**814.14**	**279.25**	738.12	235.89
2. Change in fair value of plan assets				
a. Fair value of plan assets as at 01.04.2010	**731.05**	**193.71**	549.32	177.76
b. Acquisition adjustment	**1.52**	**-**	-	-
c. Expected return on plan assets	**70.93**	**18.21**	51.53	15.11
d. Actuarial gain/(loss)	**4.59**	**(2.51)**	16.29	0.84
e. Contributions/(refunds) made by/(to) the company	**99.70**	**41.83**	150.17	23.03
f. Benefits paid	(54.09)	(41.83)	(36.26)	(23.03)
g. Fair value of plan assets as at 31.03.2011	**853.70**	**209.41**	731.05	193.71
3. Reconciliation of fair value of plan assets and obligations				
a. Present value of obligation as at 31.03.2011	**814.14**	**279.25**	738.12	235.89
b. Fair value of plan assets as at 31.03.2011	**(853.70)**	**(209.41)**	(731.05)	(193.71)
c. Amount recognised in the balance sheet	**(39.56)**	**69.84**	7.07	42.18
4. Expenses recognised during the year				
a. Current service cost	**45.77**	**36.79**	41.59	36.12
b. Interest cost	**56.88**	**17.20**	45.80	15.70
c. Expected return on plan assets	**(70.93)**	**(18.21)**	(51.53)	(15.11)
d. Actuarial (gains)/loss	**21.35**	**32.35**	61.56	(7.86)
e. Expenses recognised during the year	**53.07**	**68.13**	97.42	28.85
5. Investment details				
a. Others (Funds with Life Insurance Corporation of India)	**853.70**	**209.41**	731.05	193.71
6. Assumptions				
a. Discount rate (per annum)	**8.00%**	**8.00%**	8.00%	8.00%
b. Estimated rate of return on plan assets (per annum)	**9.40%**	**9.40%**	9.40%	9.40%
c. Rate of escalation in salary	**8.00%**	**8.00%**	8.00%	8.00%

7. Experience adjustments	2010-11	2009-10	2008-09	2007-08	2006-07
Gratuity					
a. Present value of obligation as at the end of the year	**814.14**	738.12	610.50	395.43	312.22
b. Fair value of plan assets as at the end of the year	**(853.70)**	(731.05)	(549.32)	(410.57)	(294.63)
c. (Surplus)/Deficit in the plan	**(39.56)**	7.07	61.18	(15.14)	17.59
d. Experience adjustments on plan liabilities (loss/(gains))	**25.94**	95.33	12.82	1.41	25.62
e. Experience adjustments on plan assets ((loss)/gain)	**4.59**	16.29	(7.40)	0.68	18.22
Leave					
a. Present value of obligation as at the end of the year	**279.25**	235.89	214.12	160.41	Refer Note Below
b. Fair value of plan assets as at the end of the year	**(209.41)**	(193.71)	(177.76)	(261.11)	
c. (Surplus)/Deficit in the plan	**69.84**	42.18	36.36	(100.70)	
d. Experience adjustments on plan liabilities (loss/(gains))	**29.84**	(1.27)	(38.73)	(1.03)	
e. Experience adjustments on plan assets ((loss)/gain)	**(2.51)**	0.84	6.39	-	

Note :

During the year 2006-07, leave liability was estimated as short term liability at actual cost. Consequently the disclosures required for defined benefit obligations under AS 15 Employee Benefits were not applicable.

SCHEDULE N (Contd.) :

Details of the Defined Pension and Post Retirement Medical Benefit (PRMB) are as follows

Description	2010-11 Pension Amount (Rs. in lacs)	2010-11 PRMB Amount (Rs. in lacs)	2009-10 Pension Amount (Rs. in lacs)	2009-10 PRMB Amount (Rs. in lacs)
1. Reconciliation of opening and closing balances of obligation				
a. Obligation as at 01.04.2010	**244.30**	40.80	194.84	42.25
b. Current service cost	**-**	-	-	-
c. Interest cost	**18.74**	3.15	14.48	3.20
d. Actuarial (gain)/loss	**(27.48)**	(6.92)	50.78	(2.62)
e. Benefits paid	**(19.88)**	(2.94)	(15.80)	(2.03)
f. Obligation as at 31.03.2011	**215.68**	34.09	244.30	40.80
2. Change in fair value of plan assets				
a. Fair value of plan assets as at 01.04.2010	**-**	-	-	-
b. Expected return on plan assets	**-**	-	-	-
c. Actuarial gain/(loss)	**-**	-	-	-
d. Contributions made by the company	**19.88**	2.94	15.80	2.03
e. Benefits paid	**(19.88)**	(2.94)	(15.80)	(2.03)
f. Fair value of plan assets as at 31.03.2011	**-**	-	-	-
3. Reconciliation of fair value of plan assets and obligations				
a. Present value of obligation as at 31.03.2011	**215.68**	34.09	244.30	40.80
b. Fair value of plan assets as at 31.03.2011	**-**	-	-	-
c. Amount recognised in the balance sheet	**215.68**	34.09	244.30	40.80
4. Expenses recognised during the year				
a. Current service cost	**-**	-	-	-
b. Interest cost	**18.74**	3.15	14.48	3.20
c. Expected return on plan assets	**-**	-	-	-
d. Actuarial (gains)/loss	**(27.48)**	(6.92)	50.78	(2.62)
e. Expenses recognised during the year	**(8.74)**	(3.77)	65.26	0.58
5. Investment details				
a. Others (Funds with Life Insurance Corporation of India)	**-**	-	-	-
6. Assumptions				
a. Discount rate (per annum)	**8.00%**	8.00%	8.00%	8.00%
b. Estimated rate of return on plan assets (per annum)	**NA**	NA	NA	NA
c. Rate of escalation in pension	**4.00%**	NA	4.00%	NA
d. Medical cost - % of annual entitlement utilised	**NA**	20.00%	NA	20.00%

7. Experience adjustments	2010-11	2009-10	2008-09	2007-08	2006-07
Pension					
a. Present value of obligation as at the end of the year	**215.68**	244.30	194.84	139.72	138.74
b. Fair value of plan assets as at the end of the year	**-**	-	-	-	-
c. (Surplus)/Deficit in the plan	**215.68**	244.30	194.84	139.72	138.74
d. Experience adjustments on plan liabilities (loss/(gains))	**27.48**	56.07	1.66	(11.17)	(20.98)
e. Experience adjustments on plan assets ((loss)/gain)	**-**	-	-	-	-
Post Retirement Medical Benefit					
a. Present value of obligation as at the end of the year	**34.09**	40.80	42.25	42.05	43.16
b. Fair value of plan assets as at the end of the year	**-**	-	-	-	-
c. (Surplus)/Deficit in the plan	**34.09**	40.80	42.25	42.05	43.16
d. Experience adjustments on plan liabilities (loss/(gains))	**(6.92)**	(1.84)	(2.40)	7.96	3.52
e. Experience adjustments on plan assets ((loss)/gain)	**-**	-	-	-	-

21. The Company is engaged in production and sale of Sponge Iron and hence Sponge Iron is the only reportable segment in accordance with Accounting Standard 17 - Segment Reporting.

