



TATA STEEL

Enhancing value

99th Annual Report
2005-2006



Enhancing value

Enhancing Value...a process that is embedded in the day to day life in Tata Steel. The company has drawn up a challenging plan to ensure that it continues to create value in the future. The plan includes expansion of its global footprint while building a strong base in India as the country embarks upon becoming a global economic power. The Company's aspiration for growth is founded on world class capabilities, a culture of continuous improvement, Tata values of Leadership with Trust and its firm resolve to be a global steel player in the world.

TATA STEEL LIMITED

Contents

Chairman's Statement	2	Production Statistics	102
The year that was	4	Financial Statistics	103
Financial highlights	6	Dividend Statistics	104
Transforming a global vision into reality	10	Financial Ratios	105
Millennium Steel Company, Thailand	12	Corporate Governance Report	106
Creating value-added brands in steel	14	Section 212 of the Companies Act, 1956, related to Subsidiary Companies	124
Board of Directors	17	Summary Financials of Subsidiary Companies	125
Corporate Sustainability Initiatives	18	Consolidated Financial Statements	
Management of Business Ethics	20	Auditors' Report	126
Directors' Report	21	Consolidated Balance Sheet	128
Management Discussion & Analysis	36	Consolidated Profit and Loss Account	129
Highlights	57	Consolidated Cash Flow Statement	130
Sources & Utilisation of Funds	58	Schedules forming part of the Consolidated Profit and Loss Account	132
Auditors' Report	59	Schedules forming part of the Consolidated Balance Sheet	134
Annexure to the Auditors' Report	60	Notes to the Consolidated Financial Statements	139
Balance Sheet	64		
Profit & Loss Account	65	Aspiring for excellence	153
Cash Flow Statement	66	Augmenting capabilities and competence	156
Schedules forming part of the Profit & Loss Account	68	Awards and recognition	158
Notes to Schedule 4	70	Improving the quality of life	162
Schedules forming part of the Balance Sheet	71	Founder's Day	167
Notes on Balance Sheet & Profit and Loss Account	85	Jamshedpur - a model township	168
Balance Sheet Abstract and Company's General Business Profile	101		

Annual General Meeting on Wednesday 5th July, 2006 at Birla Matushri Sabhagar 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.

Chairman's Statement


Dear Shareholder,

The global steel industry has seen continued strong demand growth during the year. However, depressed prices have put pressure on margins.

The consumption of finished steel products world-wide increased to over 1 billion tonnes, an increase of 40 million tonnes. Steel production and consumption in China continued to outstrip global growth rates and now accounts for 31% of the world's production and consumption of steel. Security of raw material supply has become a new priority with various global steel manufacturers seeking captive capacities or long-term commitments for iron ore.

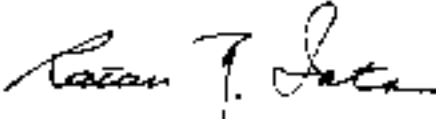
The Indian economy continued to see robust growth across most sectors and the 8% growth rate appears to be sustainable. The Indian corporate sector has shown its confidence in the country's economic fundamentals by committing significant amounts of capital towards the creation of new capacity in several sectors. The Indian steel industry has also increased production to cater to the higher consumption levels. Tata Steel's performance in the past year has understandably reflected the trends prevailing in the country. The Company has been able to post its highest-ever output and sales and has continued to focus on enriching its product mix to meet the demands of sophisticated user industries. Domestic steel prices however have weakened, mirroring trends in international markets.

The Company also continued to pursue its de-integrated production strategy through the acquisition of Millennium Steel in Thailand and the integration of its Singapore subsidiary, NatSteel Asia. It has been able to further enhance its ability to provide value-added products and solutions to its customers and entered into a joint venture with Bluescope Steel, to offer specialized construction products and solutions.



In recent years, steel was regarded as a “sunset” industry and value destroyer world-wide. Today, the industry is characterized by strong demand growth and consolidation. The per capita consumption of steel in India continues to be extremely low at around 32 kilograms. The large infrastructure projects under implementation in the country are expected to significantly increase the demand for steel in the coming years. If India were to have the same per capita consumption as China has today, then India could consume more than 260 million tonnes of steel annually. Reflecting its confidence in India’s future development, Tata Steel proposes to establish three greenfield facilities in Orissa, Chhattisgarh and Jharkhand, with an aggregate capacity of 23 million tonnes. These greenfield projects and other strategic acquisition opportunities could see Tata Steel making a total estimated investment of Rs. 70,000 crores in the next decade, constituting the largest investment within the Tata Group. In implementing these projects, Tata Steel will continue its tradition of focusing on community development and rural welfare. Amongst other initiatives, Tata Steel has already undertaken to upgrade the polytechnics and industrial training institutes within the State of Jharkhand.

Over the next decade Tata Steel has committed itself to attaining global scale with output exceeding 30 million tonnes and a strong regional presence. Tata Steel has been recognized as one of the most cost-efficient steel manufacturers world-wide and it is believed that achieving global scale with the same production efficiency will further enhance the Company’s global competitiveness. The aggressive move to be a significant steel producer in the industry reflects the new mindset within the Company to have a meaningful global presence. The innovativeness and spirit of the Tata Steel employees, which has always been one of its greatest strengths will, I am sure, meet the challenges ahead and enable the Company to successfully fulfill its long-term vision.



Chairman

Mumbai, 31st May, 2006

The year that was

- Ranked **World's Best Steel Maker** - World Steel Dynamics
- Consolidated gross turnover crosses **Rs. 22,000 crores**
- Acquisition of **Millennium Steel, Thailand**
- 1 MTPA expansion completed. **1.8 MTPA** expansion launched
- **Reduction in domestic clean coal ash content** by 1.2 % enables lower usage of imported coal from 46% in FY05 to 32% in FY06, resulting in an overall reduction in cost of manufacturing coke.
- Standard and Poor's upgrades Tata Steel to '**BBB**'- two notches above India's sovereign rating
- Equity participation in coal mines - **Australia**
- **steeljunction** - an innovative initiative
- **Tata Structura** launched

Other highlights (Consolidated)

	2005-2006	2004-2005
Turnover	Rs. 22518.75 crores	Rs. 17596.96 crores
Profit After Tax	Rs. 3734.62 crores	Rs. 3603.26 crores
Net Debt/Equity	0.31	0.57
Return on Equity	44%	62%
EVA spread	Rs. 2536 crores	Rs. 2448 crores
Earnings per Share	Rs. 67.62	Rs. 65.27



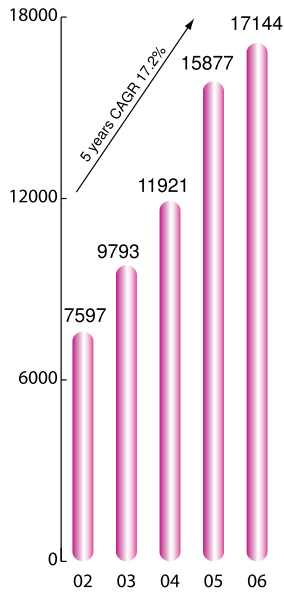
Tata Steel has surpassed the 5 MT milestone in hot metal production during the year. The 'G' Blast Furnace has enhanced its productivity to 5000 tonnes per day after its revamp.



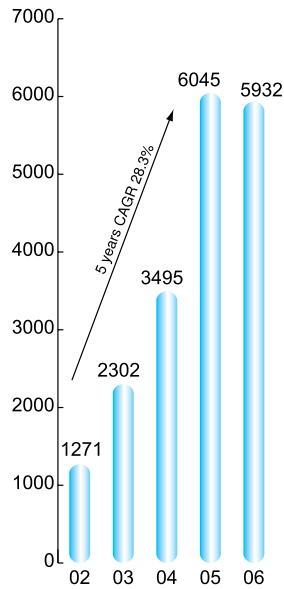
The innovation of rubber covered rolls with modified formulations in the Continuous Galvanising Line (CGL) #1 has yielded beneficial results and increased galvanised production to 0.52 MTPA.

Financial Highlights 2005-2006

Gross Sales (Rs. in crores)

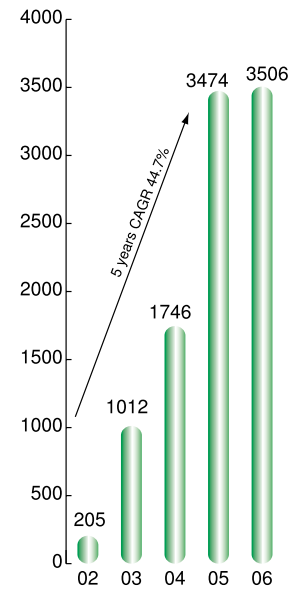


Operating Profit (Rs. in crores)

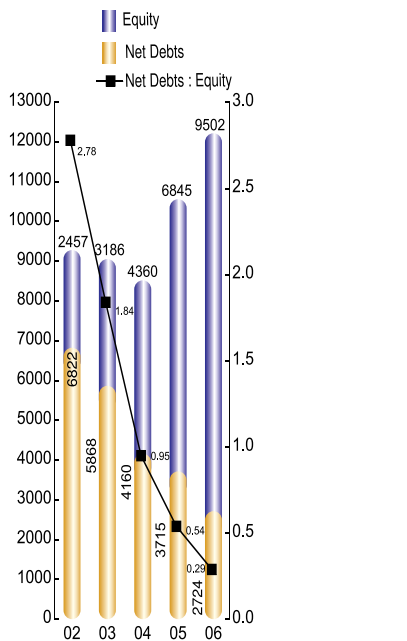


Operating Profit = Sales of Products & Services - Excise Duty - (Mfg & Other Expenses - Expenditure transferred to Capital and Other Accounts)

Profit after tax (Rs. in crores)

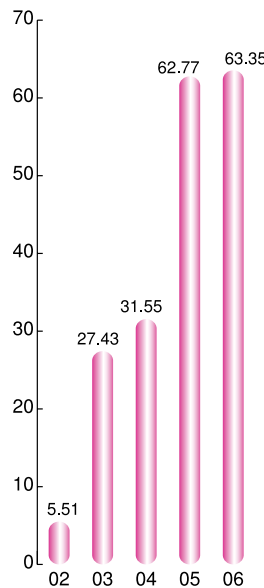


Net Debts / Equity

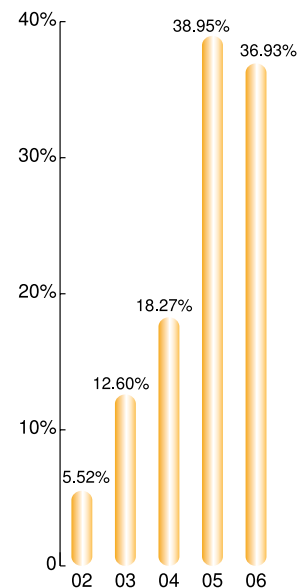


Net Debts = Secured Loans + Unsecured Loans + Deferred Tax Liability + Provision for Employee Separation Compensation + Long Term Guarantees (-) Current Investments (-) Cash and Bank Balances
 Equity = Share Capital + Reserves and Surplus - Miscellaneous Expenditure (to the extent not w/o or adjusted)

Earnings per Share (Rs. per Share)



Return on Invested Capital (%)



* Post Tax

Rupee Earned 2005-2006

(Rs. in crores)

Bearings
Rs. 1541.19 (1%)
Rs. 141.60 (1%)

Rings & Agrico
Rs. 178.14 (1%)
Rs. 150.94 (1%)

**Dividend, Power,
Water & Others**
Rs. 1067.76 (6%)
Rs. 802.78 (5%)

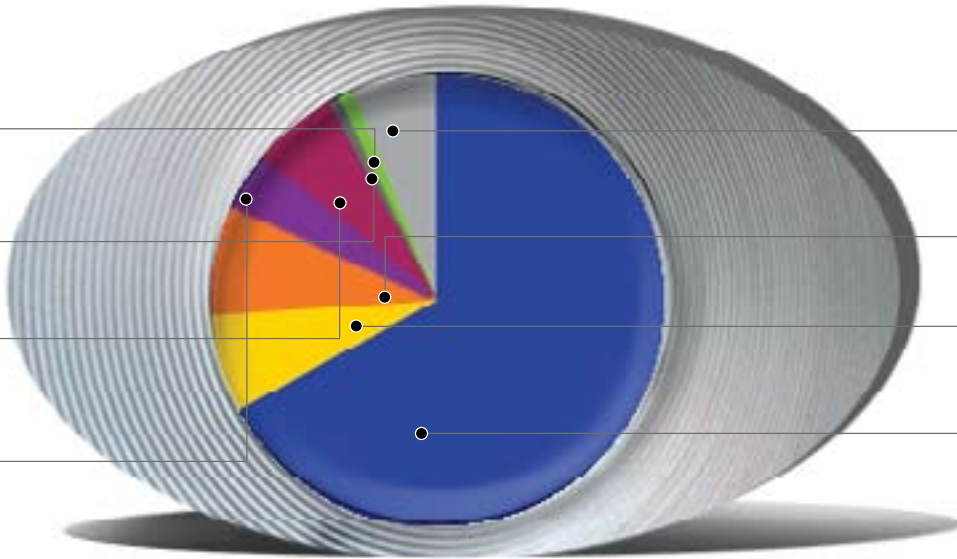
**Ores &
Minerals - Exports**
Rs. 787.12 (4%)
Rs. 725.84 (4%)

Tubes
Rs. 1006.18 (6%)
Rs. 877.90 (5%)

**Ores & Minerals
- Domestic**
Rs. 1343.89 (8%)
Rs. 1575.80 (10%)

Steel - Export
Rs. 1213.56 (7%)
Rs. 1570.38 (10%)

Steel - Domestic
Rs. 11648.12 (67%)
Rs. 10208.24 (64%)



Distribution of Revenue 2005-2006

(Rs. in crores)

Materials Consumed
Rs. 2700.30 (16%)
Rs. 2676.08 (17%)

ESS
Rs. 52.77 (0.30%)
Rs. 119.11 (1%)

Employees
Rs. 1330.33 (8%)
Rs. 1241.00 (8%)

Reserves
Rs. 2685.95 (15%)
Rs. 2652.79 (17%)

Shareholders
Rs. 719.51 (4%)
Rs. 719.51 (4%)

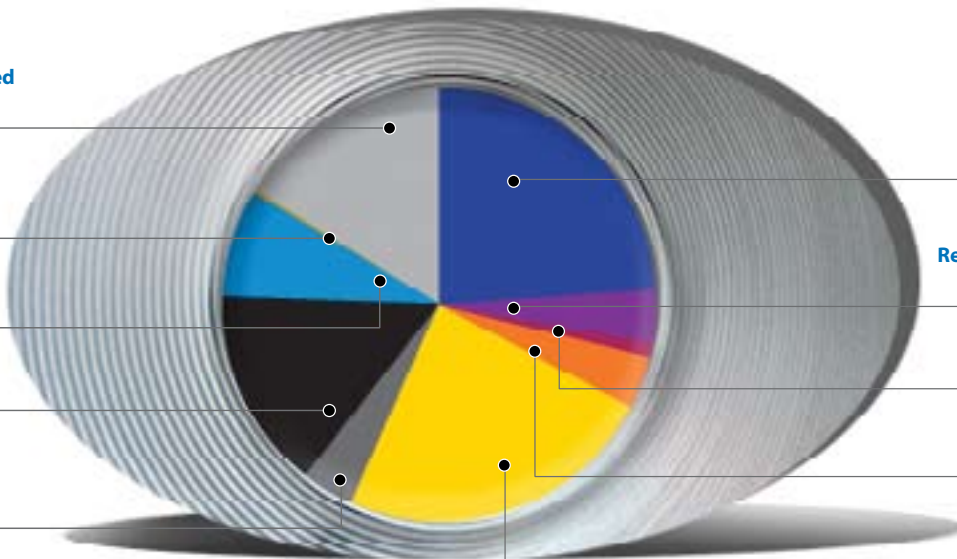
**Operations &
Other Expenses**
Rs. 4206.92 (24%)
Rs. 3708.61 (23%)

Repairs & Renewals
Rs. 701.29 (4%)
Rs. 670.03 (4%)

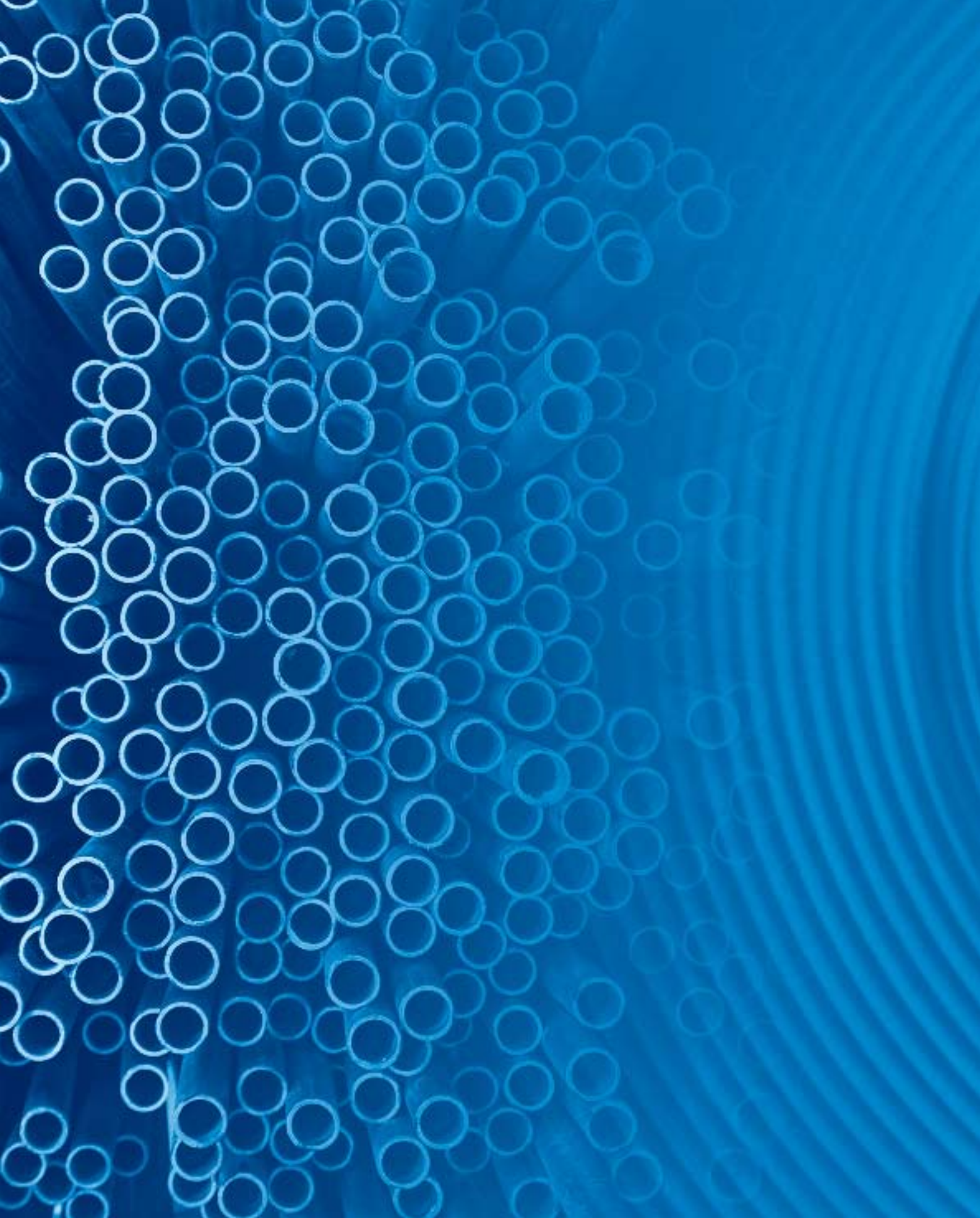
Interest
Rs. 118.44 (1%)
Rs. 186.80 (1%)

Depreciation
Rs. 763.00 (4%)
Rs. 594.82 (4%)

Government
Rs. 4120.47 (24%)
Rs. 3484.73 (22%)



Note: Figures in italics are in respect of the previous year.





Global aspirations

South Africa • Bangladesh • Singapore • China • India • Sri Lanka • Thailand • Australia • South Africa • Bangladesh • Singapore • China • India • Sri Lanka • Thailand • Australia • South Africa • Bangladesh • Singapore • China • India • Sri Lanka • Thailand • Australia

Transforming a global vision into reality

1



2



1. With a 8.50 million tonne of finishing capacity, Tata Steel is Asia's first and India's largest integrated private sector steel company and one of the lowest cost producers of steel in the world. After its acquisition of **NatSteel**, it has gained a manufacturing footprint in six countries in **Southeast Asia and China**.

2. **NatSteel** is the first company in its local market to mechanise the production of bored pile cages. It has planned **improvements in work processes and productivity** to retain its competitive advantage.

3. Tata Steel has signed agreements to buy a 5% interest in the **Carborough Downs Coal Project, Australia** - an underground coking coal project. The clean coal produced will be low-ash coking coal and PCI coal, highly suitable for steel making.



3



4

4. Tata Steel has entered into a Joint Venture with **BlueScope** for setting up a metallic coating and painting unit. The company will build a new business across **India and South Asia** and will manufacture zinc/aluminium metallic coated steel, painted steel and rollformed steel products, and deliver pre-engineered buildings (PEBs) and other building solutions.

The company also manufactures ferro-chrome and ferro-manganese from its captive chrome ore mines and is setting up a new ferro-chrome plant in **South Africa**.

Tata Steel has proposed to set up a 2.4 MT greenfield steel project in **Bangladesh** and develop a 6 MT coal mine.

● Millennium Steel Company, Thailand



Tata Steel has invested Rs.780 crores to acquire 67.11% of equity stake, in Millennium Steel, Thailand. The investment was made by the Company and its wholly owned subsidiary NatSteel Asia Pte. Limited, Singapore.

Millennium Steel Public Company Limited is the largest steel company in Thailand accounting for 24% of long rolling capacity in the country. Listed on the Stock Exchange of Thailand ("SET"), it is a holding company for its three operating subsidiaries located in Saraburi, Rayong and Chonburi province of Thailand.

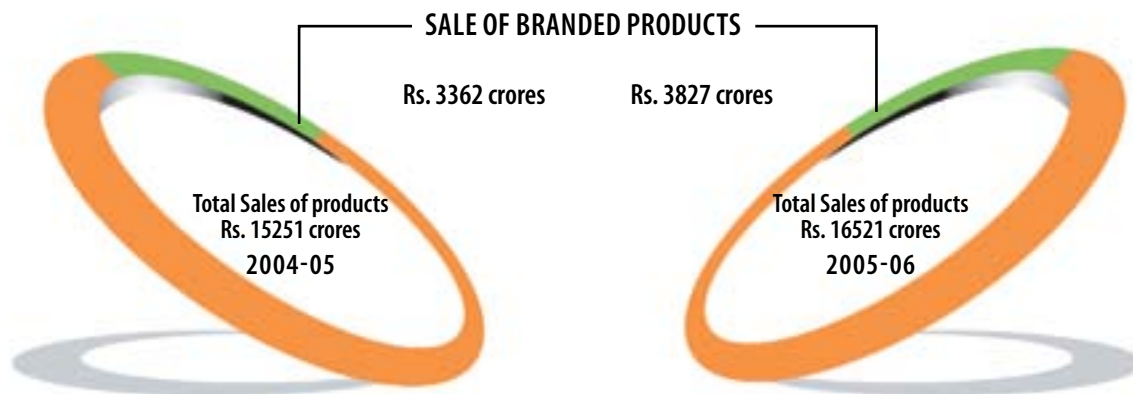


The Company, in aggregate, has nameplate capacity to produce 1.2 MTPA of steel through the Electric Arc Furnace route and 1.7 MTPA of long products for construction and engineering steel for the auto industry.