22. Based on and to the extent of information obtained from suppliers regarding their status as Micro, Small or Medium enterprises under Micro, Small and Medium Enterprises Development Act, 2006, there are no amounts due to them as at the end of the year.

23. **Derivative Instruments**

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

Outstanding Short Term Forward Exchange contracts entered in to by the Company on account of firm commitments

As at	No. of Contracts	US Dollar Equivalent	INR Equivalent (Rs. lacs)
31.03.2011	3	4,000,000	1,817.70
31.03.2010	-	-	-

The foreign currency exposures at the year end that have not been hedged by a derivative instrument or otherwise are given below:

	31.03.2011		31.03.2010	
	US Dollar Equivalent	Amount (Rs. In lacs)	US Dollar Equivalent	Amount (Rs. In lacs)
Amount receivable in foreign currency on account of Outstanding receivables	31,325	14.08	-	-

24. Disclosure as required under AS 29

Provisions for Sales tax and Entry tax have been recognised in the financial statements considering the following:

i). The company has a present obligation as a result of past event

ii). It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

iii). A reliable estimate can be made of the amount of the obligation

Particulars	Entry tax	Sales tax
Carrying amount as at 01.04.2010	Rs. 102.62 lacs	Rs. 73.85 lacs
Provision made during the year	Rs. 216.06 lacs	Rs. 291.43 lacs
Amount used during the year	Nil	Nil
Unused amount reversed during the year	Nil	Nil
Carrying amount as at 31.03.2011	Rs. 318.68 lacs	Rs. 365.28 lacs
Nature of obligation	Demand for Entry tax Coal	Demand for sales tax
Expected timing of resultant outflow	On decision by the competent adjudicating authorities	On decision by the competent adjudicating authorities
Indication of uncertainty about those outflows	The above matters are under dispute with the authorities	The above matters are under dispute with the authorities
Major assumptions concerning future events	The matter is with higher authorities for adjudication. On the grounds of prudence provision is made.	The matter is with higher authorities for adjudication. On the grounds of prudence provision is made.
Amount of any expected reimbursement, ie., amount of any asset that has been recognised for that expected reimbursement	Nil	Nil

25. Figures for the previous year have been restated/regrouped where necessary to conform with figures for the current year

For and on behalf of the Board of Directors
A. M. Misra - *Chairman*
N.P. Sinha - *Director*
Suresh Thawani - *Managing Director*
S. S. Dhanjal - *Company Secretary*
Jamshedpur, 6th May 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	15-01091 of 1982-83	State Code	15
Balance Sheet Date	31 03 2011		

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	Rights Issue
Nil	Nil
Bonus Share	**Private Placement**
Nil	Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs.Thousands)

	Total Liabilities*	Total Assets*
	54,63,533	54,63,533
Sources of Funds	Paid-up Capital	Reserves and Surplus
	154,000	49,16,873
	Secured Loans	Unsecured Loans
	Nil	Nil
Application of Funds	Net Fixed Assets	Investments
	31,77,791	3,43,525
	Net Current Assets	Misc. Expenditure
	19,42,217	Nil
	Accumulated Losses	
	Nil	

*Includes deferred tax liability (net) of Rs. 3,92,660 thousands

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

	Turnover (Gross Revenue)*		Total Expenditure
	69,48,717		54,45,930
	*Excluding Excise Duty		
+/ -	Profit/(Loss) Before Tax	+/ -	Profit/(Loss) After Tax
+	15,02,787	+	10,13,354
	Earning per Share in Rs.		Dividend Rate %
	65.80		80%

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY

The Company produces only one product

Item Code No. (ITC Code)	72031000
Product Description	Sponge Iron

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2010-11

(as required under Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Tata Sponge Iron Limited (TSIL) is committed to good corporate governance in order to enhance shareholders' value and promote national interest.

In order to achieve the objectives of good corporate governance, TSIL follows the principles of transparency, disclosure, fairness, independent supervision, healthy competition, provision of equal opportunity in employment, political non-alignment, promotion of health, safety and welfare, production of quality products and services, compliance with all relevant laws, rules and regulations, improvement in quality of life and meeting social responsibility.

It is expected that good corporate governance by TSIL would protect and enhance the trust of shareholders, customers, suppliers, financiers, employees, government agencies and the society, in TSIL.

2. BOARD OF DIRECTORS

The Company has a Non-Executive Chairman who is also a nominee of promoter company. One-half of the Board of Directors of the company comprises of independent Directors. The number of Non-Executive Directors (NEDs) is more than 50% of the total number of Directors.

None of the Directors on the Board is a Member of more than 10 committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given below in Table - 1:

Table - 1 As on 31st March, 2011

Sl. No	Name of the Director	Status	Category	Attendance at Board Meetings	Attendance at the last AGM held on 24th July, 2010	No of Directorship in other public companies		No of committee positions held in other public companies*	
						Chairman	Member	Chairman	Member
1	2	3	4	5	6	7	8	9	10
1	Mr. A.M. Misra	Chairman	Promoter's (Tata Steel) nominee, Non-executive & Not Independent	5	P	1	-	-	-
2	Mr. N.P. Sinha		Non-executive & Independent	5	P	-	3	1	1
3	Mr. P.K. Lahiri		Non-executive & Independent	5	P	-	3	1	2
4	Mr.D.K. Banerjee		Non-executive & Independent	4	P	1	8	4	5
5	Mr.K.K. Varughese		Non-executive & Not Independent	5	P	-	-	-	-
6	Mr. P. C. Parakh		Non-executive & Independent	5	P	-	-	-	-
7	Mr.Arun Misra		Non-executive & Not Independent	3	NP	-	-	-	-
8	Mr.S.P. Mehrotra		Non-executive & Independent	5	P	-	1	-	-
9	Mr.Rajesh Chintak		Non-executive & Not Independent	5	P	-	3	-	1
10	Mr. Suresh Thawani	Managing Director	Executive & Not Independent	5	P	-	-	-	-

P = Present
NP = Not Present
NA = Not applicable
* Represents Chairmanships/Memberships of Audit Committee and Shareholders' Grievance Committee.

No of Board Meetings held during the year = 5	
Dates on which held	= 22-04-2010, 24-07-2010, 3-11-2010, 25-01-2011 & 28-03-2011

- The information as required under Annexure-IA to Clause-49 is being made available periodically to the Board.
- Details of Directors seeking appointment/re-appointment in Twenty-eighth Annual General Meeting are given with the Notice to the Annual General Meeting.
- Directors of the company do not have any inter-se relationship.

The Board periodically reviews compliance reports of laws applicable to the Company. Steps are taken by the Company to rectify instances of non-compliance, if any.

The company has adopted the Tata Code of Conduct for Executive Directors, Senior Management Personnel and other executives of the company. The company has received confirmations from Executive Director (i.e. the Managing Director) as well as the senior management personnel regarding compliance of the Code during the year under review. The company has also adopted the Code of Conduct for the Non-Executive Directors of the company. The company has received confirmations from the Non-Executive Directors regarding compliance of the Code for the period ended 31st March, 2011. Both the Codes are posted on the website of the Company i.e. www.tatasponge.com.

3. AUDIT COMMITTEE

The Company had constituted an Audit Committee in the year 1987. The broad terms of reference of the Audit Committee were (i) to review reports of the Internal Audit Department and discuss the same with the internal auditors periodically; (ii) to meet Statutory Auditors to discuss their findings, suggestions and other related matters; (iii) to review compliance with system and discuss related observations reported by Internal and Statutory Auditors, etc. The scope of the activities of the Audit Committee has been enlarged to include the areas prescribed by Clause 49(II)(D) by the Board of Directors at its meeting held on 27th March, 2001 to inter-alia (a) to review the quarterly, half yearly and annual financial results of the Company before submission to the Board and (b) recommending the appointment of Statutory Auditors and finalisation of their remuneration. At the same meeting the Audit Committee has been granted powers as prescribed under Clause 49 (II) (C).

The company has complied with the requirements of Clause 49 II (A) as regards composition of the Audit Committee.

The chairman of the Audit Committee, Mr.P.K. Lahiri, was present at the Twenty-seventh Annual General Meeting held on 24th July, 2010.

The composition of the Audit Committee is in line with the requirements of Clause 49 of the Listing Agreement and the details of meetings attended by the Directors are given below in Table – 2.

Table - 2 As on 31st March, 2011

Sl. No.	Name of the Director	Status	Category	No. of meetings attended
1.	Mr P.K. Lahiri	Chairman	Non-executive & Independent	4
2.	Mr.D.K. Banerjee	Member	Non-executive & Independent	4
3.	Mr. N. P. Sinha	Member	Non-executive & Independent	4
4.	Mr. K.K. Varughese	Member	Non-executive & Not Independent	4

No. of Audit Committee meetings held during the year	= 4
Dates on which held	= 21-04-2010, 23-07-2010, 2-11-2010 & 24-01-2011

Audit Committee meetings are attended by the General Manager/Chief (Finance & Accounts) and the Internal Auditor. The Statutory Auditors are invited to each meeting and the Managing Director/other persons are invited to the meetings as and when required. The Company Secretary acts as the Secretary of the Audit Committee.

The necessary quorum was present at the meetings.

4. SUBSIDIARY COMPANIES

The company does not have any subsidiary company.

5. REMUNERATION COMMITTEE

The Board of Directors of the company had constituted a Remuneration Committee in 1994. The broad terms of reference of the Remuneration Committee are to recommend to the Board, salary (including annual increments) perquisites and commission to be paid to the company's Managing/Whole-time Directors (MD/WTDs) and to finalise the perquisites package within the overall ceiling fixed by the Board, to recommend to the Board appointment/re-appointment of Managing/Whole-time Director and retirement benefits to be paid to the MD/WTDs under the Retirement Benefit Guidelines adopted by the Board.

The composition of the Remuneration Committee and the details of meetings attended by the Directors are given below in Table – 3.

Table - 3 As on 31st March, 2011

Sl. No.	Name of the Director	Status	Category	No. of meetings attended
1	Mr. P.K. Lahiri	Chairman	Non-executive & Independent	3
2	Mr. N.P. Sinha	Member	Non-executive & Independent	3
3	Mr.A.M. Misra	Member	Non-executive & Not Independent	3

No.of Remuneration Committee meetings held during the year	= 3
Date on which held	= 21-04-2010, 23-7-2010 & 25-01-2011.

To the extent stated above the company has complied with the non-mandatory requirements of Clause 49 regarding the Remuneration Committee.

Remuneration policy

(a) For Non-Executive Directors

The Non-Executive Directors (NEDs) are paid remuneration by way of sitting fees as per Article 104 of the Articles of Association of the company and Commission.

The Company has revised the sitting fees payable to non-executive directors w.e.f. 25th January, 2011. Effective 25th January, 2011, the company pays sitting fee of Rs.15,000 per meeting for attending the meetings of Board, Audit Committee, Remuneration Committee and Committee of Board. For other Committee meetings, Rs.8,000 per meeting is paid by the company.

The Commission is payable at a rate not exceeding 1% per annum of the profits of the company (computed in accordance with Section 309(5) of the Companies Act, 1956). The distribution of Commission amongst the NEDs is placed before the Board. The Commission is distributed broadly on the basis of Board meetings and various Committee meetings attended by the NEDs. Extra weightage is given to the Commission payable to Chairman of Board/Committee meetings, keeping in view the greater contribution being made by him at every Board/Committee meeting chaired by him.

(b) For Managing Director (MD) / Whole-time Director (WTD)

The company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to MD/WTD. Salary is paid within the range approved by the Shareholders. Annual increment effective from 1st April each year, as recommended by the Remuneration Committee, is approved by the Board. The ceiling on perquisites and allowances as a percentage of salary, is fixed by the Board. Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee, subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. Specific amount payable to such directors is based on the performance criteria laid down by the Board which broadly takes into account the profits earned by the company for the year.

Details of remuneration to all the directors

Table - 4

NON-WHOLE-TIME DIRECTORS — Remuneration paid during 2010-2011 (Rs. lac)

Sl. No.	Name of the Director	Sitting fees (Gross)	Perquisites & Allowances	Commission (Gross)*	Total (Gross)
1	Mr.A.M. Misra	0.90	Nil	4.11	5.01
2	Mr.N.P. Sinha	1.48	Nil	3.80	5.28
3	Mr.P.K. Lahiri	1.17	Nil	6.02	7.19
4	Mr.D.K. Banerjee	0.81	Nil	2.53	3.34
5	Mr.K.K. Varughese	1.04	Nil	2.85	3.89
6	Mr.P.C. Parakh	0.62	Nil	1.58	2.20
7	Mr.Arun Misra	0.31	Nil	0.95	1.26
8	Mr.S.P. Mehrotra	0.54	Nil	1.58	2.12
9	Mr.Rajesh Chintak	0.54	Nil	1.58	2.12
	Total	**7.41**	**—**	**25.00**	**32.41**

WHOLE-TIME DIRECTOR(S) — 2010-11

		Salary	Perquisites & Allowances	Commission(Gross)*	Total (Gross)
10	Mr. Suresh Thawani	21.60	15.78	39.60	76.98

* Payable after shareholders' approval at the 28th Annual General Meeting during 2011-12

Note: The Company has not yet introduced the Employees' Stock Option Scheme.