Creating value-added brands in steel

- The turnover of all branded products increased by 14% from Rs.3362 to Rs. 3827 crores in FY05-06.
- Sales of Tata Shaktee (Corrugated Galvanised Sheets) increased from 1.75 lakh tonnes to 1.78 lakh tonnes recording an increase of 2% over the previous year.
- Sales of Tata Steelium (Cold Rolled Sheets for the Distribution Market) increased from 3.55 lakh tonnes to 3.92 lakh tonnes recording an increase of 10% over the previous year.
- Sales of Tata Tiscon (Construction Reinforcing Bars) increased from 2.63 lakh tonnes to 3.03 lakh tonnes recording an increase of 16% over the previous year.
- Sales of Tata Wiron (Steel Wires), which was launched in FY 04-05, increased by over 60% from 0.44 lakh tonnes to 0.70 lakh tonnes in FY 05-06.
- In a nation wide study conducted by ORG-MARG in 2005, all our steel brands emerged as leaders having the highest brand equity amongst all brands in their respective categories.



Comparative sales volume of branded products - **14% growth**



● Tata Structura launched



Domestic Air Terminal, Mumbai



Tata Steel has launched **Tata Structura** with a view towards equipping architects, engineers and consultants with a new age construction product. It is a superior material facilitating strength and elegance in constructions.

Tata Structura has :

- Higher strength resulting in lower weight and reduction in project cost
- Higher ductility but lower brittleness
- Higher toughness
- Superior aesthetics offering greater design flexibility



● India's first organised steel retail outlet



steeljunction



steeljunction is India's first organised steel retail store. It was launched with an aim to create new paradigms in steel retailing for the 'B2C' consumers.

This unique outlet will provide a 'one stop destination' for consumers intending to go 'steel shopping'.

steeljunction is a mid-size, specialty store, which will retail a range of steel oriented products - all under one roof.

It will offer a unique shopping experience, better quality products, greater time and money value to customers through a comprehensive product range, services and in-store facilities.

Board of Directors

(As on 29th May, 2006)

Mr. R. N. Tata (Chairman)
Mr. Nusli N. Wadia
Mr. S. M. Palia
Mr. P. K. Kaul (Financial Institutions' Nominee)
Mr. Suresh Krishna
Mr. Kumar Mangalam Birla
Mr. Ishaat Hussain
Dr. Jamshed J. Irani
Mr. Subodh Bhargava
Mr. B. Muthuraman (Managing Director)
Dr. T. Mukherjee (Deputy Managing Director – Steel)
Mr. A. N. Singh (Deputy Managing Director – Corporate Services)

Management

Mr. B. Muthuraman Managing Director
Dr. T. Mukherjee Deputy Managing Director (Steel)
Mr. A. N. Singh Deputy Managing Director (Corporate Services)
Mr. H. M. Nerurkar Vice President (KPO & Technology)
Mr. A. D. Baijal Vice President (Raw Materials)
Mr. U. K. Chaturvedi Vice President (Long Products)
Mr. R. P. Singh Vice President (Engineering Services & Products)
Mr. Koushik Chatterjee Vice President (Finance)
Mr. Anand Sen Vice President (Flat Products)
Mr. Varun Jha Vice President (Chhattisgarh Project)
Mr. Abanindra M. Misra Vice President (Human Resources)
Mr. Avinash Prasad Vice President (Industrial Relations)
Mr. Om Narayan Vice President (Safety & Services)
Mr. H.C. Kharkar Vice President (TQM & CSI)
Mr. J. C. Bham Company Secretary

REGISTERED OFFICE	Bombay House, 24 Homi Mody Street, Fort, Mumbai 400 001. Tel : (022) 6665 8282 Fax : (022) 6665 8113 / 6665 7725 E-mail : cosectisco@tata.com Website : www.tatasteel.com
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LEAD BANKER	State Bank of India
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LEGAL ADVISORS	Messrs Mulla & Mulla and Craigie Blunt & Caroe AZB & Partners
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AUDITORS	Messrs A. F. Ferguson & Company Messrs S. B. Billimoria & Company
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SHARE REGISTRARS	TSR Darashaw Limited (Formerly : Tata Share Registry Limited), Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001. Tel : (022) 6656 8484 Fax : (022) 6656 8494 / 6656 8496 E-mail : csg-unit@tsrdarashaw.com Website : http://www.tsrdarashaw.com
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Corporate Sustainability Initiatives – 2005-06

“I do believe that we, in the Tata Group, have held a view and a sense of purpose that our companies are not in existence just to run our business and to make profits but that we are responsible citizens over and above our normal operations”.

— **Ratan Tata, Chairman, Tata Group.**

Tata Steel has consistently benchmarked itself against global norms in all its endeavours, including its initiatives in the social and environmental areas. It is one of the first in India to adopt the stringent ‘triple bottom line’ guidelines under the Global Reporting Initiatives in reporting its performance not only in the economic but also the environmental and social aspects of its operations and submitting it for the scrutiny of international agencies and to be compared with global corporate entities. Tata Steel’s Corporate Sustainability Report for 2004-2005 was judged as “one of the strongest reports filed by any corporate from the emerging economies”.

Taking on this responsibility towards society and the environment has inspired the Company to contribute to a more sustainable society and also maintain its sensitivity to the local values and the heritage of the indigenous people living near its area of operations so that progress and well being also ensure cultural continuity and societal balance. In keeping with these beliefs and continued focus on its “Vision 2007”, Tata Steel has endeavored to commit itself to greater community welfare and social development through various corporate and social initiatives in the year 2005-06.

DISASTER RELIEF

Tata Steel has strived to bring relief and hope of a better life to the suffering victims of natural disasters since 1934 and in the year gone by it has continued to render this service to the victims of the Tsunami and the devastating floods caused by heavy rains in Orissa.

Tata Steel through the Tata Relief Committee (TRC) and as a part of the Tata Group’s overall initiatives for the Tsunami victims, adopted a holistic and long term approach for providing help to rebuild the lives of the affected people in the coastal districts of Nagapattinam, Kanyakumari and Cuddalore in Tamil Nadu. TRC provided extensive relief to over 10,000 families by setting up of relief camps and desalination plants for the fishing community. In the second phase of these initiatives it also conducted reconstruction and rehabilitation programmes during the period under review, where multi-purpose community centres-cum-rain shelters, a 100 ‘in-situ’ houses in the fishermen’s colony and 800 housing units in Nagapattinam were built. Rural Knowledge Centers, rain shelters, temporary dwellings, followed by permanent constructions, were established in Kanyakumari, Tirunelveli and Cuddalore. TRC provided boats for the fishermen so that they could resume their means of livelihood and become self reliant. The relief work went a long way in helping the people rebuild their lives.

In yet another endeavour to assist the state of Orissa during natural calamities, the Company, in co-ordination with the district administration, responded with immediate relief services in four blocks of the Jajpur district in Orissa when 2400 families were affected by heavy rainfall in the area.

COMMUNITY INITIATIVES

Civic services

In line with its commitment to develop and maintain the city of Jamshedpur where more than 75% of the population are not employees of the Company, Tata Steel endeavoured to address the most critical of civic amenities, water, to further improve the quality of life of the residents of Jamshedpur and adjoining non-lease areas. It set up a mega water supply project under which filtered water facilities were extended to the residents of Uliyan and Bhatia Bustee. This 32 km pipeline network is a unique concept in Citizen-Private Partnership model benefiting more than 20,000 residents. Tata Steel also set up 116 tube wells benefiting 1800 households in the nearby rural communities and has conducted extensive awareness campaigns for saving and optimizing usage of water and also the use of water harvesting practices amongst the public.

The Sukinda Chromite Mines, in Orissa, saw the completion of its ‘Operation BIJLI’, a special project which has facilitated the supply of electricity to 20 villages under four gram panchayats, by the construction of an electrical sub station.

Health

Tata Steel has consolidated its association with Lifeline Express, India’s first hospital on rails, over the past 25 years by sponsoring health camps in Jharkhand and Orissa. The tenth Tata Steel sponsored Lifeline Express tour, at Sini Railway Station in FY ’05-06, enabled more than 2500 patients with optical problems as well as orthopedic, ENT and congenital deformities from West Bengal, Orissa, Bihar and Jharkhand to avail free medical treatment.

Furthering its partnership with the Jharkhand Government and its people, Tata Steel is committed to contribute Rs. 25 crores every year, for the next 30 years, to a government-run Health Insurance Scheme for the State’s Below Poverty Line (BPL) families who would avail a medical insurance umbrella at zero cost.

Centre for Family Initiatives

Tata Steel, through the Tata Steel Family Initiative Foundations (TSFIF), organized a mega AIDS Awareness campaign during the Trucker’s Utsav 2005 which touched over 3000 truckers, one of the most vulnerable target groups of society. Continuing its crusade against HIV/AIDS, the Company also conducted health camps to provide check-ups and treatments wherein a very large number of truckers came in for health consultations and were treated.

Under the HIV/AIDS awareness programmes conducted by the Company counseling sessions at Sneha Kendras (counseling centres), targeted intervention projects and awareness building programmes were held in rural as well as urban areas. 100% high risk population across 22 villages and 100% high school children in 72 villages were covered under awareness programmes on HIV/AIDS.

The Centre conducted family welfare programmes which provided interventions through sterilization, spacing and counseling sessions. Awareness of Reproductive Health was also generated through various programmes amongst adolescents. 12,000 permanent family planning operations were conducted by the Company.

Tata Steel, through its agency the Tata Steel Rural Development Society (TSRDS), also ensured treatment of one lakh patients through mobile clinics and immunization of 81.2% children in 197 villages in the period under review.

Contributing towards developing the health infrastructure of the rural areas in the State, Tata Steel has constructed an Intensive Care Unit (ICU) at the Government hospital at Bolangir, Orissa at a cost of Rs. 20 lakhs, to provide immediate emergency services for the first time in the area. It has also set up a unit in Ranchi to address the health care needs of the villages in Arki block near Ranchi.

Training and Education

The TSRDS covered 6500 illiterate adults in peri-urban areas of Jamshedpur in its Adult Literacy Programme, in addition to nearly 2000 children from under privileged section of the society from different busteers who were imparted pre-primary education through Tata Steel's Bal Vikas Classes, in association with the Jharkhand Education Project in FY '05-06.

To promote skill development, training of youths from different busteers around Jamshedpur were imparted training in computers, motor driving, plumbing and electrical jobs.

The Company's involvement in the sustained development of Orissa State continued over the financial year through its new education projects. It set up the JN Tata Technical Education Centre to impart technical skills among the youth of Orissa so as to improve their employability in industry. Tata Steel, in collaboration with the Government of Orissa, also launched a project for setting up the Institute of Mathematics and Applications to promote the culture of mathematical competence at all levels in society.

EMPOWERMENT

To take the process of development much beyond the creation of economic wealth, Tata Steel Rural Development Society (TSRDS) sought to galvanize entire villages towards a better quality of life. The mechanisms used by the Society to sow the seeds of opportunity included Self Help Groups, Early Childhood Educational programmes, Youth Leadership Programmes, Camp Schools for dropout tribal girls, Farm Level Training, Training of Rural Artisans, Marketing Rural Handicrafts, Promotion of Sporting Talents etc.

Project UDAY was an important Empowerment activity launched by the Jamshedpur unit. Villages selected for the project, benefited through Self Help Groups, skill development among the youth, inculcation of the habit of attending school among the village children and improved farming and livestock management techniques.

INCOME GENERATION

Tata Steel strengthened its initiatives in various areas of Income Generation to further the objective of economic value creation and economic self-reliance of the villages in the vicinity of its operational areas. The primary tools used by the TSRDS to encourage its target groups to earn a better livelihood were : Irrigation projects, Agri Extension projects, Animal Husbandry, Krulir Farming, Floriculture, Vocational Training etc. Promotion of economically viable industries

including rural handicrafts and other cottage Industries among the rural people were also taken up by the Company.

TRIBAL CULTURE

Tribal Cultural Society (TCS) of Tata Steel continued to support and inculcate the culture and heritage of various tribes of the region among the tribal youth and urbanized tribal communities. It organized all important tribal festivals with their traditional aspects and tribal dance, drama, music and song competitions which were conducted by the tribal communities, thereby giving them an opportunity to develop and sustain the unique richness of their culture.

SPORTS

The importance of sports as a means to achieve wider social and economic outcomes has been increasingly recognized by the Company over recent years. In response cadets from Tata Steel's sports academies continued their excellent performances in FY 2005-06.

Several cadets of Tata Football Academy, Tata Archery Academy and Tata Athletics Academy made successful international representations and came out winners in events like Asian Indoor Championship, Bangkok, Athletics Championship, Thailand and the Senior National Archery Championship, Jamshedpur.

Some of the major events hosted by Tata Steel to promote sports were Senior Women National Boxing Championship, Tata Steel National Ranking Archery Championship, 5th JRD Tata Half Marathon, Special Olympics and Tata Steel AFI Athletics Meet.

SAFETY AND ENVIRONMENT

Tata Steel is committed to continual improvement in environment performance by setting sound environmental objectives and targets and by integrating a process of review at every stage of production, services and new projects.

Tata Steel notched a commendable 9 out of 10 points for environment and safety in ratings by World Steel Dynamics.

Simultaneously, the Company achieved a reduction in Green House Gas Emission, Specific Energy Consumption, Suspended Particulate Matter (SPM) by improving operational practices and introduction of the state-of-the art Pollution control facilities in its various processes and units.

Addressing pressing concerns on the water issue, Tata Steel held a countrywide debate and panel discussion on "Responsibility of preventing conflict over water rests with the Government". "Water is life", a seminar on rainwater harvesting, was also held in Bangalore to create awareness on the topic.

Continuing Commitment

Tata Steel has always underlined its commitment to Corporate Social Responsibility in all its business and operations in every location. The improved results of its efforts towards greater social betterment give the Company an impetus not only to continue but better its endeavours to meet the growing needs and concerns of all its stakeholders and fulfill its role as a corporate citizen. We are proud that we continue to live by the tenet laid out by the founders and the leaders of the Tata Group.

Management of Business Ethics in Tata Steel

As a tribute to late Mr. J R D Tata, July is celebrated as Ethics Month since the past few years. This has helped in reinforcing employee involvement and passion in the Management of Business Ethics (MBE) over the years. This year, July month started by each employee taking Ethics Pledge followed by various activities like skit competition, etc.

A significant milestone in MBE process was the decision of the Board of Directors to adopt and implement the 'Whistle Blower Policy' in the Company. The policy encourages the employees to raise their concerns, without fear to the Ethics Counsellor and/or the Chairman of the Audit Committee. The policy also provides for protection of the Whistle Blower by a 'Whistle Blower Protection Committee' headed by Dy. Managing Director (Corporate Services). Various channels are provided to the employees for reporting concerns. The concerns received during the year were resolved expeditiously.

In order to effectively deploy the Tata Code of Conduct, a 'Gift Policy' was adopted by the Company, for having uniform understanding by the employees regarding gifts. Various steps were taken to create awareness amongst the employees about this policy, like making presentations, hosting the policy on the

Company's Intranet (internal website), etc. The salient features of the Policy were also communicated to other stakeholders like vendors, contractors etc. for making this more effective.

In order to promote and uniformly deploy the MBE Process in associate companies, a Central Forum for Ethics was formed with Ethics Counsellor of the Company as Convenor and all the Ethics Counsellors of the associate companies as members. Periodical meetings were held and various issues and dilemmas discussed and resolved.

MBE process was also initiated in the recently acquired/formed subsidiary companies like NatSteel Asia Pte Ltd., Hooghly Met Coke, etc. The process is in the early stages of deployment. Senior leadership team reinforces ethical behaviour by discussing ethical issues in fora, like General Dialogues, Senior Dialogues, where Company's Executives are invited to share their views on various subjects and take prompt actions thereon.

The effectiveness of communication and deployment measures are evaluated by analysis of the concerns received and also by various surveys conducted by internal and external agencies. These measures show that MBE system is fully in place in the Company.

Directors' Report

TO THE MEMBERS,

The Directors hereby present their Ninety-ninth annual report on the business and operations of the Company and the financial accounts for the year ended 31st March, 2006.

	Rupees Crores	<i>Previous Year Rupees Crores</i>
1. (a) Net Sales/Income	15139.39	14498.95
(b) Total Expenditure	9207.88	8453.59
(c) Operating Profit	5931.51	6045.36
(d) <i>Add</i> : Dividend and Other Income	254.76	148.03
(e) Profit before Interest, Depreciation, Exceptional items and Taxes	6186.27	6193.39
(f) <i>Less</i> : Interest	118.44	186.80
(g) Profit before Depreciation, Exceptional items and Taxes	6067.83	6006.59
(h) <i>Less</i> : Depreciation	775.10	618.78
(i) Profit before Exceptional items and Taxes	5292.73	5387.81
(j) <i>Less</i> : Exceptional items	52.77	90.53
(k) Profit before Taxes	5239.96	5297.28
(l) <i>Less</i> : Provision for Current Taxation	1579.00	1833.66
(m) <i>Less</i> : Provision for Deferred Taxation	127.58	(10.54)
(n) <i>Less</i> : Provision for Fringe Benefits Tax	27.00	—
(o) Profit after Taxes	3506.38	3474.16
(p) <i>Add</i> : Balance brought forward from the previous year	1790.21	637.42
(q) Balance	5296.59	4111.58
Which the Directors have appropriated as under, to :		
(i) Proposed Dividend	719.51	719.51
(ii) Tax on Dividend	100.92	101.86
(iii) General Reserve	1500.00	1500.00
TOTAL	2320.43	2321.37
Leaving a balance of	2976.16	1790.21
to be carried forward		

CHANGE OF NAME

Pursuant to the shareholders' approval obtained at the last Annual General Meeting, the name of the Company was changed from 'The Tata Iron And Steel Company Limited' to 'Tata Steel Limited' with effect from 12th August, 2005.

BUSINESS RESULTS

Globally, steel consumption and production continued to grow and China continued to be the largest contributor to this consumption growth.

Economic conditions around the world have been encouraging. The US saw sustained GDP growth of over 2% throughout the year while Japan moved out of deflationary conditions and even Europe has showed signs of industrial growth and consumption by the end of the last financial year.

During the first half of the year, steel prices rose steeply before coming off during the third quarter and fourth quarter. At the same time, commodity prices reached record highs. Prices of Iron Ore, Coke and Zinc have risen significantly throughout the year.

China along with other developing economies like India are likely to continue to drive demand growth in steel, while Europe and US demand is also likely to remain robust. The outlook for the industry remains positive though rising costs on account of raw materials, freight and energy will keep the margins under pressure.

The Indian economy grew at an estimated 8.1% in FY '06. This includes a strong performance in steel consuming sectors like automobiles, engineering, constructions and white goods. The Government has substantially increased the allocation for various infrastructure projects under the Bharat Nirman program which is expected to be implemented over the next couple of years.

The foreign exchange reserves of the country increased to around USD 150 billion at the end of

the fiscal year. This was primarily on account of significant increase in capital flows from the foreign institutional investors into the Indian equity markets. Consequently, equity markets reflected increased valuations of companies across sectors and the BSE Index increased from 6605 points in April 2005 to 11280 points in March 2006. The Indian Rupee has been volatile throughout the previous year reflecting the global conditions of increased dollar volatility. The Government of India has announced that India would favourably look at capital convertibility of the Rupee in the future.

These factors indicate that India is at the inflexion point of development which bode well for the domestic steel industry in the future. The pace of India's development would depend on the execution of the various infrastructure projects announced by the Government during the year. Your Company too has developed a long term strategy of developing a strong base in India, pursuing the de-integrated production capability of making intermediate steel in low cost geographies and finishing in growing and developed markets. In pursuing this strategy, your Company is developing a strong base in India by further expansion of Jamshedpur operations and planning to build Greenfield Projects in Orissa, Chhattisgarh and Jharkhand in the next decade. Your Company is also working towards ownership and development of additional raw material sources in India and overseas for its enhanced operations. As part of the de-integrated strategy, your Company signed the definitive arrangements on December 15, 2005 with Cementai Holding Thailand for the acquisition of significant shareholding in Millennium Steel Company, Thailand. The transaction was completed on 4th April, 2006. Your Company will continue to explore opportunities to grow through organic and inorganic options to emerge as a global player in

the steel industry. Your Company is pursuing its goal of becoming a 25-30 mtpa company by 2015.

The Net Profit after taxes at Rs 3,506.38 crores was marginally higher in comparison to previous year. Operating profit was marginally lower at Rs. 5,931.51 crores as against Rs.6,045.36 crores in the previous year. Lower levels of debt contributed to a reduction in gross interest charges at Rs. 168.44 crores (2004-05 : Rs. 228.80 crores). Net interest charges were also correspondingly lower at Rs.118.44 crores (2004-05 : Rs.186.80 crores). Provision for depreciation was Rs. 775.10 crores (2004-05 : Rs. 618.78 crores) due to capitalization of 1 mtpa expansion project. After providing Rs. 52.77 crores towards expenses for employee separation compensation (2004-05 :Rs. 119.11 crores), profit before taxes was lower at Rs. 5,239.96 crores (2004-05 : Rs. 5,297.28 crores).

All the Blast Furnaces of the Company performed well during the year. 'G' Blast Furnace which was upgraded and re-commissioned during the year has already achieved the production rate of 2.0 mtpa as against its rated capacity of 1.8 mtpa. The increased hot metal production reduced the dependence on purchased semi finished materials and helped in reducing the cost further.

Your Company achieved significant operational improvements during the year especially in the area of reduction of ash content in domestic coal.

During the year under review, your Company has achieved production of 5 mtpa hot metal for the first time in its history.

Your Company has forayed into organized steel retailing by opening "steeljunction" at Kolkata, a one-stop shop for steel products like pipe, tube, wire, sheet, builders hardware, architectural items, lifestyle products, kitchen products, etc. This will

enable architects, interior decorators and builders in and around Kolkata to easily access steel products for their use. In future, similar hubs may also be set up in other locations.

Your Company has been ranked consecutively for the second time as the Best Steel Making Company by World Steel Dynamics Inc., USA based on study of 22 world-class steel makers.