SERVICE CONTRACT/NOTICE PERIOD/SEVERANCE FEES:

Mr. Suresh Thawani, Managing Director : Initial appointment from 10th March, 2007 to 9th March, 2010.

Reappointed for the period 10th March, 2010 to 31st March, 2013.

The agreement may be terminated by either party giving the other party six months' notice or the Company paying six months' salary in lieu thereof.

There is no separate provision for payment of severance fees.

Shareholding of the Directors in the Company as on 31st March, 2011

Table - 5

Sl No	Name of the Directors	No of Equity Shares of Rs 10/- each held singly and/or jointly.
1	Mr.A.M. Misra	Nil
2	Mr. N.P. Sinha	1000
3	Mr. P.K. Lahiri	Nil
4	Mr.S.P. Mehrotra	Nil
5	Mr. D. K. Banerjee	Nil
6	Mr. K. K. Varughese	Nil
7	Mr. P. C. Parakh	Nil
8	Mr.Arun Misra	Nil
9	Mr.Rajesh Chintak	Nil
10	Mr. Suresh Thawani	Nil
	Total	1000

6. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Board of Directors of the Company at its meeting held on 18th January, 2002, had constituted a Shareholders' Grievance Committee for redressal of Shareholders' grievances like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

The composition of the Shareholders' Grievance Committee and the details of meetings attended by the Directors are given below in Table - 6.

Table - 6 As on 31st March, 2011

Sl. No.	Name of the Director	Status	Category	No. of meetings attended
1	Mr.N.P. Sinha	Chairman	Non-executive & Independent	2
2	Mr.P.C. Parakh*	Member	Non-executive & Independent	1
	Mr.D.K. Banerjee*	Member	Non-executive & Independent	1

* The Board at its meeting held on 3-11-2010, reconstituted the Shareholders' Grievance Committee by nominating Mr.P.C. Parakh in place of Mr.D.K. Banerjee.

No. of Shareholders' Grievance Committee meetings held during the year	= 2
Date on which held	23-7-2010 & 28-03-2011

Name, designation and address of Compliance officer :

Mr. S.S. Dhanjal
Company Secretary
P.O- Joda, Dist- Keonjhar
Orissa-758034
Phone: (06767) - 284236
Fax: (06767) - 278159
- 278129
E-mail : ssdhanjal@tatasponge.com

No. of complaints pending as on 1st April,2010	0
No. of complaints identified and reported under Clause 41of the Listing Agreement during the year 2010-11	9
No. of Complaints disposed of during the year ended 31st March, 2011	9
Not solved to the satisfaction of shareholders as on 31.3.2011	0
No. of pending complaints as on 31-3-2011	Nil

Note:
The correspondence identified as investor complaints are letters received through Statutory/Regulatory bodies and those related to Court/Consumer forum matters, alleged fraudulent encashment and alleged non-receipt of dividend amounts where reconciliation of the payment is in progress/completed after end of the quarter.

7. ETHICS AND COMPLIANCE COMMITTEE

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the Regulations), the Board of Directors of the company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The Code is based on the principle that Directors and Employees of the company owe a fiduciary duty to, among others, the shareholders of the company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The Code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the company to enable them to take informed investment decisions with regard to the company's securities. The Committee met twice during the year. The Company Secretary is the Compliance Officer under the above-mentioned Code.

The composition of the Ethics and Compliance Committee and the details of meetings attended by the Directors are given below in Table - 7.

Table - 7 As on 31st March, 2011

Sl. No.	Name of the Director	Status	Category	No. of meetings attended
1	Mr.N.P. Sinha	Chairman	Non-executive & Independent	2
2	Mr. K. K. Varughese	Member	Non-executive & Not-Independent	2

No. of Ethics and Compliance Committee meetings held during the year = 2
Date on which held = 30-6-2010 & 28-3-2011

8. COMMITTEE OF BOARD

The Board of Directors of the Company at its meeting held on 3rd November, 2010, has constituted a Committee of Board for advising/recommending to the Board on strategic and other important business issues .

The composition of the Committee of Board and the details of meetings attended by the Directors are given below in Table – 8.

Table - 8 As on 31st March, 2010

Sl. No.	Name of the Director	Status	Category	No. of meetings attended
1	Mr.A.M. Misra	Chairman	Non-executive & not independent	1
2	Mr.N.P. Sinha	Member	Non-executive & Independent	1
3	Mr.D.K. Banerjee	Member	Non-executive & Independent	1
4	Mr.K.K. Varughese	Member	Non-executive & not independent	1
5	Mr.Suresh Thawani	Member	Executive & not independent	1

No. of Committee of Board meetings held during the year = 1
Date on which held 14-1-2011

9. GENERAL BODY MEETINGS

a) The details of last three Annual General Meetings of the Company are furnished below

Table - 9

Year	Location	Date	Time
2007-2008	'Lake View' (Officers' Recreation Centre of Tata Sponge Iron Ltd) at TSIL Township, Joda	14-07-2008	11-00 a.m.
2008-2009	'Lake View' (Officers' Recreation Centre of Tata Sponge Iron Ltd) at TSIL Township, Joda	01-08-2009	04-00 p.m.
2009-2010	'Lake View' (Officers' Recreation Centre of Tata Sponge Iron Ltd) at TSIL Township, Joda	24-07-2010	11-00 a.m.

b) No Extra-Ordinary General Meeting of the shareholders was held during the year.

c) No Postal Ballot was conducted during the year. None of the resolutions proposed for the ensuing Annual General meeting need to be passed by Postal Ballot.

d) Special Resolutions passed in previous three Annual General Meetings :

At the Annual General Meeting held on 24th July, 2010, no Special Resolution was passed.

At the Annual General Meeting held on 1st August, 2009, no Special Resolution was passed.

At the Annual General Meeting held on 14th July, 2008, Special Resolution was passed unanimously for payment of commission to Non-Executive Directors.

10. DISCLOSURES

(A) Disclosure by key managerial personnel about related party transactions

The Board has received disclosures from key managerial personnel relating to financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions, which have potential conflict with the interest of the company at large. The related party transactions have been disclosed in point no. 15 of Schedule - N to the notes on Balance Sheet and Profit and Loss Account for the year ended 31st March, 2011.

(B) Disclosure of Accounting Treatment

The applicable Accounting Standards as issued by the Institute of Chartered Accountants of India have been followed in preparation of the financial statements of the company.