Pursuant to the Accounting Standard AS – 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company includes financial information of its subsidiaries. The Company has received the exemption under Section 212(8) of the Companies Act, 1956 from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies to the Balance Sheet of the Company vide letter No. 47/191/2006-CL-III dated 27th April, 2006 from the Ministry of Company Affairs, Government of India, New Delhi. The Company will make available these documents/details upon request by any member of the Company or subsidiary company.

DIVIDEND

The Board, for the year ended 31st March, 2006 has recommended a dividend @ 130% (Rs. 13/- per share) subject to the approval of the shareholders at the Annual General Meeting. The dividend will be paid on 553,472,856 Ordinary Shares at Rs. 13/- per share (2004-05 : on 553,472,856 Ordinary Shares at Rs. 13.00 per share). The dividend pay out works out to 23.40 % (2004-05 : 23.61%).

STEEL DEVELOPMENT FUND

During the period 1978-1992 the price of steel and distribution thereof were controlled by the Government of India through the Joint Plant Committee (JPC). The JPC in order to facilitate modernisation and technology upgradation of the steel industry in India set up a fund called the Steel

Development Fund (SDF). The fund was administered by JPC and portion of the sale price of steel as directed by the authority was contributed by the major steel producers including the Company to the fund of SDF. The contributions were used for development and modernisation of the main producers including the Company.

Subsequently, in a certain litigation, the Hon'ble Supreme Court held that the monies contributed to the SDF belong to the contributors only. Based on the same view and in view of diverse legal opinion as obtained by the Company, the residual balance in the SDF was claimed by the Company by way of return from JPC and/or SDF. As no favourable response was forthcoming from the Government, the Company was left with no other option but to seek legal remedy.

Accordingly, the Company filed, a writ petition before the High Court at Kolkata on February 26, 2006, claiming inter alia refund of the balance amount lying with SDF, wherein the Hon'ble Court was pleased to pass an Interim Order restraining the Government of India, SDF and JPC from utilizing any amount out of the contributions made by the Company to the SDF, except for the purpose of utilization for its members including the Company. The said Interim Order is subsisting. Accumulated balance together with interest thereon as on 31st March, 2006 was Rs. 1,609.25 crores. The final hearing of the matter is awaited.

INVESTMENT IN MILLENNIUM STEEL PUBLIC COMPANY LIMITED, THAILAND

In line with the plans of creating a global presence in existing business lines through de-integrated production strategy, the Company acquired 67.11% of equity stake in Millennium Steel, Thailand at a cost of approximately Rs.780 crores.

The investment was completed through a combination of preferential allotment of 24.99% equity shares to the Company and acquisition of

42.12% of equity shares through open tender offer. The investment was made by the Company and its wholly owned subsidiary NatSteel Asia Pte. Limited, Singapore.

On completion of the acquisition, the Board of Millennium Steel was reconstituted with the majority of Directors being the nominees of the Company. Mr. B. Muthuraman, Managing Director has been appointed as the Chairman of Millennium Steel.

Millennium Steel is one of the largest steel companies in Thailand with a capacity of 1.7 mtpa, producing long products for construction and engineering steel for auto industry. It operates through 3 facilities in Thailand.

FINANCE

In the recent past, the Company has been strengthening its balance sheet by increasing cash flows, reducing interest cost and improving working capital management. With this effort, the Company is in a position to take advantage of growth opportunities in the global steel market.

The Company had taken approval from its shareholders for additional borrowings of Rs. 5,000 crores at the Extra Ordinary General Meeting held on 24th March, 2005. Accordingly, the Company contracted over Rs. 4,300 crores of debt through External Commercial Borrowings during Financial Year 2005-06. While these funds have not been drawn down by 31st March, 2006, the Company has managed to lock in attractive rates and tenor of funds for its planned expansion. Your Company contracted a US Dollar 400 Million loan through the IFC, a US Dollar 500 Million loan Syndicated to commercial banks and two Export Credit Agency (Italian and German) insured loans for Capital Imports totalling to USD 74 Million.

The surplus fund of the Company not required immediately has been temporarily invested in money market mutual funds taking into account risk

adjusted return. The total investment in mutual fund as on 31st March, 2006 stood at Rs. 2,026.63 crores.

Your Company has reduced its net borrowings during the year by Rs. 261.36 crores. Short-term borrowings have increased by Rs. 37.80 crores over the previous year on account of import transaction. Overall borrowings have decreased by Rs. 223.55 crores to Rs. 2,516.15 crores as compared to Rs. 2,739.70 crores at the end of the previous fiscal year. Consequently, the debt: equity ratio has come down from 0.54 at the beginning of the year under review to 0.29 at the end of the year.

CAPITAL PROJECTS

The Company has initiated a program for expansion of crude steel making capacity at Jamshedpur by 1.8 mtpa. The expansion project is expected to be completed by 2008.

The increased requirement of coke would be sourced from Hooghly Met Coke & Power Company Limited, a subsidiary of the Company. The coke making capacity to be set up at Haldia is also being augmented from 0.8 mtpa to 1.2 mtpa along with power generating capacity from 60 MW to 90 MW. The production is expected to commence during 2007.

During the year under review, the Company incurred capital expenditure of Rs.1,527.58 crores.

GREENFIELD PROJECTS

The Company has embarked upon setting up various greenfield projects. The project in Orissa envisages setting up an integrated steel plant of 6 mtpa capacity in two phases of 3 mtpa each at Kalinganagar. The Company has signed MoU with the Government of Chhattisgarh to set up a 5 mtpa capacity steel plant in 2 phases. The Company has also signed an MoU with Government of Jharkhand to set up a 12 mtpa

steel plant in Jharkhand in 2 phases of 6 mtpa each. The above plants would be set up subject to raw materials linkage and receipt of all approvals.

The Company has envisaged setting up a 2.4 mtpa steel plant in Bangladesh. The discussions are continuing with the Government of Bangladesh on various issues including supply of gas, lease of coal blocks and fiscal incentives.

The Company is also exploring the option of setting up of a steel plant in Iran.

OTHER PROJECTS

The Company has signed the Share Subscription Agreement and Joint Venture Agreement with BlueScope Steel Limited, Australia in November 2005, for manufacture of colour coated coils and pre-engineered buildings to be used in building solution business. The manufacturing facility would be set up in Jamshedpur with a production capacity of 2.50 lakhs tpa of zinc and aluminium coated and 1.50 lakhs tpa of colour coated coils. The building solution business would have manufacturing facilities at Delhi, Pune and Chennai.

The Company is setting up a Ferro Chrome Project at Richards Bay, South Africa to produce 1.20 lakhs tpa of high carbon ferro chrome. Your Company has obtained the Environment Clearance for the said project and has also acquired the land at Richards Bay. A subsidiary company in the name of 'Tata Steel KZN Pty. Ltd.' has been incorporated in South Africa.

In order to secure raw materials especially coal in the future, the Company has been evaluating options to acquire strategic stake in coal companies in India and overseas. Pursuant to this, the Company has entered into an agreement with the AMCI (CQ) Pty. Ltd., Australia to secure upto 20% of the coal produced by it.

CREDIT RATING BY STANDARD & POOR'S

International Credit rating Agency Standard & Poor's (S & P) upgraded foreign currency rating of the Company to 'BBB' with stable outlook, which is two notches above India's sovereign rating. With this rating, your Company is in the investment grade for any foreign currency debt issuance. According to S & P, the Company is considered well insulated from direct and indirect sovereign risks since it demonstrates moderate leverage, strong free cash flow generation and a competitive business profile.

INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the issue of share capital in future, the authorised share capital of the Company is being increased from Rs. 850 crores to Rs. 2,000 crores by creation of 115,00,00,000 Ordinary shares of Rs.10 each.

SUBSIDIARIES

The list of subsidiary companies are given on page No. 91.

The gross revenue of the subsidiaries increased to Rs. 5,545.36 crores (2004-05 : Rs.1,882.95 crores). Profit after taxes was also higher at Rs. 232.79 crores (2004-05 : Rs.120.20 crores).

IMPROVEMENT INITIATIVES

Your Company during the year under review undertook several initiatives to enhance its global competitiveness. The ASPIRE programme encompasses improvement initiatives like Six Sigma, Total Productive Maintenance (TPM), Small Group Activities, Suggestion Management involving cross section of employees. A new initiative 'ASPIRE Unlimited' programme based on the Theory of Constraints (TOC) propounded by Dr. Eliyahu Goldratt is the latest challenge undertaken by your Company to achieve excellence in quality. The key to success of this

initiative is to devise business strategies aimed at increasing turnover and profitability through focusing market as the 'constraint'. Various initiatives such as Buffer Management in Supply Chain, Critical Chain Project Management and in Mining, under this programme have been undertaken.

Your Company continues to focus its efforts and investments in Research & Development, Quality, Safety and Environment. As a result of the above initiatives, your Company has been able to achieve various operational improvements including reduction of operating costs and increased branding presence through customer value management.

SAFETY

In line with our Corporate Vision to improve the safety and quality of life of employees, your Company has initiated a safety excellence journey under the guidance of DuPont Safety Resources, world-class leader in safety. DuPont has helped to improve the safety performance of many industries across the globe.

The safety programme which began at the Steel Works has been rolled across all locations including mines. These initiatives have shown perceptible change in the behaviour of employees at and outside the place of work. Gains achieved are irreversible. The Company aspires to become world-class in safety.

HUMAN RESOURCES

Given the Company's ambitious growth plans in India and overseas, development of human resources assumes an even more important dimension.

To prepare the Company's human resources for future responsibilities in terms of professional skills as well as business skills, several initiatives have

been undertaken, such as rotation policy, leadership development programme, sponsored diploma programme and e-learning.

Since a decade, the employee strength has been reduced from about 78,000 to around 38,000 presently through separation schemes and normal retirement. The Company is investing in the modernisation of the plant and training of manpower for upgrading their skills.

DIRECTORS

Mr. Keshub Mahindra stepped down from the Board with effect from 21st March, 2006. The Board records its deep appreciation of the valuable advice and counsel provided by Mr. Mahindra to the Company and to the Board over a period of 37 years.

Mr. B. Jitender, nominee director of IDBI stepped down from the Board with effect from 22nd March, 2006. The Board places on record its appreciation of the contribution made and value derived in the deliberations of the Board during his tenure as a Director.

The Board, at its meeting held on 18th May, 2006 re-appointed Mr. B. Muthuraman as Managing Director of the Company for a period commencing from 22nd July, 2006 to 30th September, 2009, subject to the approval of the shareholders.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. R. N. Tata, Mr. Suresh Krishna and Mr. Ishaat Hussain, retire by rotation and are eligible for re-appointment.

STATUTORY AUDITORS

Messrs A. F. Ferguson & Co. and Messrs S. B. Billimoria & Co., the existing Statutory Auditors are now part of Messrs Deoitte Haskins Sells (DHS) and it has been decided that DHS would be appointed as the Statutory Auditors of the Company.

Accordingly, Messrs A. F. Ferguson & Co. and Messrs S. B. Billimoria & Co. have expressed their unwillingness to be re-appointed at the conclusion of the ensuing Annual General Meeting. The Company has received a special notice from a shareholder of the Company, in terms of the provisions of the Companies Act, 1956, signifying the intention to propose the appointment of DHS as the Statutory Auditors of Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. DHS have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Companies Act, 1956.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provisions of 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, are given in Annexure 'A' to the Directors' Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure 'B' to the Directors' Report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report, Managing Director's and Auditors' Certificate regarding compliance of conditions of

Corporate Governance are made a part of the Annual Report. A note on the Company's corporate sustainability initiatives is also included.

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

The Company's application for delisting its Ordinary shares is pending with the Calcutta Stock Exchange.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have, in the selection of the Accounting Policies, consulted the Statutory Auditors and

have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

3. 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;
4. they have prepared the annual accounts on a going concern basis.

On behalf of the Board of Directors

Mumbai, 18th May, 2006

RATAN N. TATA
Chairman

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

This is to confirm that the Company has adopted Tata Code of Conduct for its employees including the Managing Director and Whole time Directors. In addition, the Company has adopted the Tata Code of Conduct for Non-Executive Directors. Both these Codes are posted on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2006, 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 the purpose of this declaration, Senior Management Team means the Members of the Management one level below the Executive Directors as on March 31, 2006.

Mumbai
May 18, 2006

B. Muthuraman
Managing Director

Annexure 'A' to Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A CONSERVATION OF ENERGY

a) ENERGY CONSERVATION MEASURES TAKEN :

- i) Installation and commissioning of new 1 x 100 tonnes per hour by-product gas fired boiler at Power House No. 5.
- ii) Conversion of 2 x 68 tonnes per hour Stoker Coal fired boilers into by-product gas fired boilers at Power House No. 5.
- iii) Installation and commissioning of 30 MW back pressure turbine at Power House No. 5.
- iv) Implementation of energy audit recommendation for electrical energy savings in the Works Division.
- v) Reduction in steam condensate loss and loss due to leakages by improved maintenance practices.
- vi) Augmentation of blowing air efficiency at F Blast Furnaces.

b) ADDITIONAL INVESTMENTS AND PROPOSALS FOR REDUCTION OF CONSUMPTION OF ENERGY :

- i) Modification of four numbers of stoker fired boilers into by-product gas fired boilers at Power House No. 3 to reduce boiler coal consumption.
- ii) Enhancement of LD gas recovery by installation of second LD gas Holder and augmentation of export gas network.
- iii) Installation of Top recovery turbine at 'G' & 'H' Blast Furnace.
- iv) Recovery of sensible heat of coke by installation of Coke Dry Quenching system in Batteries 5, 6 & 7 at Coke Plant.
- v) Installation of Thermocompressor at West Plant Booster House of Coke Plant for recovery of exhaust steam.
- vi) Phasing out of inefficient boilers and replacement of old and inefficient Blast Furnace blowers.

c) IMPACT OF THE ABOVE MEASURES :

Energy Conservation measures during 2005-2006 has resulted in achieving :

- i) Lowest ever Plant Specific Energy Consumption of 6.959 Gcal/tcs.
- ii) Lowest ever boiler coal consumption of 132.32 kg/tss.
- iii) Lower turbo blower steam consumption of 383 kg/thm at Blast Furnaces.
- iv) Lower specific oxygen consumption of 54.88 Nm³/tcs at steel melting shops.
- v) Reduction in process steam condensate loss of 23.76 tonnes per hour.
- vi) Higher combine boiler efficiency of 80.03%.

d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION:

Form - A enclosed.

B. TECHNOLOGY ABSORPTION

- e) Efforts made in technology absorption as per Form B : Form B enclosed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- f) Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans } Mentioned in the Directors' Report.

- g) Total foreign exchange used and earned.

	Rs. in Crores
i) CIF value of imports	1747.30
ii) Expenditure in foreign currency	148.71
iii) Foreign exchange earned (includes deemed exports)	2110.19

Form - A

Form for disclosure of particulars with respect to Conservation of Energy : 2005-2006

Particulars	2005-2006	2004-2005
A. POWER AND FUEL CONSUMPTION		
1. ELECTRICITY		
a) Purchased		
Units (M. KWH)	1,871.27	1,589.83
Total Amount (Rs. Lakhs) #	50,028.41	44,501.18
Average Rate/Unit (Rs./KWH)	2.67	2.80
b) Own Generation		
i) Through Diesel Generator		
Units (M. KWH)	12.96	10.11
Units per litre of Diesel Oil (KWH)	3.91	3.89
Average Cost/Unit (Rs./KWH)	13.50	12.18
ii) Through Steam Turbine/Generator		
Units (M. KWH)	1,018.88	1,025.48
Units per tonne of Coal (KWH)	1,410	1,408
Average Cost/Unit (Rs./KWH)	1.75	1.64
(*This includes generation of PH 4 in MKwh which is operated on by-product gases upto 95%)	454.99	432.80
2. COAL		
i) Coking Coal & Cookeries		
Quantity (Million Tonnes)	3.65	3.57
Total Cost (Rs. Lakhs)	109,982.50	86,618.76
Average rate (Rs./Tonne)	3,017.19	2,425.39
ii) Blast Furnace Injection Coal		
Quantity (Million Tonnes)	0.38	0.22
Total Cost (Rs. Lakhs)	16,798.99	5,818.33
Average rate (Rs./Tonne)	4,456.57	2,592.32
iii) Middling Coal and ROM		
Quantity (Million Tonnes)	0.64	0.62
Total Cost (Rs. Lakhs)	5,857.00	5,500.45
Average rate (Rs./Tonne)	911.55	891.19
3. FURNACE OIL		
Quantity (Kilo Litres)	11,160.68	10,619.16
Total Amount (Rs. Lakhs)	1,655.92	1,212.15
Average rate (Rs./KL)	14,837.08	11,414.78
4. OTHERS		
L.D.O.		
Quantity (Kilo Litres)	7,093.81	6,642.53
Total Cost (Rs. Lakhs)	1,626.78	1,261.62
Average rate (Rs./KL)	22,932.43	18,993.12
L.P.G.		
Quantity (Tonnes)	3,387.25	2,947.16
Total Cost (Rs. Lakhs)	942.79	690.08
Average Rate (Rs./Tonne)	27,833.47	23,415.12
NG		
Quantity (Tonnes)	2,823.46	3,120.86
Total Cost (Rs. Lakhs)	244.08	283.22
Average Rate (Rs./ Tonne)	8,644.72	9,075.08

Excludes electricity duty paid on purchases

Form for disclosure of particulars with respect to conservation of energy : 2005-2006

B. CONSUMPTION PER UNIT OF PRODUCTION

Particulars	Steel (per tonne)	Tubes (per tonne)	Bearings (per no.)	F.A.M.D. (per tonne)	Rings & Agrico (per no.)	Growth Shop (per tonne)	CRC West (per tonne)	Wire Div. (per tonne)	CRM SISODRA (per tonne)
Electricity (KWH)	425.00 (414.00)	96.00 (117.00)	0.72 (0.79)	3829.00 (3828.70)	1.20 (1.19)	813.02 (506.89)	159.97 (158.38)	211.94 (213.34)	323.23 (330.41)
Furnace Oil (Litres)						16.24 (8.23)		23.58 (22.76)	
Coking Coal (Tonnes)	0.82 (0.87)								
Others :									
Light Diesel Oil (Litres)	0.71 (0.58)						9.00 (10.84)	8.19 (9.15)	44.69 (46.25)
L.P.G. (Kgs.)							13.05 (13.42)	9.23 (7.04)	1.07 (0.58)
N.G. (Kgs.)								24.26 (25.41)	

(Previous year's figures have been given in brackets and modified wherever necessary)

Form - B

Form for disclosure of particulars with respect to Technology Absorption : 2005-2006.

RESEARCH AND DEVELOPMENT

1. SPECIFIC AREAS IN WHICH R & D WAS CARRIED OUT BY THE COMPANY

Research was carried out in the areas of raw materials including iron ore, coal, coke, ferro chrome and titania, sinter quality and blast furnace productivity, product development, process improvement, energy utilization, energy conservation and waste utilization.

2. BENEFITS DERIVED

Some of the important benefits from R&D projects are listed below.

A new technology was developed in collaboration with Central Leather Research Institute, Chennai, for reducing hexavalent chromium to parts per billion level in chrome ore concentrate. This will ensure that the Company's product meets stringent international specification on hexavalent chromium. A patent has been filed on the new process.

Galvannealed coated steels have been established for fuel tank application in the automotive industry. This product replaces imported tern coated steels and has been accepted by a number of auto manufacturers such as Bajaj Auto Limited, Hero Honda Motors Limited, Honda Motorcycles And Scooters India Pvt. Limited, TVS Limited etc.

Corrosion resistant hollow structural tubes have been developed and launched under the "STRUCTURA" brand, which have double the corrosion resistance of ordinary tubes.

A new process has been established for which patent has been filed for the production of hydrogen gas in using waste heat of steelmaking slag.

A new formulation has been developed in collaboration with IIT Kharagpur and implemented for rubber rolls used in various sections of the cold rolling mill. The life of these rolls has increased from an average of around 10 days to currently in excess of 100 days. This exceeds Nippon Steel Corporation's performance of 90 days.

Besides the above, a large number of projects were completed many of which have given benefits in terms of increased productivity (such reducing reheating time of slabs of interstitial free grade of steels), reduced cost and enhanced product quality with customer support.

3. FUTURE PLAN OF ACTION

Establish flow sheet and design equipment for 1.5% Al₂O₃ in fines.

Establish 8% ash in coal with high yield at pilot scale.

Establish the use of 7-hole lance in steelmaking for better dephosphorisation.

Reduce slag volume in blast furnace.

Pilot scale demonstration of high strength (greater than 1000 MPa yield strength), high ductility (50% elongation) steel for automotive applications.

Reduce electricity consumption in the production of ferro chrome.

Commercialize use of LD slag as soil conditioner.

4. Expenditure on R & D	Rs. Crores
(a) Capital	4.14
(b) Recurring	20.84
(c) Total	24.98
(d) Total R & D expenditure as a percentage of total turnover (%)	0.15

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts made :

On the Process Front ...

Steel Making / Slab Casting Area

Vessel lining: One LD vessel at LD2 & Slab Caster was tried with Mag-Carbon lining resulting in doubling of the vessel life from 1650 heats (with Tar-Dolo lining) to 3284 heats.

Ladle lining: Use of Alumina-Magnesia-Carbon brick in steel ladle has resulted in ladle life improvement from 70 heats (with Tar-Dolo brick) to 82 heats.

Vanadium addition: Introduction of Nitrovan-Vanadium as a substitute of Fe-V has helped in reduction of Vanadium requirement by 20%.

Caster productivity: Modification of primary and secondary cooling in two curved mould casters (Caster B and C) has resulted in about 15% increase in productivity.

Hot strip mill

Auto surface inspection: VAI Surface Inspection System for on-line defect monitoring of HR Coils has been installed and is being stabilized.

Coil conveyer line: Addition of new coil conveying line at 'C-1 Yard' has resulted in minimised multiple handling.

Paint marking machine: Installation of on-line Robo-Tech Paint Marking machine of Tebulo make has improved HR Coil identification.

DWH: Upgrading of HSM Data Warehouse is being carried out with respect to capacity & software.

Cold Rolling Mill

RCL-1: Entry and exit mandrels have been fabricated by TGS to prevent coil slip problem.

RCL-1 entry: Coil loading sequence system has been automated fully.

CPL: Additional cradle rolls have been installed in two stations, for better handling.

System upgradation in dispatch section: Intelligent zoning system has been developed by CTTS, for the mapping of entire dispatch yard and easy stacking of coils.

Wagon loading: After modification, coil tracking and wagon loading is now completely automatic. A Patent has been filed for this application.

CGL-1: The problem of premature pot failure due to fast erosion of pot surface thereby leading to production loss has been overcome by incorporation of a Stainless steel pot (AISI 316L).

CGL-2: Process Improvements in the heating and drying system of CGL-2 have resulted in conservation of steam

CGL-2: Laser technology for air-knife distance adjustment in CGL-2 has resulted in conservation of zinc / material inputs.

LD Shop-1

Heat size increased from 130 to 150 tons

93% heats routed through ladle furnace after LF2 commissioning

Casting of 150 mm sq billets introduced

High speed casting at CC2 – more than 3.5 m/min

Calibrated Nozzle Changer introduced

Casting stabilization of stick electrode grades through LF to attain low phosphorus

Increased % of hot metal from torpedos to 30 %
 New porous plug introduced in ladles
 High flow rate oxygen blowing lances tried in BOF
 Multi hole bottom stirring elements introduced
 Mag Carbon refractory lining in BOF tried
 LF roof modified to reduce leakage
 In-house development of auto blowing of vessel
 Installed wire feeder at OLP
 BOF hood gas analyzer installed
 Developed new dummy bar attachment
 Modified DRT drive system at CC1
 Third drum filter started with in-house modifications
 Flux addition system relay logic converted to PLC logic
 Modified TOCB hydraulic circuit at CC1
 Modified equalizer shaft of TOCB at CC1
 Ergonomic fixing of CNC at CC2

Merchant Mill

Installation of pinch roll to reduce the speed of the back end of the rebars.
 Introduction of forward cascading of mill stand motors.
 Upgradation of rotary shear to cut sections above 28 mm.

Wire Rod Mill

Mill automation upgradation for reliable operation of shears in the mill.

New Bar Mill

Automated billet yard management system.
 Walking beam type reheating furnace.
 Mill configuration having Horizontal-Vertical-Combination rolling stands.
 Compact housing less stands with multi groove design and fast and accurate pass changing facility.
 Up-loopers between successive stands in intermediate and finishing stands.
 Rolling with slitter pass and power slitter for higher throughput rate.
 TMT cooling system (HYQST arrangement) featuring fully automatic separate cooling controls for each slitted line.

G' Blast Furnace

The state-of-the-art rolled Copper staves from GHH and special 3rd generation cast iron NSC staves; make this furnace refractory-less from bosh to stack. This technology learnt and adapted with following advantage :
 Consistent surface profile throughout the campaign.
 Increase in campaign life from 10 years to >14 years.
 Reduced chances of build-up.
 Saving in annual gunning cost.
 Increased furnace availability on account of avoidance of shutdown for gunning.

A-F Blast Furnaces

D Blast Furnace in its 12th campaign has completed 4.0 million tonnes of hot metal throughput, the highest ever since inception. To enhance its campaign tonnage a technique of

HEARTH CAPPING AND STACK REPAIRING was adopted during D Blast Furnace major shutdown in November '05. The technique reuses the carbon hearth and allows replacement of stack and throat bricks. This technique of repair has added new life to D Blast Furnace and it is now ready for another 4.0 million tonnes production of hot metal.

The Company has pioneered this technique in India.

Sinter Plant

Thermo vision camera for thermal imaging and control of uniformity of –

Permeability across the width of the pallet at SP#3

Pre-palletizing of Electro Static Precipitator dust for improved permeability at SP#3

Measurement of individual raw materials' moisture for green mix moisture control at SP#3

700 mm bed height of sinter machine at SP#3

LCI drive for 8.4 MW waste gas fan motor at SP#3

40M span Barrel Reclaimer at RMBB(N)

Technology Absorption, Adaption and Innovation

In Tubes Division the following efforts are made to improve operational efficiency :-

a. Tube bundle weighing system in PT Finishing :

Weight of tube bundles were calculated theoretically before despatch. Tube weighing system has been installed. Each bundle is weighed and the information is captured on SAP system online. To reduce the project cost, weighing platform has been designed and manufactured in house.

b. Design of Roll profile :

New tube sizes are required by the customers. For rolling a particular tube size, a set of rolls are used. These roll sets are different for each size of tube. Set of rolls if procured from outside is very costly. Rolls designed in-house and manufactured in Machine Shop for the tube sizes 60 mm X 40 mm X 1.6 mm for the PT Mill, 60 mm X 40 mm X 2.9 mm and 115 mm X 69 mm X 3.15 mm for HFIW Mill

c. Modified tube oiling system for new CT Mill :

Oiling is done on black tubes before despatch. In-house and manufacturing of oiling system has been done. Design of nozzles have been changed to avoid clogging of oil/dust. This will help in trouble free operation of the oiling unit.

d. Modernisation of compressed air system :

Compressed air was generated from age old Broomwaide compressors. These compressors were maintenance intensive and inefficient. These have been replaced with energy efficient compressors. This will result in generation of compressed air with less power consumption.

e. Modernisation of drives in PT Mill :

Existing drives of PT mills were old and maintenance intensive. This resulted in frequent breakdown in mills. To overcome this problem and reduce down time, digital drives have been installed in forming mill, sizing mill, leveller, pinch roll of 3" ERW mill, accumulator. Forming mill, sizing mill of 2" PTM and in normalising furnaces.

2. Benefits :

Efforts have led to improved efficiencies, cost competitiveness and enhanced product range.

3. Particulars of technology imported during last five years :

Steel Division	Year of Import/ Absorption	Status of Implementation
a) Utilisation of sensible heat from blast furnace hot stov waste gas at 'G' blast furnace in association with NEDO, Japan	2002	Commissioned
b) Installation of electromagnetic stirrer and submerged entry nozzle in the billet caster of LD#1 (Concast, Switzerland)	2002	Commissioned
c) Installation of probes in 'G' Blast furnace to monitor various parameters carry out intensive R & D activities and thereby acquiring in-depth knowledge of in-furnace phenomena (Paul Warth, Luxembourg)	2002	Commissioned
d) Electrolytic cleaning line (SMS Demag, Germany)	2003	Commissioned
e) Upgradation of 'G' blast furnace (SMS Demag, Germany)	2004	Commissioned
f) Upgradation of HSM	2004	Commissioned
g) Upgradation of billet caster - 1 at LD1 (Concast, Zurich)	2004	Commissioned
h) Ladle furnace-2 at LD1(SMS Demag, Germany)	2004	Commissioned
i) New Rebar Mill (Morgan, USA)	2004	Commissioned
j) Upgradation of caster at LD2 (Voest Alpine, Austria)	2004	Commissioned
k) Imported design and engineering for hot metal desulphurization unit at LD1 (Kuettner GmbH)	2005	Commissioned
l) Supply of imported engineering for new induced draught fans, electrics & accessories for the LD Converter GCP at LD1 (Ebara Corporation)	2005	Commissioned
m) Adequacy checking BOF converters for augmentation of heat size at LD2 (SMS Demag, Germany)	2005	Commissioned
n) Imported design and engineering for upgradation of Caster 2 & 3 at LD2 (VAI, Austria)	2005	Commissioned
o) Imported design and engineering for hot metal desulphurisation unit 2 & 3 at LD2 (Kuettner GmbH)	2005	Commissioned
p) Imported design and engineering for capacity increase of slab reheating furnace nos. 1 & 2 of HSM (Techint)	2005	Commissioned
q) Supply of design and engineering and training for 150 tph walking beam furnace to Rebar Mill (Bricmont)	2005	Commissioned
r) Imported design and engineering (Mother well Bridge - Clayton walker)	2005	Commissioned
s) Supply of imported design and engineering for LD gas boosters (Howden Power Ltd. U.K.)	2005	Commissioned
t) Supply of imported design and drawing for Technology control system at HSM (SMS Demag, Germany)	2005	Commissioned
u) Supply of imported design and drawing for Basic level automation at HSM (Alstom, USA)	2005	Commissioned
v) Supply of imported design and drawing for dual zinc pot at CRM (CMI, Belgium)	2005	Commissioned
w) Supply of imported design and drawing for BAF, CRM (LOI, Germany)	2005	Commissioned
x) Supply of imported design and drawing for 4th Stove of 'G' Blast Furnace (Paul Wurth Italia, Italy)	2006	Under Implementation
y) Supply of imported design and drawing for 'H' Blast Furnace (Paul Wurth Italia, Italy)	2006	Under Implementation
z) Supply of imported design and drawing for Sinter Plant No. 4 (Outokumpu Technology, Germany)	2006	Under Implementation
aa) Supply of imported design and drawing for LD2 expansion project. (SMS Demag, Germany)	2006	Under Implementation
ab) Supply of imported design and drawings for convertor gas cleaning plants in LD shop 1 & 2 (SMS Demag, Germany)	2006	Under Implementation

Annexure 'B' to Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sr. No.	Name	Age (Years)	Designation/ Nature of Duties	Gross Remuneration	Net Remuneration	Qualifications	Total Experience (Years)	Date of Commencement of Employment	Last employment held Designation – Period for which post held
				Rs.	Rs.				
1.	Bajjal A.D.	58	Vice President (Raw Materials)	62,53,389	27,33,472	B.Sc. Engg. (Met.), P.G.D.B.M.	36	13-12-69	—
2.	Chatterjee Koushik	37	Vice President (Finance)	45,38,955	21,75,350	B.Com., (Hons), F.C.A.	10	01-08-2003	Tata Sons Ltd. - General Manager - Corporate Finance
3.	Chaturvedi U.K.	56	Vice President (Long Products)	61,13,051	26,55,373	B.Sc.	36	25-10-69	—
4.	Chinoy Capt. D.P.*	60	Chief Aviation & Chief Pilot	34,30,382	23,14,548	M.Sc. Junior & Higher Command Course, Air Crew Indoctrination Course, Jungle & Snow Survival Course, Air Line Transport Pilot Licence	44	05-02-90	Indian Air Force, Station Commander, – 2 years
5.	Jha Varun Kumar	54	Vice President (Chattisgarh Project)	36,92,310	16,92,280	B. Tech. (Hons) P.G.D.B.M.	33	03-10-72	—
6.	Kharkar Hemant C.	49	Chief (Coke, Sinter & Iron)	24,10,595	11,52,223	B.E., P.G.D.B.M.	26	22-01-80	—
7.	Mahanty Niroop Kumar	56	Vice President (Human Resources Management)	62,54,889	27,73,475	B.A. (Hons.), M.B.A.	30	18-12-75	—
8.	Makashir WG. CD. S.	59	Chief Aviation	26,63,933	13,18,064	M.Sc. (Defence Studies)	38	02-09-97	Indian Air Force, Wg. Commander – 12 years
9.	Misra Abanindra M.	54	Vice President (Human Resources)	24,74,249	15,15,059	B.E., M.B.A.	32	29-12-73	—
10.	Misra N.K.	50	Chief (Strategic Planning & Finance)	28,34,659	13,96,135	B.Sc., A.C.A.	25	21-02-81	—
11.	Mukherjee Dr. T.	63	Deputy Managing Director (Steel)	1,74,90,116	80,00,241	B.E. (Met.), M. Met. (Sheffield), Ph. D. (Sheffield)	38	17-05-71	British Steel Corpn., Asst. Manager, New Products Dev., – 1 year – 6 months
12.	Muthuraman B.	61	Managing Director	2,20,13,659	98,21,668	B. Tech. (Met.), P.G.D.B.M.	39	14-11-66	—
13.	Nerurkar H.M.	57	Vice President (Kalinganagar Project)	69,54,094	30,60,830	B. Tech. (Met)	34	01-02-82	U.M.I. Ltd., Manager (QC) – 5 years
14.	Prasad Avinash	58	Vice President (Industrial Relations)	30,63,999	14,25,881	B.E. (Met)	34	14-06-71	—
15.	Ranganathan M.	59	Chief (Hot Strip Mill)	25,74,156	12,29,058	B.Sc., Engg. (Elect.)	36	13-12-69	—
16.	Sen Anand	46	Vice President (Flat Products)	45,70,668	21,38,374	B. Tech. (Hons.) MET Engg., P.G.D.B.M.	24	27-07-81	—
17.	Sengupta D.*	60	Vice President (Shared Services)	63,43,833	26,91,386	B.E. (Electrical)	38	30-12-67	—
18.	Sengupta Partha	48	Principal Executive Officer	26,45,338	12,41,990	B. Tech. (Metallurgical)	23	01-08-82	—
19.	Singh A.N.	59	Deputy Managing Director (Corporate Services)	1,34,09,830	59,83,559	B.A. (Hons) Pol. Science	35	05-10-90	Deputy Inspector General of Police, Bihar — 6 years
20.	Singh R.P.	61	Vice President (Engg. Services & Products)	65,36,940	28,48,464	B.Sc. Engg. (Mech.)	40	01-03-96	SAIL & RINL, General Manager (Projects) – 30 years
21.	Venugopal Dr. T.	53	Chief Technology Officer	26,69,456	13,29,882	B.Tech (Met Engg.), M.Tech (Ind. Metallurgy with Metal Casting Specialization), Ph.D (Metallurgical Engg.)	28	04-05-01	Ispat Ind. V.P. (Technical Services) – 4 years

- Notes: (1) Gross remuneration comprises salary, allowances, monetary value of perquisites, commission to the Directors and the Company's contribution to Provident and Superannuation Funds but excludes contribution to Gratuity Fund on the basis of actuarial valuation as separate figures are not available.
(2) Net remuneration is after tax and is exclusive of Company's contribution to Provident and Superannuation Funds and monetary value of non-cash perquisites.
(3) The nature of employment in all cases is contractual.
(4) None of the employees mentioned above is a relative of any Director of the Company.

* Indicates earnings for part of the year.

On behalf of the Board of Directors

Mumbai, 18th May, 2006.

RATAN N. TATA
Chairman

Management Discussion and Analysis

I) BUSINESS REVIEW

The Indian economy is projected to grow by 8.1% during the fiscal year ended 31st March, 2006, compared to 7.5% in the previous year. The industrial sector remained buoyant, with output expected to grow at 9%, driven by robust performances from manufacturing and construction sectors, as compared to 8.6% in the previous year. The services sector is expected to grow 8% as against 9.9% in the previous year. The macro economic indicators pointed to strong growth in most sectors. An area of concern has been the continued rise in the international prices of crude oil. The average inflation for 2005-06 (till end of January 2006) was 4.7%, as compared to 6.5% for the same period in the previous year.

Recently, international credit rating agencies Standard & Poor's (S & P) and Moodys have raised India's credit outlook from stable to positive, on witnessing accelerated economic growth and improvements in the Indian Government's handling of debt.

During 2005-06, benign interest rates in the international financial markets and the liberalised external commercial borrowings norms in India have enabled Indian companies to attract international capital for funding future growth projects. Increased foreign currency fund raising along with the strong inflows from Foreign Institutional Investors during the year further strengthened the foreign exchange reserves of the country, which increased to US\$ 151.6 billion at the end of the fiscal year 2005-06.

The Management's discussions on the Steel Industry and the Company's performance are given below :

1. STEEL BUSINESS UNIT

a) Global Steel Industry Overview

The global economy experienced robust growth in 2005, despite significant concerns about the impact of higher world oil prices.

World GDP is estimated to have increased by 3.2% in the calendar year 2005, down from 3.8% in 2004.

In 2005, World Crude Steel output at 1129.4 million metric tonnes was 5.9% more than the previous year. (Source : IISI). The global steel industry suffered from structural deficiencies of large unutilised capacity, high degree of fragmentation and cyclical ups and downs of demand and prices. With consolidation in the industry gathering pace, this is now changing, albeit slowly. However, the industry is still fragmented, with the top ten steel producers controlling less than 30% of the world's steel output.

China remained the world's largest crude steel producer in 2005 (349.4 million metric tonnes) followed by Japan (112.47 million metric tonnes) and USA (93.89 million metric tonnes). India occupied the 8th position (38.08 million metric tonnes). (Source : IISI)

The International Iron & Steel Institute (IISI) in its forecast for 2006 has confirmed the trend of recent years of an increase in steel use in-line with general economic growth and with the fastest growth occurring in the countries with the highest GDP growth such as India and China. Apparent world-wide steel demand is forecast to grow to between 1,040 and 1,053 million tonnes in 2006 from a total of 972 million tonnes in 2004. This is a growth of 4-5% over the two year period. However, according to IISI the cost of raw materials and energy would continue to represent a major challenge for the world steel industry.

The surge of industrialisation in China and its emergence as a growing economic power has transformed the world steel scenario. While the more matured economies of the West and Japan have seen little change in their per capita consumption of steel, China's consumption of steel has been growing at over 20% in the last five years and it has become the most dominant factor in the world steel market so much so that in last five years the global steel production has increased by more than 30% (280 mt) and the bulk of that increase has been contributed by China (222 mt).

Globally, the average capacity utilisation of steel has increased significantly during the year. Global crude steel production grew by 5.6%. The apparent steel demand is estimated to have risen by 2.7% to 998 million tonnes in the calendar year 2005. The bulk of the increase in steel demand was contributed by China. China accounted for 30% of global steel demand and 31% of crude steel production in 2005.

During the year, most of the steel raw material shortages witnessed in earlier years have been eased out especially in the area of coking coal, coke and ocean freight which had an impact on the steel prices.

b) Domestic Steel Industry Overview

The industrial sector registered a strong growth during the year, primarily due to the growth of the manufacturing sector of 9%, compared to 8.69% in the previous year. During the year under review, domestic steel production and apparent steel consumption increased by 5.1% and 7.1% respectively, over the previous year. Demand in the domestic market was strong, with double digit growth in the automobiles, capital goods and consumer durable segments. Exports volume increased by 18% as compared to the previous year.

Domestic steel prices moved in tandem with the international prices showing a downward trend as compared to the previous year. Most agree that the Chinese role has been prominent in decline in steel prices.

November 2005 saw the release of National Steel Policy – the first Vision document for the Indian Iron and Steel Industry. The policy aims at hiking steel production to 110 million tonnes by 2019-20. The long-term goal is that India should become self-reliant and globally competitive in the steel sector in terms of cost, quality and product mix.

c) Macro Outlook for 2005-06

As per the World Bank, the World GDP growth will be at 3.2% in the calendar year 2006, at the same level as in 2005. Growth in the US, China, Russia and India is expected to remain strong. Even long-suffering Japan has seen relatively good performance lately, the result of strong demand from neighbouring China. And although some of the biggest countries of the European continent are stagnating, others are doing quite nicely. Finally, although the price of oil has risen substantially, oil consuming nations seem to have absorbed this shock reasonably well. Meanwhile, oil exporting nations are seeing their first major windfall in a generation. Inflation in most major countries remains low by historical standards and long-term interest rates are expected to remain low.

The International Iron and Steel Institute (IISI) forecasts that the total use of finished steel products continues to show strong growth in all regions of the world. While the main focus of the growth will be in China, total world steel demand is predicted to grow by 7.3% to 1,087 million metric tonnes (mmt) in 2006. Data for 2005 highlights the influence of inventory reduction by steel industry customers, which will turn positive in 2006 as steel companies replenish stocks. However, with a predicted growth of 5.8% to 1,150 mmt in 2007, the global outlook for steel demand remains positive. The largest factor in this growth is the influence of China. Even with a slowing of Chinese steel demand, double digit growth in China is still predicted in 2006 and 2007. This continued growth demonstrates the essential role that steel plays in the functioning of modern society.

IISI forecasts steel use in China will grow by 13% to 356 mmt this year, 32% of global steel demand in 2006. Along with China, India also shows a high steel demand growth with a predicted increase of 8% for 2006 and 2007.

In the European Union, apparent steel use fell by 4.6% in 2005 reflecting the reduction in steel stocks. However, IISI forecasts an increase of 3.9% in 2006. IISI expects economic growth in the USA will lift apparent steel use by 5% in 2006 and by a further 1.7% in 2007.

Growth in the construction and automotive sectors is underpinning an anticipated 3.2% growth in Russia's steel use in 2006 with an estimated growth of 1.6% in 2007. Similar growth rates are predicted for the Ukraine.

After a slow down of the market in 2005, the steel market in Brazil is predicted to recover in 2006 with a 9.5% increase in steel use. IISI expects a further increase of 10.9% in 2007. Figures for the whole of Central and South America show similar positive forecasts with increases of 7.6% in 2006 and 8.7% in 2007. Predictions suggest that the Japanese market will see growth of 3.3% in apparent steel demand in 2006 with a levelling-off in 2007. According to IISI the whole Asia-Pacific region may register a 3.9% growth in steel use during 2006 and a 2.1% increase in 2007.

According to The International Iron and Steel Institute (IISI), global apparent steel demand grew by 4% at 1,013 million tonnes in 2005 as compared to 973.6 million tonnes in 2004. IISI forecasts world steel demand is likely to grow @ 7.3% to 1,087 million metric tonnes (mmt) in 2006 and 5.8% at 1,150 mmt in 2007.

IISI forecasts apparent steel demand in China will grow @ 13% at 356 mmt in 2006, accounting for 32% of total steel demand in 2006. Along with China, India also shows a high steel demand growth with a predicted increase of 8% for 2006 and 2007. In other areas of the world, growth is forecast to be around 4.7% or 33 mmt, followed by reduced growth in 2007 of 2.7%.

IISI expects economic growth in the USA will lift apparent steel use by 5% in 2006 and by a further 1.7% in 2007. After a slow down of the market in 2005, the steel market in Brazil is predicted to recover in 2006 with a 9.5% increase in steel use. IISI expects a further increase of 10.9% in 2007. IISI forecasts apparent steel demand in European Union will increase by 3.9% in 2006 and 1.5% in 2007.

	2004	2005	2006	2007	Annual Growth (%)		
					04/05	05/06	06/07
EU (25)	168.1	160.4	166.6	169.0	-4.6	+3.9	+1.5
CIS & Other Europe	68.6	72.7	76.0	78.5	+6.0	+4.5	+3.3
NAFTA	149.0	135.8	142.6	145.0	-8.8	+5.0	+1.7
Central & South America	32.7	32.5	35.0	38.0	-0.7	+7.6	+8.7
Africa	20.5	22.4	24.1	25.4	+9.4	+7.5	+5.4
Middle East	30.6	34.7	37.6	40.7	+13.2	+8.4	+8.3
Asia-Pacific	504.1	554.9	605.2	653.4	+10.1	+9.1	+8.0
World	973.6	1013.4	1087.0	1150.0	+4.1	+7.3	+5.8

SOURCE : IISI

d) **Company's Growth Strategy**

Steel consumption in India in the next decade is expected to grow by 7-8% per annum. It is expected that production will grow to 66 mtpa in 2011-12 compared to 41 million tonnes in 2005-06. The steel consumption may touch 57 million tonnes by 2011-12 against 36 million tonnes in 2005-06.

To maintain its dominant position in the key segments in the domestic market and to establish an international presence, the Company is aiming to enhance steel capacity to about 30 million tonnes per annum by 2015. This is planned by maximizing the potential of Jamshedpur works, setting up greenfield capacity in Orissa, Chhattisgarh, Jharkhand and Bangladesh. This is in line with our belief that maximum value can be created by making semi-finished products (slabs/billets) at locations where raw materials are available (or can be competitively assembled) and by finishing them at locations where customers/markets currently exist or will grow in future.

In our endeavour to be a dominant player in the construction solutions sector, the Company has signed a JV Agreement with BlueScope of Australia. The construction sector in India is beginning to emerge as a large market for high value added coated (metal and/or colour coated) flat products and the concept of pre-engineered building solutions is gaining acceptance. BlueScope Steel Limited, Australia has significant presence in the coated steel and building solutions markets in Asia. BlueScope would bring the expertise from building solutions to technology in Zinalume and experience in colour coating lines. To take advantage of the emerging market opportunities in India in construction solutions segment, the joint venture company in India with 50:50 equity participation is being formed. The JV would invest in the building solutions facilities as well as in the coating lines. The Building Solutions manufacturing units are being set up at Pune, Bhiwandi and Chennai.