(C) Board Disclosures - Risk Management

The procedures for risk assessment and minimisation has been disclosed in point no. 5 of the Management Discussion & Analysis report forming part of the Directors' Report.

(D) Proceeds from public issues, rights issues, preferential issues etc.

The company has not made any capital issues during the financial year.

(E) Matters related to Capital Markets

The company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the company by any Stock Exchange or SEBI or any statutory authority, on any matter relating to capital markets, during the last three years.

(F) Whistle Blower Policy

The Company has a Whistle Blower Policy that provides a formal mechanism for all employees of the Company to approach the Ethics Counsellor/Chairman of the Audit Committee of the Company and make protective disclosures about the unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Whistle Blower Policy is an extension of the Tata Code of Conduct, which requires every employee of the company to promptly report to the Management any actual or possible violation of the Code or an event he becomes aware of that could affect the business or reputation of the company. The disclosures reported are addressed in the manner and within the time frames prescribed in the policy. Under the policy, each employee has an assured access to the Ethics Counsellor/Chairman of the Audit Committee.

(G) Management Discussion & Analysis Report -

The Management Discussion & Analysis Report is a part of the Annual Report.

(H) Compliance with Non-mandatory Requirements

The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement with the Stock Exchanges:

(a) The Company has a Remuneration Committee (Please refer to Para 5 above for details).

(b) The Company has adopted a Whistle Blower Policy (Please refer to Para 10 (F) above for details).

(c) The Company already has a regime of unqualified financial statements. Auditors have raised no qualification on the financial statements for the year 2010-11.

11. CEO/CFO Certification

The Managing Director and Chief (Finance & Accounts) of the Company have given a certificate to the Board of Directors as prescribed under Clause 49(V) of the Listing Agreement(s) for the year ending 31st March, 2011.

12. SECRETARIAL AUDIT

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held in electronic mode with NSDL and CDSL.

13. MEANS OF COMMUNICATION

(i) Quarterly Results -

The quarterly and annual financial results are normally published in Business Standard (All editions) and the 'Sambad' (Oriya daily) and also posted on the website of the Company (www.tatasponge.com).

(ii) Presentation to Institutional Investors or to Analysts -

Official news releases and presentations made to the Institutional Investors and Analysts are posted on the Company's website. During the financial year 2010-11, press interviews were not made. However, important news is displayed on the website of the Company.

(iii) Company's Corporate Website -

The Company's website (www.tatasponge.com) is a comprehensive reference on the company's management, vision, mission, policies, corporate governance, corporate social responsibility, investor relations, operations, financials, news, etc.

14. GENERAL SHAREHOLDER INFORMATION

14.1 28th Annual General Meeting
Day/Date : Friday, the 15th July, 2011
Time : 11-00 am
Venue : Lake View (Officers' Recreation Centre), TSIL Township, Joda, Dist - Keonjhar, Orissa, Pin code - 758 034.

14.2 Financial calendar for 2011-12

a] Board Meetings for consideration of financial results

i] July, 2011 for consideration of audited financial results for 3 months ending 30th June, 2011.*
ii] October, 2011 for consideration of audited financial results for 3 months/ half year ending 30th September, 2011.*
iii] January,2012 for consideration of audited financial results for 3 months / 9 months ending 31st December, 2011.*
iv] April/May,2012 for consideration of audited financial results for 2011-12.*

*or as per Listing Agrement

b] 29th Annual General Meeting (for the year ending 31-3-2012) — Between June - September, 2012

14.3 Date of Book closure — From 23rd June, 2011 to 30th June, 2011, both days inclusive.

14.4 Dividend payment date — The dividend warrants will be posted on or after 19th July, 2011.

14.5 Listing on Stock Exchanges
1] Bombay Stock Exchange Ltd.
Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
2] National Stock Exchange of India Ltd.
Exchange Plaza (5th Floor), Plot No. C/1, G. Block
Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.
[Listed w.e.f. 24-02-2003]

14.6 Stock Code- Equity Share
ISIN CODE — INE 674A01014 (Electronic form)
BSE CODE — 13010 (Physical form), 513010 (Demat form)
NSE SCRIP CODE — TATASPONGE

14.7 Correspondence Address
P.O. Joda - 758 034
Dist - Keonjhar, Orissa.
Phone - 06767-284236, Fax - 06767-278159/278129
E-Mail : info@tatasponge.com

14.8 Exclusive e-mail ID for redressal of investors' complaints. — investorcell@tatasponge.com

Note : Pursuant to the Special Resolution passed by the Shareholders at their 21st Annual General Meeting held on 26th July, 2004, the Company had made application for voluntary de-listing of its 1,54,00,000 equity shares from Ahmedabad, Delhi, Calcutta and Bhubaneswar Stock Exchanges. Whereas the Ahmedabad, the Delhi and the Bhubaneswar Stock Exchanges had communicated the de-listing effective 15-10-2004, 11-12-2004 and 28-09-2006 respectively, the Calcutta Stock Exchange Association Limited conveyed the delisting vide its letter dated 24-4-2008.