Specific initiatives to execute strategy

FY 06 has witnessed definite steps taken by Tata Steel in the direction of Growth and Globalization. Several opportunities and options were evaluated along the lines of our growth strategy and concrete steps taken to cement the future of Tata Steel as an International Company.

In May 2005, Tata Steel expanded its steel-making capacity from 4 to 5 million tonnes per annum at its Jamshedpur works. Tata Steel has already initiated expansion of its Jamshedpur works to 6.8 million tonnes by 2007/2008.

Tata steel has signed MoU for setting up 12 mtpa Greenfield Steel Plant in the state of Jharkhand in two phases.

There are plans for a 6 million tonnes integrated steel project at Duburi in Orissa, half way between Paradeep port and Jamshedpur. The project will consist of two phases of 3 million tonnes per annum each. And an all-weather port at Dhamra is to be jointly developed with Larsen & Toubro.

A memorandum of understanding has been signed with the Chhattisgarh State Government to set up a 5 million tonnes per annum steel complex in two phases.

We are planning to set up a steel plant in neighbouring Bangladesh, of 2.4 mtpa. The Company is considering acquisitions of other international steelmakers.

International Investments : After the acquisition of Singapore-based NatSteel in 2005, with a rolling capacity of 2 mtpa the Company has invested in Millennium Steel, Thailand to acquire 67.11% of equity stake for Thai Baht (THB) 6500 million (around Rs. 780 crores).

The investment was completed on 4th April, 2006 through a combination of preferential allotment of 24.99% equity shares to Tata Steel and 42.12% equity shares through open tender offer. The investment was made by the Company and its wholly owned subsidiary NatSteel Asia Pte Limited, Singapore.

Millennium Steel is one of the largest steel companies in Thailand accounting for 24% of the Longs market share in the country. Listed on the Stock Exchange of Thailand (SET), it is a holding company for three operating subsidiaries which are located in Thailand. It has a nameplate capacity to produce 1.2 mtpa of steel through the Electric Arc Furnace (EAF) route and capacity to finish 1.7 mtpa of long products which includes rebars, wire rods and small sections. The transaction was concluded on 4th April, 2006.

Long product marketing & sales surpassed one million tonnes of sales (1.027 million tonnes, excluding wires sales) in FY 06 up by 17% as against 0.88 million tonnes in FY 05. Long product export decreased by 5% to 0.44 lakh tonnes during the year as compared to 0.47 lakh tonnes in the previous year.

Financing Strategy

The key objectives of the future financing strategy of the Company are as follows :

- (i) To raise cost efficient funds for the growth plans of the Company
- (ii) To maintain the credit rating of the Company
- (iii) To comply with the expectations of various lenders in terms of financial covenants
- (iv) To provide financial flexibility in the Balance Sheet for contingencies
- (v) To manage the foreign exchange exposure effectively
- (vi) To develop funding strategy to focus on EPS accretion

The Company's funding philosophy for its expansion in the last decade has been largely focussed on internal generation and debt. The Company in the last few years has significantly de-leveraged its Balance Sheet by repayment of the existing loans. This has resulted in the reduction of its Debt : Equity ratio to 0.26.

The entire requirement of funds for the one million tonnes expansion has been funded from internal generation. However, in order to finance the future growth plans, the Company will require additional external capital. At the Extra Ordinary General Meeting held on 24th March, 2005, the Company's proposal for additional borrowings of Rs. 5,000 crores, enhancing the borrowing limit to Rs. 10,500 crores and creation of security thereof was approved by the shareholders.

On 10th June, 2005, the Company has signed a loan agreement with The International Finance Corporation (IFC), Washington, the private sector arm of the World Bank Group, for raising a corporate loan of US\$ 400 million, which consists of an A-loan of US\$ 100 million directly given by IFC and a syndicated B-loan of US\$ 300 million. A-loan and B-loan have door to door maturities of 10 years and 6 years respectively. The syndicated loan has thirty participating banks. The IFC loan will help Tata Steel to finance its future growth projects by way of long-term funding and is an important component of Tata Steel's financing strategy. IFC (W) has syndicated B-loan with 30 participating Banks. The blended coupon rate of the IFC 'A' and IFC 'B' (syndicated) loans is 67.5 bps over Libor.

On 7th March, 2006, the Company has signed an external commercial borrowing agreement of US\$ 500 million (Japanese Yen equivalent of US\$ 495 million and US\$ 5 million) for funding its growth projects and acquisitions.

The syndicated term loan facility was for US\$ 400 million (or its equivalent in JPY) with a Greenshoe Option of further US\$ 100 million (or its equivalent in JPY). The issue was oversubscribed and the Company exercised the Greenshoe Option. The loan has a door-to door maturity of 7 years. The coupon of the loan will be Libor plus 45 basis points.

As the expansion projects involve significant import of equipments, design and drawings etc., the Company is also considering raising funds through Buyer's Credit provided by Export Credit Agencies (ECAs) of countries which supply the equipment for the projects. On 13th March, 2006, the Company has signed two external commercial borrowing agreements of EUR 49,925,915 and EUR 11,494,507.70 at Frankfurt for funding its ongoing expansion projects at Jamshedpur. This comprises a blast furnace which will produce 2.5 million tonnes of hot metal per annum to be supplied by Paul Wurth Italia. It also includes a Sinter Plant (2.3 million tonnes per annum) from Outokumpu Technology GmbH of Germany. The ECA covered facilities were signed with Deutsche Bank Aktiengesellschaft, Frankfurt am Main as Original Lender. These facilities are insured by SACE S.p.A. (Servizi Assicurativi per il Commercio Estero) of Italy and Euler HERMES Kreditversicherungs-Aktiengesellschaft of Germany. The loans have a repayment period of 10 years and an availability period of approximately three and two years respectively. The coupon on the loans will be Euribor plus 12 basis points.

On 4th November, 2005, Standard & Poor's (S & P) has upgraded Tata Steel's Foreign Currency Rating by two notches above India's sovereign rating from 'BB+' to 'BBB' with stable outlook. Therefore, Tata Steel is now in the investment grade for any foreign currency debt issuance. S & P has commented, amongst other factors, the Company is well insulated from direct and indirect sovereign risks since it demonstrates moderate leverage, strong free cash flow generation and a competitive business profile.

e) Review of Operations – Steel Division FY 06

The Company recorded best ever production of hot metal, crude steel and saleable steel, though the operation of the steel plant was characterized by number of shutdowns of production units. Hot metal at 5.177 mt, crude steel at 4.730 mt and saleable steel at 4.520 mt, mean an increase of 19%, 15% and 10%, respectively, as compared to the figures of the last financial year. The increase in crude steel production over last year was achieved even though one of the casters at LD1 was shut down for upgradation. LD2 produced 3.24 million tonnes of crude steel as compared to 2.85 million tonnes in the last year. Most of the other divisions/departments also attained their best ever annual production. The overall productivity in FY 06 was 326 tcs/man/year, an increase of 21% as compared to that of last year.

The hot metal production crossed the 5 million tonnes milestone on 20th March. The upgraded "G" Blast Furnace which was blown in on 6th April, 2005, made significant contribution. This furnace operated at the rate of 2 mtpa in the last four months of FY 06 as compared to its rated capacity of 1.8 mtpa.

A combination of initiatives undertaken to reduce the ash content of West Bokaro clean coal produced striking results in FY 06. Ash level came down from 15% to 14% and then to 13% from 1st January, 2006. This helped the Company to reduce the proportion of imported coal in coke making. The imported coal in total coal blend was reduced from 46% in FY 05 to 31% in FY 06. The mines division achieved the best ever iron ore production and despatch of 10.3 and 10.5 mt respectively in FY 06. A Jigging plant was commissioned at Noamundi to reduce the alumina content in fine ore - the feed material for sinter making. The benefit of the reduced alumina will accrue in FY 07 in terms of reduction in slag volume in the blast furnaces. Trial with low alumina ore had shown encouraging results. The slag volume in the largest two furnaces, F and G, was brought down to internationally acceptable level of just over 260 kg/thm by the month of March.

Gases, oxygen, nitrogen and argon from a new oxygen plant, flowed into the plant, under a long-term gas supply agreement from the month of October 2005. Production of our blast furnaces could be increased with increase in the level of oxygen enrichment of the blast. As a result, use of purchased metallics could be substantially brought down towards the end of FY 06.

Flat products and long products constituted 69% and 31% respectively, of gross saleable steel production. HSM surpassed 3 million tonnes milestone on 22nd March, 2006 and finished the year with 3.08 million tonnes as compared to 2.796 million tonnes. CRM saleable production has increased to 1.495 million tonnes in FY 06 from 1.44 million tonnes in FY 05. WRM achieved a production of 0.416 million tonnes as compared to 0.412 million tonnes last year. MM production was 0.2964 million tonnes as compared to 0.2935 million tonnes in the last year. A 0.6 mtpa New Bar Mill, commissioned in September 2005 to produce only rebars to cope with the increased demand of the construction and infrastructure sector and pressed into commercial production from January 2006 after stabilization, has produced 0.08 mt in FY 06.

There was a reduction of 3.4% in the saleable steel cost in FY 06 as compared to FY 05.

f) Marketing and Sales

Flat Products :

The year FY 06 was characterised by lower profitability for the steel makers compared to the past year on account of lower prices and sustained high prices of raw materials. The HR prices peaked to an all time high in April 2005, before dropping by more than 25% leading to a squeeze on margins for the steel makers, although apparent steel consumption in India continued to grow at a healthy rate of 15% from 13.5 to 15.6 million tonnes.

In FY 06, the finished steel production in India is estimated at 38 million tonnes, of which Flat products would be 17.35 million tonnes. The flat product supply growth is estimated to be around 8.4% in FY 06 over FY 05.

The year FY 06 has seen a surge of flat products imports at an all time high of 3.2 million tonnes. With import options becoming far easier, traders and stand alone cold rollers/galvanizers, including the Automotive majors queued up for imports. The stock levels of HR with the Integrated Steel Producers increased to an alarming high level in July 2005 end, up by 0.7 million tonnes over the beginning of the year. For the first time the country became a net importer of HR in FY 06.

The market prices of HR Coil (2 mm) dropped to Rs. 24,500 per tonnes in June '05 from Rs. 29,000 per tonnes in April 2005 and further dropped to a low of Rs. 21,000 per tonnes by February 2006 before showing a slight upturn in March 2006.

For the first time international galvanized prices dipped below Cold Rolled resulting in unprofitable export realization for stand alone galvanizers in India. However, soaring prices of zinc towards end of FY 06, led to a correction in the gap between Galvanized and HR realisations thus making galvanized exports viable. In FY 07 this gap is likely to go beyond traditional levels of 140-160 USD.

The drop in CRCA prices was not commensurate with the drop in HR prices in the beginning of the year, thus making CR products lucrative. The availability within the country increased by 11% primarily from Essar and stand alone cold rollers, thus correcting the prices towards the end of the year.

Market Segment

The focus segments for Flat Products Profit Center in FY 06 were in the Automotive, General Engineering and Construction sectors.

Auto Sector

The demand growth for automobiles in FY 06 was only 14% from the projected growth of 20%. This is largely due to lower than projected growth in the Commercial Vehicle segment which grew by 10% led by the newly launched mini truck “ACE” from the Tata Motors Stable and the Passenger Car Segment growth which was only 8% implying steel growth of only 11% in the Automotive sector. In FY 06 imports of wheel rims from China by Automotive majors impacted the total auto steel market size by 10,000-15,000 MT.

Looking back, factors which had significant adverse impact on Industry growth were, implementation of BS II / BS III norms, coupled with supply constraints of some components, slow progress on road projects, increase in fuel prices and introduction of Fringe Benefit Tax.

Distribution

Tata Steel continued its focus on branded products in FY 06. Tata Steel wanted to further leverage the Tata Shaktee brand in expanding reach, gaining market share and fetching price premium for GC roofing sheets. The Tata Shaktee brand initiatives focused on increase in share of Wide GC in mix, to 52% in FY 06. There was increase in branded exclusive outlets to 115 in FY 06, which is expected to increase footfall and sales by 30%.

Initiatives in Tata Steelium would focus on mix enrichment and sustaining premium by enhancing the capability of the distributors by professional training, ensuring dedicated service centers.

Long Products

Sales of branded product Tata Tiscon increased by 15% to 0.30 million tonnes during the year as compared to 0.26 million tonnes in the previous year. Speciality wire rods (high carbon wire rods and low carbon wire rods) sales to domestic institutional customers increased by 8% to 0.25 million tonnes during the year as compared to 0.23 million tonnes in the previous year.

In retail business of long product, TATA TISCON “Atoot Jod” won the Gold award in the Calcutta Ad Club Awards Ceremony for the consumer durable category for the best conceptualized advertisement. As per Brand Health Study conducted by AC Nielsen ORG Marg for 2005, TATA TISCON emerged as the brand with the highest brand equity amongst all brands in the rebar category in the country. A new format of retail consumer meets with the theme ‘APNA GHAR’ was launched for improving consumer awareness with influencers.

In project business of long product, builder – promoter segment was targeted – a mid way segment between retail business and construction companies. For PC strand wires, wire rods meeting international standards were delivered to NAT Steel. Super ductile rebar suitable for seismic application for earthquake prone areas in the country was launched. Export trial order was received from Carrington, U.K. for supply of high carbon wire rods for critical spring application.

2. OTHER BUSINESS UNITS

a) Ferro Alloys and Minerals Division (FAMD)

FAMD produces two types of chrome ore, namely lumpy ore and friable ore, from its mines located in the Sukinda Valley of Orissa. Chrome concentrate, a beneficiated product is produced in the chrome ore beneficiation plant at Sukinda. Chrome ore is used in the Ferro Alloys plant at Bamnival and other conversion plants to produce high carbon Ferro chrome. The Division also produces Manganese Ore from the Manganese Mines in Joda, which is sold in the domestic and international markets and also used in making Ferro Manganese at the Ferro Alloys Plant at Joda and Silico Manganese at other Conversion Agents.

Industry Overview

The first half of 2005 was characterized by strong growth in stainless steel melt, accounting for approximately 80% of global ferro-chrome consumption and subsequently, an increase in ferro-chrome demand. As a result, ferro-chrome contract prices rose to 78 cents per lb in the second quarter of 2005. In the second half, high stainless steel stocks and hardening of nickel prices lowered the demand for stainless steel, resulting in a slow down in stainless melt production. Although globally, stainless steel melt production in 2005 remained at the same level as in 2004, Europe witnessed a fall in production by almost 4.8% to 8.3 million tonnes. Production of stainless melt also fell in the United States by 7%, Taiwan by 4%, while in Japan, production declined by around 2.5% year-on-year. China was the only exception, witnessing a significant growth of 33%, having produced 3.7 million tonnes.

Ferro chrome production grew by 3.6% in FY 06 over FY 05. The global demand was 5.7 million tonnes in FY 2005, up from 5.5 million tonnes in 2004, primarily due to increase in production of ferritic grades of stainless steel. As the correction in stainless melt production translated into lower ferro chrome demand in the second half of 2005, ferro chrome prices came under pressure and the base price fell, to end the year at 68 cents per lb. Yet, the average quoted price for 2005 was 73 cents per pound, 7.3% higher than the published average of 68 cents per pound in 2004.

Operational performance

The Operations of FAMD registered the best-ever performance during the year under review in respect of Mineral and Ferro Alloys production. The gross production of chrome ore and concentrate increased by 18% to 2.43 million tonnes during the year as compared to 1.98 million tonnes in the previous year. The overall production of minerals (chrome ore, concentrate and pyroxenite) increased by 10% to 2.6 million tonnes during the year as compared to 2.18 million tonnes in the previous year. While the Ferro Alloys Plant at Bamnival achieved its rated capacity of 50,000 tonnes during the year, an improvement of 21% over the previous year which was at 41,410 tonnes, FY 06 witnessed the highest-ever Alloys production through conversion at 0.126 million tonnes, which is an improvement of 8% over 0.116 million tonnes in the previous year.

Sales of Manganese Ore (domestic plus exports), increased by 37% at 0.31 million tonnes during the year as compared to 0.23 million tonnes in the previous year. Total manganese alloys sales (Domestic plus Exports), increased by 9% at 0.046 million tonnes during the year, compared to 0.042 million tonnes in the previous year.

The Division achieved the highest exports of chrome ore and concentrate during the year. Exports of chrome ore and concentrate increased by 10% to 0.62 million tonnes during the year as compared to 0.56 million tonnes in the previous year. Exports of ferro/charge chrome are also the highest ever, which increased by 46% to 0.093 million tonnes during the year, compared to 0.064 million tonnes in the previous year.

b) Tubes Division

Overview

The Tubes produced by the division are broadly categorized into Commercial Tubes (CT) and Precision Tubes (PT). The Commercial Tube industry with a market size of 1.4 million tonnes had a growth rate of about 3-4%. The growth is primarily in the process industry and tubular structural. The Precision Tube industry with a market size of 0.4 million tonnes registered a growth of 13% riding on healthy growth of the Auto sector.

Operational Performance

The Division surpassed the Rs. 1,000 crores turnover mark during the current fiscal. It achieved significant improvements in the following areas :

- Overall Sales increased by 17% to 0.260 million tonnes
- Overall Production including conversion increased by 21% to 0.264 million tonnes
- Commercial tube sales increased by 19% to 0.21 million tonnes
- Precision tube sales increased by 10% to .05 million tonnes

The process/productivity improvement programme initiated in the last fiscal yielded good results in increasing the in-house productivity by almost 15% along with stabilization of HFIW modernization. In the area of supply chain and distribution, the division implemented 'Replenishment Model' for its Commercial Tubes which enabled us to achieve superior compliance and customer satisfaction.

A series of marketing initiatives were undertaken for achieving better customer service and market focus. These include :

- Launch of new brand – with the objective to have a greater focus in the tubular construction segment, a new brand for our Tubular hollow sections called "Tata Structura" was launched at the Architects, Engineering and Construction (AEC) Expo at Mumbai in December 2005.
- Customer Value Management (CVM) and Customer Product Optimization (CPO) are being carried out with Precision Tube customers promising value for both the parties.
- Retail Value Management has enabled optimal restructuring of the retail network leading to enhanced reach. This resulted in increase in market share from 14% in FY 05 to 16% in FY 06.
- Other initiatives such as Aajeewan, Cold Storage Scheme and Influencers Meet resulted in enhancing our consumer connect.

Growth Plan

The Division has put in place ambitious plans to consolidate its position as a leading tube producer in the country.

Presence in plumbing and irrigation segments is planned to be doubled over the next two years. The division is also investing to build capability in the Precision Tubes industry. Presence in Structural tube segment will also more than double within the next two years.

The above is going to be possible with brown field investments in the latest pipe making technology, modernised galvanizing and cold drawing facilities. With the execution of projects in hand, the in-house capacity will increase from the present level of 1,80,000 TPA to 2,60,000 TPA in CT Business and from 40,000 TPA to 80,000 TPA in

PT business. In addition, the total capacity will be augmented to the extent of 1,00,000 TPA through external processing.

c) Bearings Division

The Bearings Industry in India has an installed capacity of 250 million nos. and is worth Rs. 3,000 crores. The organized sector of the domestic Bearings industry is estimated to have grown by over 10% in terms of volumes during the year as compared to the previous year. The prime demand driver was the 2-wheeler sub-segment of the automobile segment.

The Division achieved a capacity utilization of 112% during the financial year and produced 28.0 million nos. as compared to 25.01 million nos. in the previous year, an increase of 12%. Sales increased by 8.3% from 25.30 million nos. in FY 05 to 27.38 million nos. during the current year. In terms of value, growth was even better at 9.5% due to improved product mix. Costs of raw materials and power had increased during the year, but the effect was mitigated to a great extent through various cost control measures such as improvement in labour productivity (8.5%↑) and reduction in power consumption per bearing (10.2%↓) .

3. ANALYSIS OF THE FINANCIAL PERFORMANCE OF THE COMPANY

a) Net sales/Income from operations

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Sales of products	16,521.44	15,250.69	1,270.75	8%
Sale of power and water	393.50	348.49	45.01	13%
Income from services, sale of miscellaneous goods, stores and rent etc.	229.28	277.69	(48.41)	-17%
Total sale of products and services	17,144.22	15,876.87	1,267.35	8%
Less : Excise Duty	2,004.83	1,377.92	626.91	45%
Net sales/income from operations	15,139.39	14,498.95	640.44	4%

Sale of products increased by 8% from Rs. 15,250.69 crores in FY 05 to Rs. 16,521.44 crores in FY 06 due to increase in sale of products in most of the divisions of the Company. In Steel division, the domestic sales went up by 17% to Rs. 9,958.34 crores in FY 06 as compared to Rs. 8,494.21 crores in FY 05, whereas, the export sales (in terms of CIF value) reduced by 14% to Rs. 1,213.56 crores in FY 06 as compared to Rs. 1,415.67 crores in FY 05. Tubes division sales increased by 15% to Rs. 1,006.19 crores in FY 06 from Rs. 877.90 crores in FY 05. Ferro Alloys and Minerals Division sales reduced by 1% to Rs. 1,342.84 crores in FY 06 from Rs. 1,350.46 crores in FY 05. Bearings division sales increased by 9% to Rs. 154.18 crores in FY 06 from Rs. 141.60 crores in FY 05.

b) Purchase of finished and semi-finished steel and other products

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Purchase of finished, semi-finished steel and other products	656.08	1,305.28	(649.20)	-50%

The purchase of finished and semi-finished steel reduced by 50% to Rs. 656.08 crores in FY 06 from Rs. 1,305.28 crores in FY 05. In FY 06, the Company used converted pig iron and sponge iron instead of buying them from the market, in the Blast Furnaces and in the Steel melting shops to increase fuel efficiency. With improved availability of hot metal from “blown in” G Blast Furnace in April 2005, requirement of pig iron and sponge iron had come down during FY 06. Also, due to the shut down of G Blast Furnace in the last year, there were purchases of HR Coils to meet the requirement of Cold Rolling Mill at Tarapore and Tubes Division and Billets to feed WRM and Merchant Mill. In addition, in FY 06, the Company used converted pig and sponge iron in place of purchased materials which had reduced the purchase cost as compared to the previous year.

c) Raw Materials consumed

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Raw Materials consumed	2,368.30	1,715.14	653.16	38%

The raw materials consumed increased by 39% to Rs. 2,368.30 crores in FY 06 from Rs. 1,715.14 crores in FY 05 mainly due to the increase in the cost of imported coal, ferro alloys and zinc and also the increase in volume of operations. G Blast Furnace was shutdown from 3rd December, 2004 till 1st week of April 2005. After being ‘blown in’ and with an increased capacity of 1.80 million tonnes as compared to an earlier 1.20 million tonnes, the consumption of raw materials, including imported coke/converted coke, for the purpose of production of hot metal increased substantially.

d) Payments to and provisions for employees

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Payments to and provisions for employees	1,351.51	1,291.00	60.51	5%

The staff cost increased in FY 06 by 5% to Rs. 1,351.51 crores from Rs. 1,291 crores in FY 05. The increase due to annual increments and dearness allowance was partly offset by reduction in the manpower by 1,466 from 39,648 in FY 06 to 38,182 in FY 05.

e) Stores consumed and Repairs to Machinery

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Stores consumed	737.74	621.33	116.41	19%
Repairs to machinery	624.27	636.97	(12.70)	-2%

The stores consumption increased by 19% mainly due to the increase in volume of production of saleable steel to 4.52 million tonnes in FY 06 from 4.11 million tonnes in FY 05. The repairs to machinery reduced in FY 06 by 2% to Rs. 624.26 crores from Rs. 636.97 crores in FY 05. The repairs to machinery expenditure was higher in FY 05 in the areas of Basic Level Automation system, Quality Control System and maintenance of the Demag Blower for the Blast Furnaces in Hot strip mill, Cold rolling mill and the Utility facilities.

f) Conversion charges

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Conversion charges	640.52	629.65	10.87	2%

The conversion charges for steel materials increased by Rs. 10.87 crores from Rs. 629.65 crores in FY 05 to Rs. 640.52 crores in FY 06 due to increase in volume of conversion at the rerollers.

g) Other expenses

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Other expenses	757.15	682.30	74.85	11%

The other expenses increased to Rs. 757.15 crores in FY 06 from Rs. 682.30 crores in FY 05 mainly due to payments made to consultants, expenditure of techno-economic feasibility studies and payments towards miscellaneous contracts in connection with increased mining activities.

h) Freight and handling charges

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Freight and handling expenses	1,004.32	936.68	67.64	7%

Due to increase in volume of sales both the road as well as rail freight went up in value terms during the year. The ocean freight had come down due to a drop in the exports.

i) Interest

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Gross interest	172.20	228.80	(56.60)	-25%
Less : Interest capitalised	3.76		3.76	100%
Less : Interest received on sundry advances, receipts and others	50.00	42.00	8.00	19%
Net Interest	118.44	186.80	(68.36)	-37%

Net interest charges reduced from Rs. 186.80 crores in FY 05 to Rs.118.44 crores in FY 06 mainly due to the additional interest on SDF loans of Rs. 32.25 crores in FY 05 and redemption of non convertible debentures during FY 06.

j) Employee Separation Compensation

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Employee Separation Compensation	52.77	119.11	(66.34)	-56%

In accordance to the guidelines of Accounting Standard on Employee Benefits AS-15 (revised 2005), the rate used to discount provision for employee separation compensation has been aligned to market yields on government bonds as on 31st March, 2006. Consequently the ESS charge for the year is lower by Rs. 95 crores.

During the year 1,141 employees were separated under the Employee separation scheme of the Company. As a result the ESS charges went up by Rs. 31.41 crores. Due to the reduction in the old cases there has been a decrease in the charge to the extent of Rs. 2.79 crores.

k) Fixed Assets

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Gross Block	16,564.90	15,055.25	1,509.65	10%
Less : Provision for depreciation and impairment	6,699.85	5,943.01	756.84	100%
Net Block	9,865.05	9,112.24	752.81	8%

The Company incurred a capital expenditure of Rs. 1,527.58 crores during FY 06 mainly on the completion of 1 million tonnes and 2.4 million tonnes steel capacity expansion programmes and development expansion in mines and collieries.

l) Investments

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Trade investments	1,055.52	678.61	376.91	56%
Investments in subsidiary companies	978.85	271.13	707.72	261%
Other investments	8.96	8.96	—	—
Investments in Mutual Funds				
a) Income Funds	734.65	440.60	294.05	67%
b) Liquid Funds	1,291.98	1,033.35	258.63	25%
Net investments in Mutual Funds	2,026.63	1,473.95	552.68	37%
Total Investments	4,069.96	2,432.65	1,637.31	67%

During FY 06, the Company invested Rs. 279.68 crores for purchasing 2,104,543,058 shares in Millennium Steel Public Co. Ltd., Rs. 540.55 crores in NatSteel Asia Pte Ltd. for purchasing 5,00,00,000 shares and

15,00,00,000 shares allotted on conversion of bridge loan. The Company has liquid investments of Rs. 2,026.63 crores as on 31st March, 2006 as compared to Rs.1,473.95 crores as on 31st March, 2005.

m) Stores & Spares and Stock-in-Trade

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Stores and spare parts	442.66	349.07	93.59	27%
Stock-in-trade	1,732.09	1,523.34	208.75	14%

The value of inventory has increased on 31st March, 2006 as compared to 31st March, 2005 due to the increase in the prices of the input materials. The average turnover in terms of number of days sales for the year was 46 days as compared to 42 days in the last year.

n) Sundry Debtors

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Gross Debtors	571.58	621.67	(50.09)	-8%
Less : Provisions for doubtful debts	32.18	39.85	(7.67)	-19%
Net Debtors	539.40	581.82	(42.42)	-7%

There was an increase in the sale of products and services of the Company by 8% in FY 06 from FY 05. However, there has been a reduction in the gross debtors by 8% over previous year. Stringent Credit Management and further extension of Channel Finance and other financial packages to various institutional customers and distributors across all Profit Centers, have contributed to the reduction in the overall debtors. Consequent to the above factors the average days sales outstanding has come down to 11 days from 13 days as compared to previous year.

o) Loans and Advances

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Loans and Advances	1,234.86	1,382.44	(147.58)	-11%

The loans and advances as on 31st March, 2006 reduced by 11% as compared to 31st March, 2005. In FY 05 there had been a shareholder's loan of Rs. 673.04 crores given to NatSteel Asia Pte Ltd. towards part of the purchase consideration for acquisition of steel business in NatSteel Ltd. During FY 06 the Company advanced Rs. 150 crores to the State Government of Jharkhand for building stadium for the National Games 2007.

p) Current Liabilities

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Current Liabilities	2,835.99	2,689.83	146.16	5%

The liabilities increased on account of capital supplies, retention and deposits due to the 1 million tonnes expansion and 2.4 million tonnes expansion programmes. The purchase of raw materials also increased during the year, due to the increase in production, thereby increasing the current liabilities for the year.

q) Secured and Unsecured loans

Figures in Rs. Crores

	FY 2005-06	FY 2004-05	Change	Change %
Secured Loans	2,191.74	2,468.18	(276.44)	-11%
Unsecured Loans	324.41	271.52	52.89	19%
Total	2,516.15	2,739.70	(223.55)	-8%
Breakup				
Foreign Currency Loan	278.07	404.70	(126.63)	-31%
Rupee Loan	2,238.08	2,335.00	(96.92)	-4%

The loan balances reduced as the company redeemed Debentures during the year. The foreign currency loan as a percentage to the total loans reduced from 15% in FY 05 to 11% FY 06. The total Debt to EBITDA reduced to 0.40 x times for the year as compared to 0.44 x times for the previous year. The Fund from operations/Total debt improved to 1.44 x times in the year as compared to 1.39 x times in the last year.

r) Appropriation

The Company has transferred Rs. 1,500 crores to the General Reserve during the FY 06 (FY 05 : Rs.1,500 crores).

u) Dividend

The Board of Directors of the Company has declared a dividend @ 130% (Rs. 13 per share) for the year ended 31st March, 2006, subject to the approval by the Shareholders. The dividend will be paid on 553,472,856 Ordinary Shares at Rs. 13 per share (2004-05 : On 553,472,856 Ordinary Shares at Rs. 13 per share). The total payout on account of the above dividend would be Rs. 820.43 crores (including tax on dividend).

v) EVA

The Company in pursuance of its Vision, has embraced the EVA based methodology for performance management and capital expenditure evaluation based on the recommendation of Stern Stewart & Co.

Economic Value Added (EVA) is defined as the excess of Return on Invested Capital (ROIC) over weighted average cost of Capital (WACC); viz

Return on Invested Capital (ROIC)

$$= \frac{\text{Net Operating Profit after Taxes but before interest costs (NOPAT)}}{\text{Average Invested Capital}}$$

Weighted average cost of Capital (post tax)

$$\frac{\text{Average Adjusted Equity} * \text{Cost of Equity (\%)} + \text{Average debts}}{\text{Average Adjusted Equity} + \text{Average debts}} = \text{(including deferred tax liability) * Cost of Debts (\%)}$$

The Cost of Equity is determined under the CAPM method while the cost of debt is based on the actual cost of borrowings.

The EVA spread in FY 06 was 24.31% as compared to 26.80% in FY 05. The calculation of EVA spread for the FY 2005-06 and FY 2004-05 is as follows :

Particulars	FY 2005-06	FY 2004-05	Change
Return on Invested Capital	36.93%	38.95%	(2.02)%
Weighted Average cost of Capital	12.62%	12.15%	0.47%
EVA Spread (%)	24.31%	26.80%	(2.49)%
EVA - Rs. Crores	2,336	2,373	(37)

The Return on Invested Capital was 36.93% during the year as compared to 38.95% in the previous year. The Net Operating Profit After Tax (NOPAT) to sales was 20.70% during the year as compared to 21.72% in the previous year. The NOPAT has increased by 3% during the year as compared to the previous year due to higher volumes and operating cost management. Sales to average invested capital was 1.78 times during the year as compared to 1.79 times in the previous year. This was sustained mainly due to sustenance of better utilisation of invested capital which resulted in increased sales during the year as compared to the previous year.

The weighted average cost of capital has increased to 12.62% during the year as compared to 12.53% in the previous year. The average cost of debts has come down to 3.87% during the year as compared to 4.19% during the previous year due to the repayment of loans. However, cost of equity being higher than cost of debts and with the same level of profit after tax during the year as compared to the previous year, the proportion of equity in the invested capital has increased which resulted in higher weighted average cost of capital.

Summary of key Financial Ratios for the FY 2005-06 as compared to FY 2004-05 is given below :

	FY 2005-06	FY 2004-05
EBIDTA as % of Net Turnover (Gross sales + Other Income - Excise Duty)	40%	42%
Profit After Tax as % of Net Turnover (Gross sales + Other Income - Excise Duty)	23%	24%
Return on average Equity (ROE) (%)	41%	62%
Net Worth per share (Rs./share)	171.68	123.68
Earning per share (EPS) (Rs./share)	63.35	62.77
Market Capitalization (Rs. crores) as on 31st March	29,688	22,189

4. PERFORMANCE OF THE SUBSIDIARY COMPANIES

The combined revenue of the subsidiary companies increased by 194.50% to Rs. 5,545.36 crores in FY 06 from Rs. 1,882.95 crores in FY 05. The increase in combined revenues is mainly due to considering the full year's revenue of NatSteel Asia Pte Ltd. as compared to 45 days' revenue of last year. NatSteel Asia Pte Ltd. became the wholly owned subsidiary of Tata Steel on 16th February, 2005.

The major contributors of the combined revenues of Rs. 5,545.36 crores for FY 06 as compared to Rs. 1,882.95 crores in FY 05 - an increase of Rs. 3,662.41 crores, were NatSteel Asia Pte Ltd. (Rs. 3,508.13 crores increase over FY 05), TM International Logistics Ltd. (Rs. 59.57 crores increase over FY 05), Tata Refractories Ltd (Rs. 54.85 crores increase over FY 05), Jamshedpur Utilities and Services Company Ltd. (Rs. 49.20 crores increase over FY 05), Sila Eastern Limited (Rs. 32.28 crores increase over FY 05), The Indian Steel and Wire Products Limited (Rs. 17.43 crores increase over FY 05), Lanka Special Steels Limited (Rs. 4.27 crores increase over FY 05).

The profit after taxes increased to Rs. 232.79 crores in FY 06 as compared to Rs. 120.20 crores in FY 05 – an increase of Rs. 112.59 crores mainly due to the increase in the profit after taxes of NatSteel Asia Pte Ltd. (Rs.121.00 crores increase over FY 05), Indian Steel and Wire Products Limited (Rs. 3.33 crores increase over FY 05), Tata Refractories Limited (Rs. 6.33 crores increase over FY 05). The comparative performances of the subsidiaries for FY 06 and FY 05 are shown below :

Figures in Rs. Crores.

	Gross Revenue			Profit after taxes		
	FY 06	FY 05	Inc/Dec	FY 06	FY 05	Inc/Dec
Subsidiaries						
Tata Refractories Ltd.	457.09	402.24	54.85	35.39	29.06	6.33
Tata Pigments Ltd.	22.87	22.74	0.13	1.91	1.63	0.28
Kalimati Investments	30.89	47.04	(16.15)	30.84	46.04	(15.20)
TM International Logistics Ltd.	261.07	201.50	59.57	20.61	20.72	(0.11)
Tata Incorporated	397.89	445.20	(47.31)	4.64	7.42	(2.78)
Tata Korf Engineering Services Ltd.	0.01	—	0.01	(0.09)	(0.46)	0.37
Lanka Special Steels Ltd.	24.53	20.26	4.27	0.10	0.02	0.08
The Indian Steel & Wire Products Ltd.	105.38	87.95	17.43	5.75	2.42	3.33
NatSteel Asia Pte Ltd.	4,052.08	543.95	3,508.13	128.49	7.49	121.00
Sila Eastern Limited	37.08	4.80	32.28	0.98	0.29	0.69
Jamshedpur Utilities and Services Company Ltd.	156.47	107.27	49.20	4.17	5.57	(1.40)
Total	5,545.36	1,882.95	3,662.41	232.79	120.20	112.59

II) INTERNAL CONTROLS & SYSTEMS

The Company has in place adequate internal control systems and procedures commensurate with the size and nature of business. These procedures are designed to ensure that :

- all assets and resources are acquired economically, used efficiently and are adequately protected;
- significant financial, managerial and operating information is accurate, reliable and is provided timely; and
- all internal policies and statutory guidelines are complied with.

The effectiveness of internal controls is continuously monitored by the Corporate Audit Division.

The scope and authority of Corporate Audit Division is derived from the Corporate Audit Charter approved by the Audit Committee and Managing Director. The audit activities are undertaken as per the Annual Audit Plan developed by Corporate Audit based on the risk profile of business process/sub-process. The Audit plan is approved by the Audit Committee and Managing Director and compliance to the Plan is also reviewed by them.

The Company has an Audit Committee which regularly reviews the reports submitted by Corporate Audit Division. All significant audit observations and follow-up actions thereon are reported to the Audit Committee. The Committee also met the Company's Statutory Auditors to ascertain their views on the adequacy of internal control systems in the Company and their observations on financial reports. The Audit Committee's observations are acted upon by the Management.

III) RISK MANAGEMENT

The current financial year witnessed a downturn in the steel prices as compared to the previous year. In order to reduce the impact of the reduction in prices the Company utilised the increase in coverage of branded products and Long term contracts/relationships with OEM customers. For expanding its presence over wider horizons the Company initiated actions for acquisitions outside the country, formation of joint ventures with experts in construction industry and also laid down plans of new projects in various regions within India, entering into memorandum of agreements with various state governments.

As the Company is becoming multi-locational, the availability of raw materials is becoming a constraint. The strength of the Company lies in having the captive mines and collieries. In line with the increase in capacity, the Company is laying stress on the availability of raw material for its business.

Statutory Compliance

On obtaining confirmation from the various units of the Company of having complied with all the statutory requirements, a declaration regarding compliance with the provisions of the various statutes is made by the Managing Director at each Board Meeting. The Company Secretary, as Compliance Officer, ensures compliance with the SEBI regulations and provisions of the Listing Agreements. The Chief Financial Officer, as the Compliance Officer for prevention of insider trading ensures compliance with the Tata guidelines on Insider Trading.

Contingent Liabilities

Details of contingent liabilities are given in Schedule M of the Notes on Balance Sheet and Profit and Loss Account.

IV) ENVIRONMENT MANAGEMENT

The Company assesses the impact of its activities, products and services on environment and takes improvement measures through well-established systems of Environmental Management System (ISO 14001), Occupational Health & Safety Management System (OHSAS 18001) and Social Accountability Standard (SA 8000). Concerns of various stakeholders are identified, prioritized and addressed through the organisation's leadership system.

In its commitment to improve the quality of life in its areas of operations, Tata Steel is striving to go beyond the applicable Indian Environmental Legislations and reach the International Standards. Energy efficient and waste minimizing technologies are being introduced. The improved performance of pollution control facilities and operational discipline were also the focus areas during the review period.

Initiatives undertaken for improvement resulted in reduction of specific energy consumption to 6.959 Gcal/tcs in FY 06 from 6.965 Gcal/tcs in FY 05 and total water pollutant discharge to 0.181 kg/tcs in FY 06 from 0.205 kg/tcs in FY 05.

Tata Steel has shown its commitment to address climate change issues by continuously reducing Carbon-dioxide (CO₂) emissions in the last decade. The CO₂ emissions were brought down to a level of 2.28 t/tcs in FY 06, a reduction of 1.7% over FY 05. Tata Steel has taken up several projects to improve its energy efficiency and avail carbon credits under Clean Development Mechanism (CDM) under Kyoto Protocol. The Designated National Authority of India has already approved two projects having potential to reduce 1.1 million tonnes of CO₂ per annum. Several other projects are in the pipeline for CO₂ reduction to the tune of 2 million tonnes per annum.

The Company is committed to introduce the state-of-the-art technology in its proposed greenfield projects and control the pollutants discharge conforming to International Standards.

Fifth (5th) Corporate Sustainability Report 2004-05 was adjudged by United Nations and Standard & Poor's as the best in the developing country economies. Corporate Sustainability Management System continued to be integrated in the business processes to meet the future challenges for sustainable growth.

V) INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

Industrial relations remained normal at all locations. The men on roll in the Company as on 31st March, 2006 were 38,182 as compared to 39,648 as on 31st March, 2005. The development of human resources is a key strategic challenge in order to prepare people for future responsibilities in terms of professional skills as well as business skills. Company is investing in the modernisation of the plant and training of manpower for upgrading their skills. Further, it is planned to redeploy the surplus manpower to various Greenfield projects being undertaken.

VI) AWARDS AND RECOGNITIONS

- Tata Steel conferred CII - ITC Sustainability Awards 2006
- Tata Steel ranked World's Best Steel Maker for the third time
- Paper on Redefining Retail of Steel in India wins the prestigious SP Jain Marketing Impact Award
- Tata Steel takeover of NatSteel wins accolade in The Asset Triple A Awards
- Tata Steel Family Initiatives Foundation wins FICCI AWARD

- Tata Steel - Bearings Division receives the recent Environmental Management System accreditation ISO 14001:2004 version from UL India for its operations.
- Tata Steel conferred CAPEXIL Special Award for Outstanding Chrome Concentrate Exports
- Maple Leaf International Award for Tata Steel
- Tata Steel wins MIS ASIA IT EXCELLENCE AWARD 2005 for Best IT Governance
- Tata Sons Chairman Marks 60 Years of Tata Operations in the United States and receives Distinguished Achievement Award from Global Human Rights Organisation
- Tata Steel's ITS Department awarded "BS 15000 Part 1:2002" Certificate for IT Service Management
- Tata Steel bagged the CII Productivity Award
- Tata Tiscon won Gold at The Calcutta Ad Club Awards

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objective, projections, estimates, 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 economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

Highlights

	2005-2006	<i>2004-2005</i>
	Rupees Crores	<i>Rupees Crores</i>
Gross revenue	17398.98	<i>16053.48</i>
Profit before taxes	5239.96	<i>5297.28</i>
Profit after taxes	3506.38	<i>3474.16</i>
Dividends (including Tax on Dividends)	820.43	<i>820.43</i>
Retained earnings	3461.05	<i>3272.52</i>
Capital employed	14363.89	<i>11928.48</i>
Net worth	9502.03	<i>6845.10</i>
Borrowings	2516.15	<i>2739.70</i>
	Ratio	<i>Ratio</i>
Debt : Equity	22:78	<i>35:65</i>
Net worth per Share as at year end	Rupees 171.68	<i>Rupees 123.68</i>
Earnings per Share *	Rupees 63.35	<i>Rupees 62.77</i>
Dividend per Share	130%	<i>130%</i>
Employees (Numbers)	38,182	<i>39,648</i>
Shareholders (Numbers)	540,436	<i>574,369</i>

* Calculated on Effective Capital during the year.

Sources and Utilisation of Funds

(Rupees crores)

	2005-06	2004-05	2003-04	2002-03	2001-02	Total for 2001-02 to 2005-06
SOURCES OF FUNDS:						
1. FUND GENERATED FROM OPERATIONS						
(a) PROFIT AFTER TAXES	3506.38	3474.16	1746.22	1012.31	204.90	9943.97
(b) DEPRECIATION	775.10	618.78	625.11	555.48	524.75	3099.22
(c) OTHER INCOME AND ADJUSTMENTS	136.68	(14.08)	20.78	(86.30)	36.96	94.04
(d) TOTAL	4418.16	4078.86	2392.11	1481.49	766.61	13137.23
2. SHARE CAPITAL	—	—	—	1.21	(140.00)	(138.79)
3. NET INCREASE / (DECREASE) IN BORROWINGS	(223.55)	(642.51)	(852.33)	(479.87)	35.60	(2162.66)
	4194.61	3436.35	1539.78	1002.83	662.21	10835.78
UTILISATION OF FUNDS:						
4. CAPITAL EXPENDITURE	1527.58	1978.36	960.33	451.23	534.95	5452.45
5. INVESTMENTS (NET)	1637.31	238.53	999.57	281.81	65.82	3223.04
6. DIVIDENDS #	820.43	821.37	416.25	333.01	149.39	2540.45
7. NET INCREASE / (DECREASE) IN WORKING CAPITAL *	45.29	290.44	(873.30)	(128.34)	(50.28)	(716.19)
8. MISC. EXPENDITURE**	164.00	107.65	36.93	65.12	(37.67)	336.03
	4194.61	3436.35	1539.78	1002.83	662.21	10835.78

Including tax on dividends **Rs.100.92** crores (2004-05 : Rs.101.86 crores, 2003-04 : Rs. 47.27 crores, 2002-03 : Rs. 37.82 crores, 2001-02 : Rs. 0.21 crore)

* Stocks and stores, book debts, advances and cash balances less trade creditors, provisions etc.