14.9 **Market price data: Monthly High/Low prices per share during 2010-11 :**

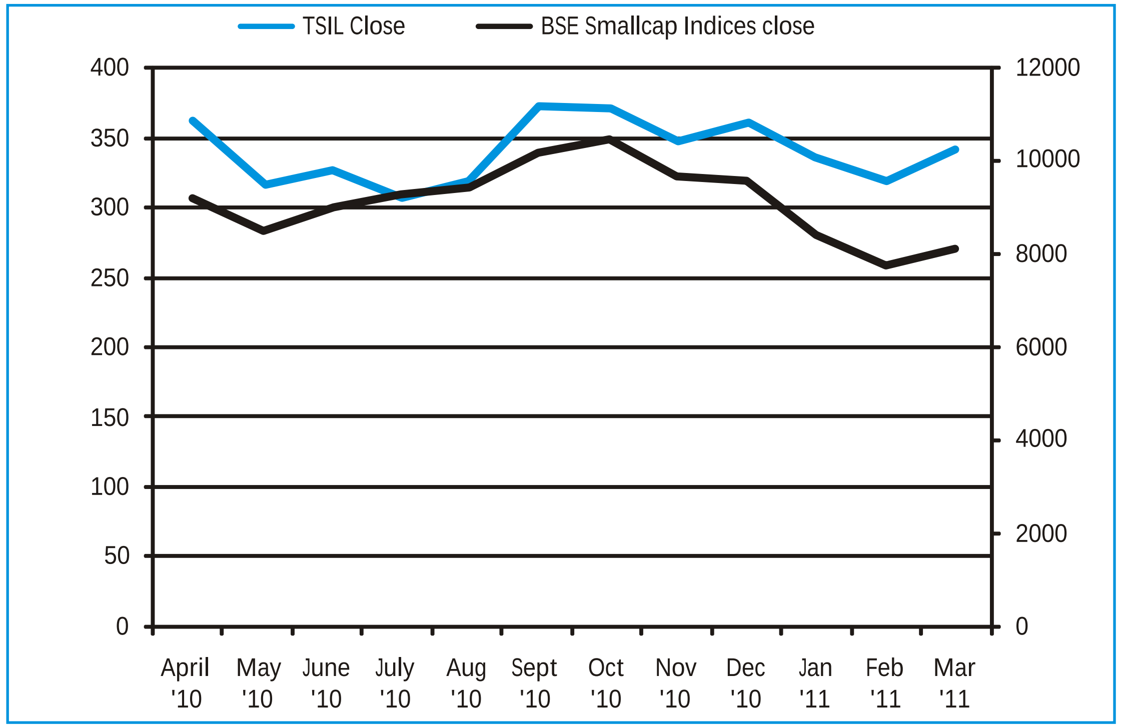
Table - 10

Months	Bombay Stock Exchange Ltd.		National Stock Exchange of India Ltd.	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April, 2010	386.90	345.05	387.45	345.50
May, 2010	370.00	295.00	370.00	295.00
June, 2010	353.90	302.15	354.90	303.05
July, 2010	335.00	309.10	336.00	309.00
August, 2010	335.00	310.00	338.00	299.65
September, 2010	405.00	317.00	406.85	317.05
October, 2010	400.00	366.00	399.00	370.00
November, 2010	398.00	335.10	399.70	338.85
December, 2010	374.00	328.30	374.00	318.10
January, 2011	405.00	330.00	409.00	325.60
February, 2011	358.40	301.10	347.00	292.60
March, 2011	373.90	313.65	373.90	305.00

14.10 **Stock performance**

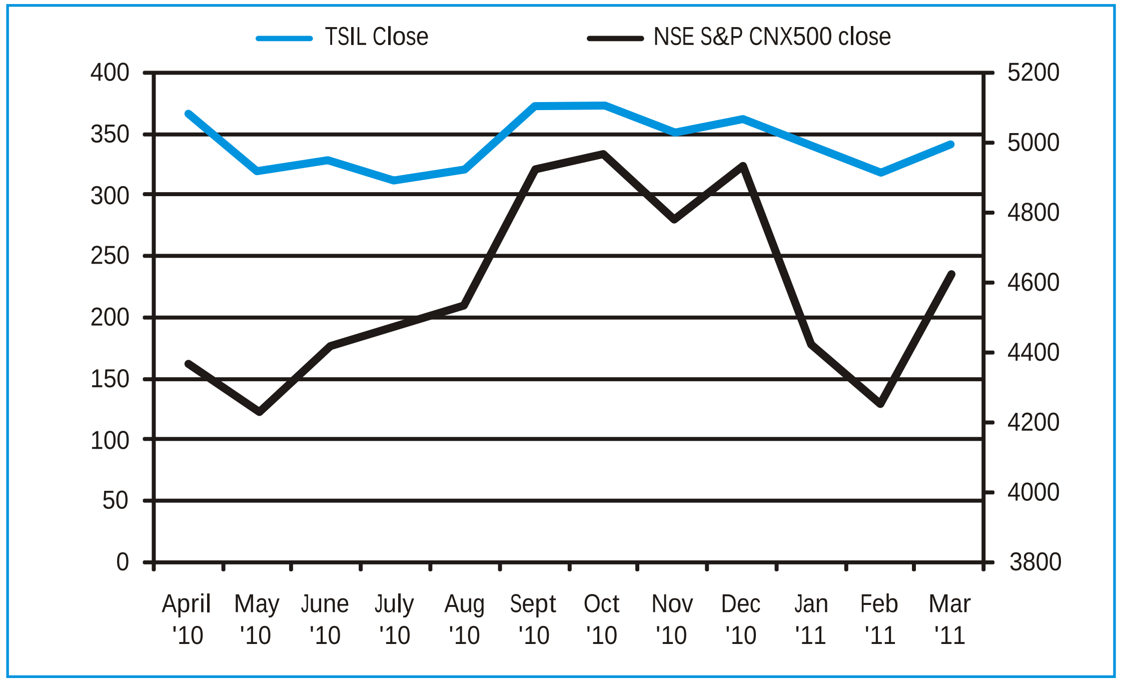
TSIL vs. BSE

Table - 11



TSIL vs. NSE

Table - 12



14.11 **Share Registrars & Transfer Agents :**

REGISTERED OFFICE :

M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
6-10, Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road
Mahalaxmi, Mumbai - 400 011

Phone : 022 - 66568484
Fax : 022 - 66568494 / 66568496
Website : www.tsrdarashaw.com
e-mail : csg-unit@tsrdarashaw.com

BRANCH OFFICES :

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches/agencies of TSR Darashaw Limited :

1) Bangalore
M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
503, Barton Centre (5th Floor)
84, Mahatma Gandhi Road
Bangalore - 560 001.
Phone : 080 - 25320321
Fax : 080 - 25580019
e-mail : tsrlbang@tsrdarashaw.com

2) Jamshedpur
M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
Bungalow No.1, 'E' Road, Northern Town,
Bistupur, Jamshedpur - 831 001.
Phone : 0657 - 2426616
Fax : 0657 - 2426937
e-mail : tsrljsr@tsrdarashaw.com

3) Kolkata
M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
Tata Centre, 1st Floor, 43, Jawaharlal Nehru Road
Kolkata - 700 071.
Phone : 033 - 22883087
Fax : 033 - 22883062
e-mail : tsrlcal@tsrdarashaw.com

4) New Delhi
M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
Plot No. 2/42, Sant Vihar, Ansari Road,
Daryaganj, New Delhi - 110 002.
Phone : 011 - 23271805
Fax : 011 - 23271802
e-mail : tsrldel@tsrdarashaw.com

5) Ahmedabad
M/s.Shah Consultancy Services Pvt. Ltd.
Agents : TSR Darashaw Limited, Sumatinath Complex, Pritamnagar, Akhada Road, Ellisbridge
Ahmedabad -380 006.
Telefax : 079 - 26576038
e-mail : shahconsultancy8154@gmail.com

Note : Name of the Registrars & Share Transfer Agents has been changed from M/s.Tata Share Registry Limited to M/s.TSR Darashaw Limited w.e.f. 12-01-2006.

14.12 **Share Transfer System :**

The Company has retained M/s. TSR Darashaw Limited (formerly Tata Share Registry Ltd.) of Mumbai to carry out the transfer related activities. Authorised personnel are approving the transfer on periodical basis. All valid transfers are affected within stipulated days. Share certificates received at Registered Office are also sent to Registrars and Share Transfer Agents for doing the needful. In case of electronic transfers, the byelaws of Depositories are complied with.