** Expenses of Employee Separation Compensation not amortised (Net of Provision)

Auditors' Report

TO THE MEMBERS OF
TATA STEEL LIMITED
(FORMERLY KNOWN AS THE TATA IRON AND STEEL COMPANY LIMITED)

1. We have audited the attached Balance Sheet of TATA STEEL LIMITED, as at 31st March, 2006, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date both annexed thereto in which are incorporated the Returns from the Singapore Branch audited by another auditor. 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 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 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 sub-section (4A) of Section 227 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 :
 - (a) 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;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books and proper returns adequate for the purposes of our audit have been received from the Singapore Branch not visited by us. The Branch Auditor's Report has been forwarded to us and appropriately dealt with;
 - (c) the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branch;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors, as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) 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 :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For A. F. FERGUSON & CO.,
Chartered Accountants,

A. K. MAHINDRA
Partner
Membership No. : 10296
Mumbai, 18th May, 2006

For S. B. BILLIMORIA & CO.,
Chartered Accountants,

UDAYAN SEN
Partner
Membership No. : 31220

Annexure to the Auditors' Report

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

The nature of the Company's business/activities during the year was such that clauses (xii), (xiii), (xiv) and (xviii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- (i) 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) Some of the fixed assets have been physically verified by the Management in accordance with a programme of verification which in our opinion provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. 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 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.
- (ii) In respect of its inventories:
 - (a) As explained to us, the inventories of finished and semi-finished goods and raw materials at Works, Mines and Collieries were physically verified during the year by the Management. In respect of stores and spare parts and stocks at Stockyards and with Consignment/Conversion Agents, the Company has a programme of physical verification of stocks over a three-year period. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
 - (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 inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) In respect of loans granted by the Company to companies, firms or other parties covered in register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
 - (a) The Company has granted inter-corporate loan to three parties. At year end outstanding balance of such loans granted was Rs.283.52 crores and the maximum amount involved during the year was Rs.720.47 crores.
 - (b) In our opinion, the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
 - (c) The receipt and payment of principal amounts and interest have been regular during the year.
 - (d) There is no overdue amount in respect of above intercorporate loans.
 - (e) The Company has not taken any loan from any party covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) 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 do not exist for obtaining comparable quotations, there is 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 for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal control system.

- (v) 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) In our opinion and having regard to our comments in paragraph (iv) above, the transactions [excluding loans reported under paragraph (iii) above] exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are prima facie reasonable, having regard to prevailing market prices at the relevant time where such prices are available.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of bearings, steel tubes and pipes, steel, chrome ore and alloys and electricity, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. 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 for any other products of the Company.
- (ix) In respect of Statutory Dues:
- (a) According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it with the appropriate authorities during the year. We are informed that the Company intends to obtain exemption from the operation of the Employees' State Insurance Act at all locations and necessary steps have been taken by the Company. We are also informed that action taken by the authorities at some locations to bring the employees of the Company under the Employees' State Insurance Scheme has been contested by the Company and accordingly full payment has not been made of the contributions demanded.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, cess and other material statutory dues applicable to it, were in arrears, as at 31st March, 2006 for a period of more than six months from the date they became payable, except for sales tax collection which we are informed are refundable to customers because they have been collected in excess or which have been collected pending receipt of the relevant certificates from the customers.

- (c) In respect of income tax dues, the income tax department has confirmed that there are no dues which have not been deposited.
- (d) According to the information and explanations given to us, details of dues of sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited as on 31st March, 2006 on account of any dispute are given below :

Particulars	Financial year to which the matter pertains	Forum where matter is pending	Amount Rs. crores
Customs Duty	1994-95	Supreme Court	0.12
	2002-03	High Court	0.03
	1990-91, 1993-94	Commissioner	20.94
Excise Duty	1994-95, 1998-99	Supreme Court	0.19
	1988-89, 1995-96, 1996-99, 2000-01	High Court	0.15
	1985-90, 1993-94 to 2005-06	Commissioner	408.20
	1998-99	Joint Commissioner	0.03
	1998-99	Deputy Commissioner	0.06
	Feb. 83 to Dec. 05, Feb. 84 to June 84, 1995-96	Assistant Commissioner	1.87
	1988-89, 1990-91, 1998-99	Tribunal	1.13
Sales Tax	1970 to 1975, 1980-82, 1990 to 1998, 1999-00,	High Court	6.56
	1988-90, 1993-2003	Commissioner	66.86
	1993-94 to 2005-06	Joint Commissioner	32.00
	1992-93 to 2002-03	Deputy Commissioner	79.59
	1973-74, 1977-2004	Assistant Commissioner	22.77
	1975-76, 1977-2003	Tribunal	72.92
Cess on water, royalty, education, welfare etc.	1956-85, 1980-81 to 1993-94, 1996-97	High Court	8.32

- (x) The Company does not have any accumulated losses and has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) In our opinion and according to information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interest of the Company.
- (xiii) 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.
- (xiv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have prima facie not been used during the year for long term investment.

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- (xv) According to the information and explanations given to us, and the records examined by us, securities/charges have been created in respect of debentures issued.
- (xvi) During the period covered by our audit report, the Company has not raised any money by public issues.
- (xvii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For A. F. FERGUSON & CO.,
Chartered Accountants,

A. K. MAHINDRA
Partner
Membership No. : 10296
Mumbai, 18th May, 2006

For S. B. BILLIMORIA & CO.,
Chartered Accountants,

UDAYAN SEN
Partner
Membership No. : 31220

Balance Sheet as at 31st March, 2006

Schedule	Page	FUNDS EMPLOYED :	Rupees crores	Rupees crores	As at 31-3-2005 Rupees crores
A	71	1. SHARE CAPITAL		553.67	553.67
B	72	2. RESERVES AND SURPLUS		9201.63	6506.25
		3. TOTAL SHAREHOLDERS' FUNDS		9755.30	7059.92
		4. LOANS			
C	73	a Secured	2191.74		2468.18
D	75	b Unsecured	324.41		271.52
		c Total Loans		2516.15	2739.70
		5. DEFERRED TAX LIABILITY (NET) (See Note 23, Page 95)		957.00	829.42
		6. PROVISION FOR EMPLOYEE SEPARATION COMPENSATION (See Note 9, Page 87)		1388.71	1514.26
		7. TOTAL FUNDS EMPLOYED		14617.16	12143.30
		APPLICATION OF FUNDS :			
E	75	8. FIXED ASSETS			
		a Gross Block	16564.90		15055.25
		b Less — Impairment	94.19		97.52
		c Less — Depreciation	6605.66		5845.49
		d Net Block		9865.05	9112.24
F	76	9. INVESTMENTS		4069.96	2432.65
		10. A. CURRENT ASSETS			
		a Stores and spare parts	442.66		349.06
G	82	b Stock-in-trade	1732.09		1523.34
H	82	c Sundry debtors	539.40		581.82
		d Interest accrued on investments	0.20		0.20
I	83	e Cash and Bank balances	288.39		246.72
			3002.74		2701.14
J	83	B. LOANS AND ADVANCES	1234.86		1382.44
			4237.60		4083.58
		11. Less : CURRENT LIABILITIES AND PROVISIONS			
K	84	A. Current Liabilities	2835.99		2689.83
L	84	B. Provisions	972.73		1010.16
			3808.72		3699.99
		12. NET CURRENT ASSETS		428.88	383.59
		13. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		253.27	214.82
		Employee Separation Compensation (See Note 9, Page 87)			
		14. TOTAL ASSETS (Net)		14617.16	12143.30
M	85	Contingent Liabilities (See Note 2, Page 86) NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT			

As per our report attached
For A F FERGUSON & CO.,
Chartered Accountants,
A K MAHINDRA
Partner.

For S B BILLIMORIA & CO.,
Chartered Accountants,
UDAYAN SEN
Partner.

Mumbai, 18th May, 2006

J C BHAM
Company Secretary

For and on behalf of the Board

RATAN N TATA
NUSLI N WADIA
S M PALIA
SURESH KRISHNA
ISHAAT HUSSAIN
JAMSHED J IRANI

Chairman

Directors

B MUTHURAMAN
T MUKHERJEE
A N SINGH

Executive
Directors

Profit and Loss Account for the year ended 31st March, 2006

Schedule	Page	INCOME :	Rupees crores	Rupees crores	Previous Year Rupees crores
1	68	1. SALE OF PRODUCTS AND SERVICES		17144.22	15876.87
		Less — Excise Duty (See Note 3, Page 86)		2004.83	1377.92
				<u>15139.39</u>	<u>14498.95</u>
2	68	2. OTHER INCOME		254.76	148.03
				<u>15394.15</u>	<u>14646.98</u>
		EXPENDITURE :			
4	69	3. MANUFACTURING AND OTHER EXPENSES	9320.50		8658.41
		4. DEPRECIATION	775.10		618.78
			<u>10095.60</u>		<u>9277.19</u>
		5. Less — EXPENDITURE (OTHER THAN INTEREST) TRANSFERRED TO CAPITAL AND OTHER ACCOUNTS		<u>112.62</u>	<u>204.82</u>
			9982.98		9072.37
3	68	6. INTEREST	<u>118.44</u>		<u>186.80</u>
		7. TOTAL EXPENDITURE		10101.42	<u>9259.17</u>
		PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS		5292.73	<u>5387.81</u>
		8. EMPLOYEE SEPARATION COMPENSATION (Note 9, Page 87)		(52.77)	(119.11)
		9. PROFIT ON SALE OF LONG TERM INVESTMENTS		—	28.58
		PROFIT BEFORE TAXES		5239.96	<u>5297.28</u>
		10. TAXES			
		(a) CURRENT TAX (See Note 18, Page 88)	1579.00		1833.66
		(b) DEFERRED TAX (See Note 23, Page 95)	127.58		(10.54)
		(c) FRINGE BENEFITS TAX	27.00		—
				<u>1733.58</u>	<u>1823.12</u>
		PROFIT AFTER TAXES		3506.38	<u>3474.16</u>
		11. BALANCE BROUGHT FORWARD FROM LAST YEAR		1790.21	<u>637.42</u>
		AMOUNT AVAILABLE FOR APPROPRIATIONS		5296.59	4111.58
		12. APPROPRIATIONS :			
		(a) PROPOSED DIVIDENDS	719.51		719.51
		(Details as per Directors' Report, Page 23)			
		(b) TAX ON DIVIDENDS	<u>100.92</u>		<u>101.86</u>
			820.43		821.37
		(c) GENERAL RESERVE	<u>1500.00</u>		<u>1500.00</u>
				<u>2320.43</u>	<u>2321.37</u>
		BALANCE CARRIED TO BALANCE SHEET		2976.16	<u>1790.21</u>
		Basic and Diluted Earnings per Share Rs.		63.35	<u>62.77</u>
		(See Note 22, Page 95)			
M	85	NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT			

As per our report attached
to the Balance Sheet

For A F FERGUSON & CO.,
Chartered Accountants,
A K MAHINDRA
Partner.

For S B BILLIMORIA & CO.,
Chartered Accountants,
UDAYAN SEN
Partner.

Mumbai, 18th May, 2006

J C BHAM
Company Secretary

For and on behalf of the Board

RATAN N TATA

Chairman

NUSLI N WADIA
S M PALIA
SURESH KRISHNA
ISHAAT HUSSAIN
JAMSHED J IRANI

Directors

B MUTHURAMAN
T MUKHERJEE
A N SINGH

Executive
Directors

Cash Flow Statement for the year ended 31st March, 2006

	Year Ended 31-3-2006 Rs. crores	Year Ended 31-3-2005 Rs. crores
A. Cash Flow from Operating Activities :		
Net Profit before tax	5239.96	5297.28
Adjustments for :		
Depreciation	775.10	618.78
(Profit)/Loss on sale of Assets/Discarded Assets written off	(41.00)	(32.42)
(Profit)/Loss on sale of current investments	(9.95)	(4.19)
(Profit)/Loss on sale of long term investments	—	(28.58)
Amount received on cancellation of forward covers/options	(37.73)	—
Provision for diminution in value of investments	—	0.34
Reversal of Impairment Loss	(3.33)	—
Interest income	(50.00)	(42.00)
Income from investments	(166.08)	(111.40)
Interest charged to Profit and Loss Account	168.44	228.80
Miscellaneous Expenditure - Employee Separation Compensation (amortised)	52.77	119.11
Provision for Wealth Tax	0.80	0.70
Amortisation of long term loan expenses	4.98	3.58
	<u>694.00</u>	<u>752.72</u>
Operating Profit before Working Capital Changes	5933.96	6050.00
Adjustments for :		
Trade and Other Receivables	(175.94)	(24.09)
Inventories	(302.35)	(623.32)
Trade Payables and Other Liabilities	139.60	456.76
	<u>(338.69)</u>	<u>(190.65)</u>
Cash Generated from Operations	5595.27	5859.35
Direct Taxes paid	(1747.11)	(1818.24)
Cash Flow before Exceptional Item	3848.16	4041.11
Employee Separation Compensation paid	(216.77)	(226.76)
Net Cash from Operating Activities	<u>3631.39</u>	<u>3814.35</u>
B. Cash Flow from Investing Activities :		
Purchase of fixed assets	(1527.58)	(1978.36)
Sale of fixed assets	44.00	40.13
Purchase of investments	(8037.32)	(7070.21)
Purchase of investments in Subsidiaries	(277.40)	(159.75)
Sale of investments	7089.51	6969.19
Intercorporate deposits	—	113.00
Shareholder's loan to subsidiary	—	(673.04)
Interest received	78.12	12.14
Dividend received	166.08	111.40
	<u>(2464.59)</u>	<u>(2635.50)</u>
Exceptional Items :		
Sale of long term investments in subsidiary	—	0.75
Sale of other long term investments	—	30.62
Net Cash used in Investing Activities	<u>(2464.59)</u>	<u>(2604.13)</u>

C. Cash Flow from Financing Activities :

	Year Ended 31-3-2006 Rs. crores	Year Ended 31-3-2005 Rs. crores
Capital contributions received	—	1.22
Proceeds from borrowings	535.64	219.20
Repayment of borrowings	(758.96)	(859.23)
Amount received on cancellation of forward covers/options	43.76	—
Long term loan expenses	(57.97)	—
Interest paid	(174.14)	(207.67)
Dividends paid	(713.46)	(367.76)
	<u>(1125.13)</u>	<u>(1214.24)</u>
Net Cash from Financing Activities	(1125.13)	(1214.24)
Net increase/(decrease) in Cash and Cash equivalents (A+B+C)	41.67	(4.02)
Cash and Cash equivalents as at 1st April (Opening Balance) [See Schedule I, Page 83]	246.72	250.74
Cash and Cash equivalents as at 31st March [See Schedule I, Page 83]	288.39	246.72

Notes : (i) Figures in brackets represent outflows.

(ii) Interest paid is exclusive of, and purchase of Fixed Assets is inclusive of, interest capitalised **Rs. 3.76** crores (2004-2005 : Rs. Nil).

(iii) Proceeds from borrowing includes translation gain on foreign currency loans **Rs. 15.27** crores (31.3.2005 : Translation Loss of Rs. 5.61 crores) which has been included in purchase of Fixed Assets.

(iv) Investment in Subsidiaries represents the portion of purchase consideration discharged in cash during the period out of the total consideration of **Rs. 707.71** crores (2004-2005 : Rs. 159.75 crores).

(v) Sale of long term investment in subsidiaries represents disposal considerations received in cash.

(vi) Previous year figures have been recast/restated wherever necessary.

As per our report attached to the Balance Sheet

For A F FERGUSON & CO.,
Chartered Accountants,
A K MAHINDRA
Partner.

For S B BILLIMORIA & CO.,
Chartered Accountants,
UDAYAN SEN
Partner.

J C BHAM
Company Secretary

For and on behalf of the Board

RATAN N TATA	}	Chairman	
NUSLI N WADIA		}	Directors
S M PALIA			
SURESH KRISHNA			
ISHAAT HUSSAIN			
JAMSHED J IRANI	}	Executive Directors	
B MUTHURAMAN			
T MUKHERJEE			
A N SINGH			

Mumbai, 18th May, 2006

AUDITORS' CERTIFICATE

To,
The Board of Directors,
Tata Steel Ltd.,
Bombay House, 24, Homi Mody Street,
Fort, Mumbai - 400 001.

We have examined the attached Cash Flow Statement of Tata Steel Limited for the year ended 31st March, 2006. The Statement has been prepared by the Company in accordance with the requirements of listing agreement Clause 32 with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 18th May, 2006 to the members of the Company.

For A F FERGUSON & CO.,
Chartered Accountants,

A K MAHINDRA
Partner.

Membership No. : 10296

Mumbai, 18th May, 2006

For S B BILLIMORIA & CO.,
Chartered Accountants,

UDAYAN SEN
Partner.

Membership No. : 31220

Schedules forming part of the profit and loss account

SCHEDULE 1 : SALE OF PRODUCTS AND SERVICES :—
 (Item No. 1, Page 65)

	Rupees crores	Rupees crores	Previous Year Rupees crores
(a) Sale of products		16521.44	15250.69
(b) Sale of power and water		393.50	348.49
(c) Income from services, sale of miscellaneous goods and stores, rent etc. [Including lease rentals of Rs. 3.14 crores (2004-2005 : <i>Rs. 3.13</i> crores) on Wagons leased to Railways under Own Your Wagon Scheme and exchange (loss)/gain Rs. 4.16 crores (2004-2005 : <i>Rs. 6.12</i> crores) .		229.28	277.69
		17144.22	15876.87

SCHEDULE 2 : OTHER INCOME :—
 (Item No. 2, Page 65)

(a) Income from Investments [Gross, inclusive of tax deducted at source : Rs. 18,690 (2004-2005 : <i>Rs. 0.37</i> crore)]			
(i) Trade investments	63.79		29.81
(ii) Investments in subsidiary companies	8.03		4.54
(iii) Other investments	94.26		77.05
		166.08*	111.40*
(b) Profit on sale/redemption of current investments		9.95	4.19
(c) Profit on sale of capital assets (net of loss on assets sold/scrapped/written off)		41.00	32.42
(d) Gain from swaps and cancellation of forward covers/options		37.73	0.02
		254.76	148.03

SCHEDULE 3 : INTEREST :—
 (Item No. 6, Page 65)

1. Interest on			
(i) Debentures and Fixed Loans	151.32		211.44#
(ii) Others	20.88		17.36
		172.20	228.80
Less - Interest capitalised		3.76	—
		168.44	228.80
2. Less - Interest received on sundry advances, deposits, customers' balances etc., [Gross, inclusive of tax deducted at source Rs. 4.96 crores (2004-2005 : <i>Rs. 1.43</i> crores)]		50.00	42.00
		118.44	186.80

* Includes income from current investments **Rs. 94.26** crores (2004-2005 : *Rs. 77.05* crores).

Includes provision of Rs. 29.35 crores in respect of earlier years.

Schedule forming part of the profit and loss account

SCHEDULE 4 : MANUFACTURING AND OTHER EXPENSES :— (Item No. 3, Page 65)

	Rupees crores	Rupees crores	<i>Previous Year Rupees crores</i>
1. PURCHASE OF FINISHED, SEMI-FINISHED STEEL AND OTHER PRODUCTS		656.08	1305.28
2. RAW MATERIALS CONSUMED :			
(a) Stock on 1st April, 2005	603.70		292.82
(b) Add — (i) Purchases	1710.35		1288.95
(ii) Cost of raw materials produced	761.79		737.07
	<u>3075.84</u>		<u>2318.84</u>
(c) Less — Stock on 31st March, 2006	707.54		603.70
		2368.30	1715.14
3. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES :			
(a) Wages and salaries, including bonus	1180.00		1059.46
(b) Company's contributions to provident and other funds	171.51		231.54
		1351.51	1291.00
4. OPERATION AND OTHER EXPENSES :			
(a) Stores consumed	737.74		621.33
(b) Fuel oil consumed	78.40		66.30
(c) Repairs to buildings	55.49		35.98
(d) Repairs to machinery	624.27		636.97
(e) Relining expenses	32.65		24.07
(f) Conversion charges	640.52		629.65
(g) Purchase of power	819.17		712.00
(h) Rent	13.63		19.95
(i) Royalty	169.39		150.03
(j) Rates and taxes	55.65		89.38
(k) Insurance charges	20.60		13.12
(l) Commission, discounts and rebates	80.75		86.18
(m) Provision for Wealth Tax	0.80		0.70
(n) Adjustments relating to previous years (net)	(47.50)		(80.79)
(o) Other expenses	757.15		682.30
		4038.71	3687.17
5. FREIGHT AND HANDLING CHARGES		1004.32	936.68
6. PROVISION FOR DOUBTFUL DEBTS AND ADVANCES		6.49	12.69
		9425.41	8947.96
7. ACCRETION/(REDUCTION) IN STOCKS OF FINISHED AND SEMI-FINISHED PRODUCTS AND WORK-IN-PROGRESS (DEDUCTED)/ADDED			
(a) Opening Stock	919.64		630.09
(b) Less — Closing Stock	1024.55		919.64
		(104.91)	(289.55)
		9320.50	8658.41

Notes to Schedule 4 (Page 69)

	Rupees crores	Previous Year Rupees crores
Item 2 (b) (ii) Cost of raw materials produced excludes amounts charged to wages and salaries and other revenue accounts.....	270.87	210.39
Item 4 (a) Stores consumed (including write-off of obsolete spares) exclude cost of stores manufactured departmentally and charged to wages and salaries and other revenue accounts.....	51.05	77.55
Item 4 (c) Repairs to buildings exclude amounts charged to wages and salaries and other revenue accounts.....	7.98	7.41
Item 4 (d) Repairs to machinery exclude amounts charged to wages and salaries and other revenue accounts.....	201.65	178.64
Item 4 (l) Commission, discounts and rebates include —		
(1) Commission paid to selling agents.....	44.32	49.65
(2) Consignment agency handling charges.....	26.96	22.02
(3) Discounts.....	9.47	14.51
Item 4 (n) Adjustments relating to previous years (net) include write back of provisions no longer required.....	9.69	72.57
Item 4 (o) Other expenses include —		
(1) Provision for diminution in value of investments.....	—	0.34
(2) Contribution to Electoral Trust. The objects of the Trust <i>inter alia</i> includes holding by the Trustees of "distribution funds" for distribution to political parties.....	—	3.50
(3) Exchange (gain)/Loss (net).....	6.71	—
(4) Fees and out-of-pocket expenses paid/payable to Auditors :		
(i) For services as Auditors.....	1,75,00,000	1,31,80,000
(ii) For other services including Rs. Nil (2004-2005 : Rs. 35,50,000) relating to earlier years.....	62,32,856	73,14,400
(iii) Reimbursement of travelling and out-of-pocket expenses.....	8,39,510	11,38,262
(iv) For service tax and education cess.....	—	24,74,182
(v) For Branch Audit.....	2,12,000	1,90,514
(5) Cost Audit Fees [including expenses Rs. 50,151 (2004-2005 : Rs. 42,684)].....	1,19,597	1,08,540
Managerial Remuneration		
Managerial Remuneration for Managing Director, other Whole-time Directors and Non Whole-time Directors	Rupees crores	Rupees crores
(a) Salaries (including Company's contribution to Provident and Superannuation fund).....	1.55	1.40
(b) Commission.....	4.25	4.25
(c) Perquisites.....	0.99	0.48
(d) Sitting Fees.....	0.10	0.14
	6.89	6.27
<i>Notes :—</i>		
I) In addition, the Managing Director and other Whole-time Directors are entitled to free supply of water and use of medical facilities at the Company's hospital at Jamshedpur. The above figures do not include contribution to Gratuity Fund, as separate figures are not available for the Managing Director and other Whole-time Directors and retirement benefits of Rs. 0.15 crore (2004-2005 : Rs. 0.15 crore) relating to two former directors and retirement benefits of Rs. 0.31 crore (2004-2005 : Rs. 0.29 crore) to a former Managing Director.		
II) Limits on certain perquisites granted to the Managing Director and other Whole-time Directors have been changed with effect from 1st April, 2005 and is subject to the approval of the Shareholders at the forthcoming Annual General Meeting.		
COMPUTATION OF NET PROFIT IN ACCORDANCE WITH SECTION 309(5) OF THE COMPANIES ACT, 1956.		
Profit before taxes.....	5239.96	5297.28
Add —		
(a) Managerial remuneration.....	6.89	6.27
(b) Provision for bad & doubtful debts and advances.....	6.49	12.69
(c) Provision for diminution in value of investments.....	—	0.34
(d) Provision for wealth tax.....	0.80	0.70
	5254.14	5317.28
Deduct —		
(a) Bad debts written off (net of recoveries).....	16.41	26.30
(b) Profit on sale/redemption of Investments.....	9.95	32.77
(c) Capital profit on sale of fixed assets.....	2.02	5.45
	28.38	64.52
Net profit as per Section 309(5).....	5225.76	5252.76
Commission :	Rupees	Rupees
(a) Whole-time Directors.....	2,75,00,000	2,75,00,000
(b) Non Whole-time Directors — 1% of the net profits : Rs. 52.26 crores (2004-2005 : Rs. 52.53 crores) restricted to.....	1,50,00,000	1,50,00,000
	4,25,00,000	4,25,00,000