14.13 **Distribution of shareholding as on 31-03-2011**

Table - 13

Shareholding of nominal value of			Shareholders		Share Amount	
Rs.		Rs.	Number	% to total	In Rs.	% to total
(1)			(2)	(3)	(4)	(5)
1	-	100	2584	8.52	164300	0.11
101	-	500	10864	35.81	4499660	2.92
501	-	1,000	7685	25.33	7421750	4.82
1,001	-	5,000	7789	25.68	18900480	12.27
5,001	-	10,000	757	2.50	6040810	3.92
10,001	-	20,000	334	1.10	5019450	3.26
20,001	-	30,000	110	0.36	2800080	1.82
30,001	-	40,000	54	0.18	1889900	1.23
40,001	-	50,000	42	0.14	1976730	1.28
50,001	-	1,00,000	61	0.20	4331240	2.81
1,00,001	and	above	54	0.18	100955600	65.56
		Total	**30334**	**100.00**	**154000000**	**100.00**

14.14 **Categories of shareholders as on 31-03-2011**

Table - 14

Sl. No.	Category	No. of shares held	Percentage of shareholding
1	Promoters		
	(i) Tata Steel Limited (formerly known as The Tata Iron & Steel Company Ltd.)	6119960	39.74
	(ii) Kalimati Investment Company Limited	539554	3.50
	(iii) Tata Investment Corporation Limited	65622	0.43
2	Mutual Funds and UTI	500687	3.25
3	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-government Institutions)	624170	4.05
4	Private Corporate Bodies	804079	5.22
5	Indian Public	5533802	35.94
6	NRIs/OCBs/FIIs	1209292	7.85
7	Directors & Relatives	1000	0.01
8	Trusts	1834	0.01
	TOTAL	**15400000**	**100.00**

14.15 **Top ten shareholders across all categories as on 31st March, 2011 :**

Table - 15

Sr.No.	Name of the Shareholder	No. of shares held	% of holding
1	Tata Steel Limited	6119960	39.74
2	Pinebridge Investments Asia Limited, A/c Pinebridge Investments GF Mauritius	707915	4.60
3	Kalimati Investment Company Limited	539554	3.50
4	LIC of India - Market Plus	402208	2.61
5	Birla Sun Life Insurance Company Limited	302841	1.97
6	Birla Sun Life Trustee Company Private Limited, A/c Birla Sun Life Dividend Yield Plus	252037	1.64
7	Reliance Capital Trustee Co. Limited, A/c. Reliance Small Cap Fund	219050	1.42
8	General Insurance Corporation of India	213332	1.39
9	Emergent India Investment Limited, A/c. Reliance Emergent India Fund	178500	1.16
10	Prem Chand Jain	89460	0.58

14.16 **DEMATERIALISATION OF SHARES:**

As per SEBI's direction the Company had signed tripartite agreements with both the Depositories (NSDL & CDSL) and Registrars and Transfer Agents in March, 2000. Accordingly, dematerialisation facility for the shares of the Company is available and it is in the interest of all the shareholders to convert their physical holdings into electronic holdings by dematerialisation.

As on 31st March, 2011, 1,42,94,087 shares were held in dematerialised form which constitute approx. 92.82 % of total number of subscribed shares.

14.17 **LIQUIDITY**

Since Company's shares are listed (as on 31-3-2011) on Bombay Stock Exchange Limited and National Stock Exchange of India Limited and are compulsorily traded in dematerialised form, these shares enjoy enough liquidity in the market.

14.18 Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity : Not applicable

14.19 **Plant Location :**

Registered Office & Plant :

P.O. Joda - 758 034, Dist - Keonjhar, Orissa.
Phone - 06767-284236, Fax - 06767-278159/278129, E-Mail : info@tataspong.com
Website: www.tatasponge.com

For and on behalf of the Board of Directors

(Suresh Thawani)
Managing Director

Place : Jamshedpur
Dated : 6th May, 2011

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the members of Tata Sponge Iron Limited

(1) We have examined the compliance of conditions of corporate governance by Tata Sponge Iron Limited for the year ended March 31, 2011 as stipulated in clause 49 of the Listing agreement(s) of the said Company with Stock Exchange(s).

(2) The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Corporate Governance Certificate issued by the Institute of Company Secretaries of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

(3) In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

(4) We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Calcutta
Dated : 06.05.2011

(S. M. GUPTA)
S. M. GUPTA & CO.
COMPANY SECRETARIES
Membership No. : FCS - 896
C. P. Number : 2053

FINANCIAL STATISTICS

CAPITAL ACCOUNT

(Rupees in Lac)

Year	Share Capital	Reserves and Surplus	Shareholders' Funds	Borrowings	Total Funds	Gross Block	Depreciation
2001-02	1540.00	2911.82	4451.82	4902.82	9354.64	15900.48	5643.14
2002-03	1540.00	4229.77	5769.77	2044.01	7813.78	15962.03	6436.76
2003-04	1540.00	6796.92	8336.92	81.27	8418.19	15986.54	7068.19
2004-05	1540.00	11657.15	13197.15	68.82	13265.97	16241.14	7774.24
2005-06	1540.00	13168.72	14708.72	7066.99	21775.71	23095.83	8526.57
2006-07	1540.00	14297.38	15837.38	14684.14	30521.52	35031.33	9825.67
2007-08	1540.00	22806.20	24346.20	8439.80	32786.00	36892.00	11783.59
2008-09	1540.00	33431.43	34971.43	11.11	34982.54	35914.99	13571.92
2009-10	1540.00	40467.05	42007.05	14.81	42021.86	35924.90	15359.13
2010-11	**1540.00**	**49168.73**	**50708.73**	**—**	**50708.73**	**35984.46**	**17111.31**

CAPITAL ACCOUNT (Contd.)

(Rupees in Lac)

Year	Net Block	Capital Work-in-Progress	Investment	Current Assets	Current Liabilities & Provisions	Net Current Assets	Percentage of Shareholders' Funds to Total Funds	Percentage of Borrowings to Total Funds
2001-02	10257.34	7.88	80.00	2174.29	1379.52	794.77	47.59	52.41
2002-03	9525.27	21.79	80.00	2383.50	1891.94	491.56	73.84	26.16
2003-04	8918.35	438.07	80.00	5278.77	4021.18	1257.59	99.03	0.97
2004-05	8466.90	3182.75	80.00	7985.44	4397.78	3587.66	99.48	0.52
2005-06	14569.26	9269.36	80.00	4977.14	4768.36	208.78	67.55	32.45
2006-07	25205.66	1328.70	80.00	13920.83	6941.10	6979.73	51.89	48.11
2007-08	25108.41	1439.17	80.00	20735.97	9281.99	11453.98	74.26	25.74
2008-09	22343.07	2127.73	80.00	20958.19	5493.76	15464.43	99.97	0.03
2009-10	20565.77	12174.48	80.00	21548.76	7754.88	13793.88	99.96	0.04
2010-11	**18873.15**	**12904.76**	**3435.25**	**28748.10**	**9325.93**	**19422.17**	**100.00**	**0.00**

REVENUE ACCOUNT

(Rupees in Lac)

Year	Production in MT	Sales	Income from other Sources	Expenses	Depreciation	Profit before Tax	Tax	Profit after Tax	Dividend	Percentage of Profit after Tax to Sales	Percentage of Profit after Tax to Total Funds	EPS (Rs.)
2001-02	228346	14272.52	477.32	12982.37	739.24	1028.23	387.31	640.92	308.00	4.49	6.85	4.16
2002-03	236432	14208.22	636.97	11486.39	797.66	2561.14	722.00	1839.14	462.00	11.15	23.54	11.94
2003-04	216137	17485.17	819.15	12291.46	706.07	5306.79	1870.98	3435.81	770.00	19.65	40.81	22.31
2004-05	223686	24050.17	945.34	14769.98	716.76	9508.77	3419.35	6089.42	1078.00	25.32	45.90	39.54
2005-06	205552	19303.76	1133.95	16246.46	756.78	3425.64	1211.68	2213.96	616.00	11.47	10.17	14.38
2006-07	282274	27750.81	1937.93	24503.12	1349.19	3294.19	1170.76	2123.43	616.00	7.65	6.96	13.79
2007-08	332264	43329.03	4674.22	33156.54	1964.62	13643.64	4091.05	9552.59	1078.00	22.05	29.14	62.03
2008-09	342074	60813.94	2014.13	42416.36	1831.10	18116.70	6050.09	12066.61	1232.00	19.84	34.49	78.35
2009-10	359333	52001.37	2193.03	39609.75	1937.52	12622.15	4169.91	8452.24	1232.00	16.25	20.11	54.88
2010-11	**383002**	**67578.35**	**1908.82**	**52607.56**	**1851.50**	**15027.87**	**4894.33**	**10133.54**	**1232.00**	**15.00**	**19.98**	**65.80**

Notes :
1. The Company started commercial production of Sponge Iron from April 1986 with first kiln.
2. The second kiln started commercial production from September, 1998.
3. Tax includes Deferred Tax w.e.f. 2001-02.
4. The third kiln started commercial production from March, 2006.
5. Sales include sale of surplus power net of Excise Duty w.e.f. 2008-09.

Dear Shareholder,

Sub : Green Initiative

The Ministry of Corporate Affairs has taken a “Green Initiative in Corporate allowing paperless compliances by Companies through electronic mode and has issued circulars on 21.04.2011 and 29.04.2011 stating that Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

Your Company proposes to send future communication/documents including Notice of Annual General Meeting and Annual Report of the Company in electronic form through email.

Members who are holding Equity Shares in demat mode are requested to register their e-mail ID with their Depository Participant immediately, if already not registered.

Members who are holding Equity Shares in physical form should send a scanned copy of their letter requesting for registering/changing their existing email ID, bearing the signature of the sole/ first shareholder on **“csg-green@tsrdarashaw.com”**. (These members are also requested to convert their physical holding to demat).

OR

Such members holding Equity shares in physical form can also write to the Registrar and Share Transfer Agent of the Company at the company at their following address and inform their email ID quoting their folio number. The letter should be signed by the sole/first holder as per the specimen signature recorded with the Registrar and Share Transfer Agent.

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

We seek your support to enable the Company to not only reduce paper consumption but also related costs. As a shareholder, this is your opportunity to support this initiative of the Government and contribute towards a Greener Environment.

Please note that as a member of the Company, you will be entitled to be furnished free of cost with a copy of such communication/document upon receipt of a requisition from you, at anytime.

The Annual Report of your Company for Financial Year 2010-11 alongwith all future communication/ documents would also be made available on the Company's website: www.tatasponge.com

Thanking You,

Yours faithfully,

For Tata Sponge Iron Limited,

Company Secretary

ORGANISATION CULTURE

- **W**elfare of employees & surrounding community
- **H**onesty in dealings
- **E**nvironment friendly operations
- **A**daptability to changing scenario &
- **T**rust in all its transactions

VALUES

Trust and respect	Team work based on trust, respect and dignity for all
Social equality	No discrimination based on gender, cast, creed or religion. Tata Sponge is an equal opportunity employer
Integrity	Integrity in all transactions without fear or fervor
Loyalty	Organisation well being before self.

QUALITY POLICY

Tata Sponge Iron Limited is committed to comply with the requirements of the Quality Management System and to achieve continual improvement in its operations through it for the production and marketing of sponge iron and power.

In order to attain this, the company shall strive to achieve its quality objectives through annual business plans and review the quality policy periodically to ensure its continuing suitability to company operations.

ENVIRONMENTAL POLICY

Tata Sponge Iron Limited is committed to continual improvement in its environmental performance activities pertaining to the handling of raw materials, production and dispatch of sponge iron; and generation and evacuation of power; so as to maintain a pollution free, clean and safe environment.

To achieve this, the company shall :

- Comply with applicable legal and other requirements relating to its environmental aspects;
- Identify the impact of its activities upon the environment;
- Prepare and implement an annual environmental improvement plan with targets to meet the objectives and to carry out periodical reviews of its performance; and
- Communicate the policy to all persons working for or on behalf of the organization and make it available to public on request.

OCCUPATIONAL HEALTH & SAFETY POLICY

Tata Sponge Iron Limited is committed to provide a safe workplace to all persons working under its control by taking steps to prevent injury and reduce risk of occupational ill health.

The Company shall continually strive to improve its Occupational Health & Safety performance by setting & pursuing relevant objectives and meeting all legal & other requirements in the area of production and marketing of sponge iron & power.

The Company shall achieve these through awareness, training and effective communication among all interested parties. The Company shall review this policy at periodic intervals.

CSR POLICY

Tata Sponge recognizes the fact that the long-term future of the company is best served by addressing the interests of all its stakeholders in a balanced manner.

As a responsible corporate citizen, Tata Sponge will consistently strive for opportunities to meet the expectations of its stakeholders by pursuing the concept of sustainable development, with particular emphasis on environment care & periphery development and in the course, promote national interest.

AFFIRMATIVE ACTION POLICY

Tata Sponge Iron Limited believes in social equity.

The company adheres to the principle of equal opportunity, irrespective of caste, whether in recruitment or career advancement within the organization.

The company is also committed to directly conducting or supporting initiatives to ensure an equal footing for socially and economically disadvantaged sections in the country at large, and specifically the scheduled caste and scheduled tribe communities.