Schedule forming part of the balance sheet

SCHEDULE A : SHARE CAPITAL :— (Item No. 1, Page 64)

Authorised :	
600,000,000	Ordinary Shares of Rs. 10 each (31.3.2005 : 600,000,000 Ordinary Shares of Rs. 10 each)
25,000,000	Cumulative Redeemable Preference Shares of Rs. 100 each (31.3.2005 : 25,000,000 Shares of Rs. 100 each)
Issued :	
554,074,932	Ordinary Shares of Rs. 10 each (31.3.2005 : 554,074,932 Ordinary Shares of Rs. 10 each)
Subscribed :	
553,472,856	Ordinary Shares of Rs. 10 each fully paid up (31.3.2005 : 553,472,856 Ordinary Shares of Rs. 10 each)
	<i>Add</i> — Amount paid up on 389,516 (31.3.2005 : 389,516) Ordinary Shares forfeited

Rupees crores	As at 31-3-2005 Rupees crores
600.00	600.00
<u>250.00</u>	<u>250.00</u>
<u>850.00</u>	<u>850.00</u>
 <u>554.07</u>	 <u>554.07</u>
 <u>553.47</u>	 <u>553.47</u>
 <u>0.20</u>	 <u>0.20</u>
<u>553.67</u>	<u>553.67</u>
 <u>553.67</u>	 <u>553.67</u>

Of the **553,472,856** Ordinary Shares :

- (a) 9,563,300 shares represent after sub-division 956,330 shares (including 935,000 shares issued pursuant to the Scheme of Arrangement for the conversion of Deferred Shares into Ordinary Shares and the issue of additional fully paid shares) of the face value of Rs. 75 per share which were issued as fully paid up pursuant to contracts for consideration other than cash. The nominal value of these 956,330 shares was increased from Rs. 75 to Rs. 100 each with effect from 1.1.1977.
- (b) 19,812,460 shares represent after sub-division 1,981,246 shares of the face value of Rs. 75 per share which were issued as fully paid bonus shares by utilisation of Rs. 3,81,44,470 from Share Premium Account and Rs. 11,04,48,980 from General Reserve. The nominal value of these 1,981,246 shares was increased from Rs. 75 to Rs. 100 each with effect from 1.1.1977.
- (c) 51,440,270 shares represent after sub-division 5,144,027 Ordinary Shares whose face value was increased during the year 1976-77 from Rs. 75 to Rs. 100 per share by utilisation of Rs. 49,760 from Share Premium Account and Rs. 12,85,50,915 from General Reserve.
- (d) 20,576,110 shares represent after sub-division 2,057,611 shares of the face value of Rs. 100 per share which were issued as fully paid bonus shares by utilisation of Rs. 20,57,61,100 from General Reserve.
- (e) 721,530 shares represent after sub-division 72,153 shares of the face value of Rs. 100 per share which were issued as fully paid up to the Shareholders of the erstwhile Indian Tube Company Limited on its amalgamation with the Company, for consideration other than cash.
- (f) 33,051,470 shares represent after sub-division 3,305,147 shares of the face value of Rs. 100 per share which were issued as fully paid bonus shares by utilisation of Rs. 33,05,14,700 from General Reserve.
- (g) 1,210,003 shares of the face value of Rs. 10 per share were issued as fully paid up to the shareholders of the erstwhile Tata SSL Ltd. on its amalgamation with the Company, for consideration other than cash.
- (h) 184,490,952 shares were issued as fully paid bonus shares by utilisation of Rs. 184,49,09,520 from Securities Premium Account during the year 2004-05.

Schedule forming part of the balance sheet

SCHEDULE B : RESERVES AND SURPLUS :—

(Item No. 2, Page 64)

	Rupees crores	Rupees crores	As at 31-3-2005 Rupees crores
(a) SECURITIES PREMIUM ACCOUNT :—			
Balance as per last account.....	835.26		1019.75
Less — Utilised for issue of bonus share	—		184.49
		835.26	835.26
(b) AMALGAMATION RESERVE :—			
Balance as per last account.....		1.12	1.12
(c) DEBENTURE REDEMPTION RESERVE :—			
Balance as per last account.....		646.00	646.00
(d) CAPITAL REDEMPTION RESERVE :—			
Balance as per last account.....		0.83	0.83
(e) CAPITAL RESERVE :—			
Balance as per last account.....		1.49	1.49
(f) GENERAL RESERVE :—			
Balance as per last account.....	3091.46		1688.94
Less — Impairment of Assets	—		97.48
	3091.46		1591.46
Add — Amount transferred from Profit and Loss Account	1500.00		1500.00
		4591.46	3091.46
(g) EXPORT PROFITS RESERVE :—			
Balance as per last account.....		1.25	1.25
(h) FOREIGN EXCHANGE FLUCTUATIONS RESERVE :—			
Balance as per last account.....	1.53		14.00
Add — Exchange Fluctuation on long term loans in relation to non-integral foreign operation	9.43		(12.47)
		10.96	1.53
(i) CONTRIBUTIONS FOR CAPITAL EXPENDITURE :—			
Balance as per last account.....	37.06		35.84
Add — Amount received during the year	—		1.22
		37.06	37.06
(j) CONTINGENCY RESERVE :—			
Balance as per last account.....		100.00	100.00
(k) DEBENTURE FORFEITURE ACCOUNT :—			
Balance as per last account.....		0.04	0.04
(l) PROFIT AND LOSS ACCOUNT :—			
Balance carried forward		2976.16	1790.21
		9201.63	6506.25

Schedules forming part of the balance sheet

SCHEDULE C : SECURED LOANS :— (Item No. 4(a), Page 64)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Industrial Development Bank of India	63.47	86.54
(b) Joint Plant Committee-Steel Development Fund [including funded interest Rs. 222.32 crores (31.3.2005 : Rs. 200.03 crores)]	1609.25	1497.67
(c) Syndicated loan from various banks (arranged by ANZ Investment Bank, BA Asia Ltd. and State Bank of India) (repayable in foreign currency)	—	49.32
(d) Syndicated loan from various banks (arranged by Bank America Singapore Ltd., Citibank N.A. and State Bank of India) (repayable in foreign currency) ...	—	159.15
(e) 14% Non-Convertible Debentures (privately placed with Oriental Bank of Commerce)	—	50.00
(f) 14.25% Non-Convertible Debentures (privately placed with LIC Mutual Fund)	25.00	25.00
(g) 10.50% Non-Convertible Debentures (privately placed with Life Insurance Corporation of India)	100.00	100.00
(h) 12.60% Non-Convertible Debentures (privately placed with various parties)	87.50	125.00
(i) 9.90% Non-Convertible Debentures (privately placed with various parties)	70.00	70.00
(j) 9.50% Non-Convertible Debentures (privately placed with various parties)	85.00	85.00
(k) 9.45% Non-Convertible Debentures (privately placed with various parties)	45.00	45.00
(l) 9.50% Non-Convertible Debentures (privately placed with various parties)	50.00	50.00
<p>The 14.00% Non-Convertible Debentures, the 14.25% Non-Convertible Debentures, the 10.50% Non-Convertible Debentures, [items (e), (f) and (g) above], the 12.60% Non-Convertible Debentures, the 9.90% Non-Convertible Debentures, the 9.50% Non-Convertible Debentures and 9.45% Non-Convertible Debentures [items (h), (i), (j) and (k) above], and 9.50% Non-Convertible Debentures [item (l) above] and the loans from the above institutions/banks are secured by mortgages, ranking <i>pari passu inter se</i>, on all present and future fixed assets, excluding land and buildings mortgaged in favour of Government of India under item (n) hereof, land and buildings, plant and machinery and movables of the Tubes Division and the Bearings Division mortgaged in favour of the financial institutions and banks, assets of the Ferro Alloys Plant at Bannipal mortgaged in favour of State Bank of India and assets of Cold Rolling Complex (West) at Tarapur and a floating charge on other properties and assets (excluding investments) of the Company, subject to the prior floating charge in favour of State Bank of India and other banks under items m(i), and m(ii) hereof.</p> <p>Loan from the Joint Plant Committee-Steel Development Fund included in item (b) above is not secured by charge on movable assets of the Company and includes Rs. 551.78 crores (as at 31.3.2005 : Rs. 370.35 crores) representing repayments and interest on earlier loans for which applications of funding are awaiting sanction.</p> <p>The 14.25% Non-Convertible Debentures under item (f) (allotted on 28.10.1998) are redeemable at par in 3 annual installments in the ratio of 33:33:34 commencing at the end of the 9th year from the date of allotment.</p>		
Carried forward . .	2135.22	2342.68

Schedule forming part of the balance sheet

SCHEDULE C : SECURED LOANS :— continued
(Item No. 4(a), Page 64)

	Rupees crores	As at 31-3-2005 Rupees crores
Brought over . .	2135.22	2342.68
<p>The 10.50% Non-Convertible Debentures under item (g) (allotted on 29.10.1998) are redeemable at par in 3 equal installments at the end of 9th, 10th and 11th year from the date of allotment.</p> <p>The 12.60% Non-Convertible Debentures under item (h) (allotted on 11.10.1999) are redeemable at par in 3 annual installments in the ratio of 30:30:40 commencing at the end of 6th year from the date of allotment.</p> <p>The 9.90% Non-Convertible Debentures under item (i) (allotted on 09.07.2001) are redeemable on 09.07.2006.</p> <p>The 9.50% Non-Convertible Debentures under item (j) (allotted on 17.08.2001) are redeemable on 17.08.2006.</p> <p>The 9.45% Non-Convertible Debentures under item (k) (allotted on 10.09.2001) are redeemable on 11.09.2006.</p> <p>The 9.50% Non-Convertible Debentures under item (l) (allotted on 22.01.2002) are redeemable on 22.01.2007.</p>		
(m) Cash Credits from Banks		
(i) State Bank of India	52.38	116.04
(ii) Others	4.11	9.35
	56.49	125.39
<p>Borrowings from State Bank of India and Other Banks under items m(i) and m(ii) above are secured by hypothecation of stocks, stores and book debts, ranking in priority to the floating charge under items (a) to (l) hereof. Documentation of securities in respect of borrowings from The Hongkong & Shanghai Banking Corporation Ltd. included in item m(ii) above is under finalisation.</p>		
(n) Government of India :		
(i) for constructing a hostel for trainees at Jamshedpur	0.01	0.01
(ii) for setting up a dispensary and a clinic at Collieries	0.01	0.01
<p>Secured respectively by a first mortgage on the lands together with the buildings for hostel and dispensary and clinic constructed thereon.</p>		
(o) Assets under lease	0.01	0.09
<p>Secured by assets taken on lease from a bank</p>		
	2191.74	2468.18

Schedules forming part of the balance sheet

SCHEDULE D : UNSECURED LOANS :— (Item No. 4(b), Page 64)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Fixed Deposits (including interest accrued and due Rs. 0.02 crore — As at 31.3.2005 : Rs. 0.02 crore)	33.41	55.32
(b) Housing Development Finance Corporation Ltd.	12.36	15.68
(c) Government of Orissa	—	3.56
(d) Japan Bank for International Cooperation and various Financial Institutions (repayable in foreign currency)	143.62	190.39
(e) Buyers credit repayable in foreign currency	134.45	5.84
(f) Interest free loans under Sales Tax Deferral Scheme	0.57	0.73
	324.41	271.52

Note : Amounts repayable within one year **Rs. 186.70** crores (As at 31.3.2005 : Rs. 64.95 crores)

SCHEDULE E : FIXED ASSETS :— (Item No. 8, Page 64)

Fixed Assets	Gross Block as at 31.3.2005 Rupees crores	(1), (10) & (11) Additions Rupees crores	(2) Deductions Rupees crores	Gross Block as at 31.3.2006 Rupees crores	(7) Impairment Loss Rupees crores	Depreciation for 2005-2006 Rupees crores	Total Depreciation to 31.3.2006 Rupees crores	Net Block as at 31.3.2006 Rupees crores
1. Land and Roads (3)	173.49	4.99	0.43	178.05	92.94	1.38	11.01	74.10
	171.50	5.03	3.04	173.49	92.94	1.29	9.63	70.92
2. Buildings (4) & (8)	820.45	29.88	0.82	849.51	1.25	21.93	241.06	607.20
	814.23	8.09	1.87	820.45	1.25	21.43	219.46	599.74
3. Leaseholds (11)	4.67	72.92	—	77.59	—	0.60	1.59	76.00
	4.69	—	0.02	4.67	—	0.11	0.99	3.68
4. Railway Sidings	94.17	18.25	0.39	112.03	—	4.43	53.96	58.07
	94.16	0.01	—	94.17	—	4.06	49.92	44.25
5. Plant and Machinery (5)	11,673.64	1,870.59	12.27	13,531.96	—	650.81	6,046.81	7,485.15
	11,166.51	688.71	181.58	11,673.64	—	565.75	5,407.82	6,265.82
6. Furniture, Fixtures and Office Equipment (9)	95.39	13.28	0.39	108.28	—	5.69	59.58	48.70
	87.38	9.33	1.32	95.39	—	4.95	53.97	41.42
7. Development of Property (6) & (12)	100.87	225.22	—	326.09	—	72.52	104.48	221.61
	33.48	67.39	—	100.87	—	6.19	31.96	68.91
8. Livestock and Vehicles	177.57	6.45	3.63	180.39	—	11.32	59.14	121.25
	98.12	84.20	4.75	177.57	—	9.23	50.13	127.44
9. Intangibles (13)	39.01	4.26	—	43.27	—	6.42	28.03	15.24
	35.76	3.25	—	39.01	—	5.77	21.61	17.40
	13,179.26	2,245.84	17.93	15,407.17	94.19	775.10	6,605.66	8,707.32
	12,505.83	866.01	192.58	13,179.26	94.19	618.78	5,845.49	7,239.58
10. Buildings, Plant and Machinery, etc. under erection (including advances for capital expenditure Rs. 262.64 crores — As at 31.3.2005 : Rs. 221.87 crores)	1,157.73	—	—	1,157.73	—	—	—	1,157.73
	1,875.99	—	—	1,875.99	3.33	—	—	1,872.66
	16,564.90	—	—	16,564.90	94.19	—	6,605.66	9,865.05
	15,055.25	—	—	15,055.25	97.52	—	5,845.49	9,112.24

(1) Additions include adjustments for *inter se* transfers.

(2) Deductions include cost of assets scrapped/sold/surrendered during the year.

(3) Includes Land at Gopalpur for which registration of conveyance is under process.

(4) Buildings include **Rs. 2.32** crores (31.3.2005 : Rs. 2.32 crores) being cost of shares in Co-operative Housing Societies and Limited Companies.

(5) Plant and Machinery includes wagons given on lease to Railways under Own Your Wagon Scheme **Rs. 20.20** crores (31.3.2005 : Rs. 20.20 crores).

(6) Development of property represents expenditure incurred on development of mines/collieries.

(7) Impairment during the current period is **Rs. Nil** (31.3.2005 : Rs. 97.52 crores).

(8) Additions in the current period includes reversal of **Rs. 3.33** crores (31.3.2005 : Rs. Nil) impaired during 2004-05 and credited to Sale of Products and other services in the current period.

(9) Additions include **Rs. 0.03** crore (31.3.2005 : Rs. Nil) regrouped under Furniture and Fixture from Plant and Machinery.

(10) Please see Note 16, Page 88 for effect of realignment of the value of foreign currency loans of fixed assets.

(11) Additions includes land acquired in Jajpur District, Orissa for a lease period of 84 years.

(12) Additions include **Rs. 212.52** crores towards various charges relating to mining leases in accordance with the guidelines dated 23rd December, 2002 and subsequent directives issued by the Ministry of Environment and Forests under the Forest (Conservation) Act, 1980. The depreciation for the current year includes **Rs. 63.27** crores on account of amortisation of the same including Rs. 41.14 crores for earlier years.

(13) Intangibles represent computer software, regrouped from Plant & Machinery and Furnitures, Fixtures. It is amortised at the rate of 16.21% per annum.

Schedule forming part of the balance sheet

SCHEDULE F : INVESTMENTS :—
(Item No. 9, Page 64)

	No. of equity shares of Face Value of Rs. 10 each fully paid-up unless otherwise specified	Rupees crores	Rupees crores	As at 31-3-2005	
				Rupees crores	Rupees crores
A. LONG TERM INVESTMENTS					
At Cost less provision for diminution in value					
Trade Investments :					
SHARES AND DEBENTURES (Quoted) —					
1. Tata Motors Ltd.	3,23,78,410	147.03		147.03	
2. Tayo Rolls Ltd.	19,99,350	3.36		3.36	
3. The Tinplate Company of India Ltd.	88,75,000	29.68		29.68	
4. GKW Ltd. (Book Value : Re. 1)	10,29,996	—		—	
5. TRF Ltd.	19,13,314	4.67		4.67	
6. Kumardhubi Fireclay and Silica Works Ltd. (Book Value : Re. 1)	1,50,001	—		—	
7. Housing Development Finance Corporation Ltd.	1,580	0.01		0.01	
8. Tata Construction and Projects Ltd. (Book Value : Re. 1)	5,61,335	—		—	
9. Indian Steel Rolling Mills Ltd. (Book Value : Re. 1)	3,30,315	—		—	
10. Wellman Incandescent India Ltd. (Book Value : Re. 1)	8,99,100	—		—	
11. Nicco Corporation Ltd.	3,15,000	0.18		0.18	
12. Sanderson Industries Ltd. (Book Value : Re. 1)	2,27,642	—		—	
13. Tata Construction and Projects Ltd. — 10% Convertible Debentures of Rs. 100 each (Non-convertible portion) (Book Value : Re. 1)	43,000	—		—	
14. Tata Metaliks Ltd.	1,17,99,992	11.80		11.80	
15. Tata Sponge Iron Ltd.	61,19,960	7.20		7.20	
16. Standard Chrome Ltd. (Book Value : Re. 1)	5,58,000	—		—	
17. The Tata Power Company Ltd.	56,81,818	100.00		100.00	
18. Millennium Steel Public Company Ltd. (210,45,43,058 shares purchased during the year) (Face Value of THB1 each)	210,45,43,058	279.68		—	
19. Others Rs. 40,272 (As at 31.3.2005 : Rs. 40,272) (See Note 3, Page 78)		0.01		0.01	
			583.62		303.94
SHARES AND DEBENTURES (Unquoted) —					
20. Kumardhubi Metal Casting and Engineering Ltd. (Book Value : Re. 1)	10,70,000	—		—	
21. Tata Industries Ltd. (Face value of Rs. 100 each)	56,28,388	72.23		72.23	
22. Tata Services Ltd. (Face value of Rs. 1,000 each) ...	1,621	0.16		0.16	
23. Tata International Ltd. (Face value of Rs. 1,000 each)	3,740	0.49		0.49	
24. Tata Projects Ltd. (Face value of Rs. 100 each)	15,000	0.18		0.18	
25. IFCI Venture Capital Funds Ltd. (Formerly Risk Capital & Technology Finance Corporation Ltd.)	1,00,000	0.10		0.10	
26. Kalinga Aquatics Ltd. (Book Value : Re. 1)	10,49,920	—		—	
27. Jamshedpur Injection Powder Ltd.	31,75,000	3.18		3.18	
			76.34		303.94
	Carried forward . .				

Schedule forming part of the balance sheet

SCHEDULE F : INVESTMENTS :— continued
(Item No. 9, Page 64)

	No. of equity shares of Face Value of Rs. 10 each fully paid-up unless otherwise specified	Rupees crores	Rupees crores	As at 31-3-2005	
				Rupees crores	Rupees crores
Brought over . .		76.34	583.62	76.34	303.94
Trade Investments :					
SHARES AND DEBENTURES (Unquoted) —					
28. Tata Ryerson Ltd. (56,25,000 shares of Rs. 10 each subscribed during the year)	3,41,25,000	34.12		28.50	
29. Adityapur Toll Bridge Company Ltd. (Book Value : Re.1)	3,50,000	—		—	
30. Tata Teleservices Ltd. (1,68,00,056 Rights shares subscribed at Rs.15 per share during the year)	13,68,00,456	145.20		120.00	
31. The Tinplate Company of India Ltd. 12.50% Optionally Convertible Redeemable Non- Cumulative Preference Shares (Face value of Rs. 100 each) (13,10,000 shares purchased during the year)	95,17,000	93.38		80.28	
32. Metaljunction Services Ltd.	40,00,000	4.00		4.00	
33. Nicco Jubilee Park Ltd. (Book Value : Re.1)	3,40,000	—		—	
34. The Dhamra Port Company Ltd. (5,33,09,106 shares subscribed during the year)	5,33,09,106	53.31		—	
35. Panatone Finvest Ltd.	45,000	0.05		0.05	
36. Srutech Tubes (India) Pvt. Ltd. (Book Value : Re.1) ..	30,000	—		—	
37. Rallis India Ltd. (7.50% cumulative preference shares)	85,00,000	8.50		8.50	
38. Tata Autocomp Systems Ltd. (7% Cumulative Redeemable Preference Shares)	70,00,000	7.00		7.00	
39. Tata Teleservices Ltd. (0.10% Redeemable Non- Cumulative Convertible Preference Shares)	6,83,54,569	50.00		50.00	
40. Others Rs. 32,495 (As at 31.3.2005 : Rs. 37,495) (See Note 4, Page 78)		—		—	
			471.90		374.67
Investments in subsidiary Companies :					
SHARES (Unquoted) —					
41. Kalimati Investment Co. Ltd.	1,63,87,469	86.68		86.68	
42. Tata Refractories Ltd. (81,36,060 shares of the face value of Rs.10 each subscribed at a premium of Rs.75 per share during the year)	1,48,98,360	90.97		21.81	
43. The Tata Pigments Ltd. (Face value of Rs. 100 each)	75,000	0.70		0.70	
44. Tata Korf Engineering Services Ltd. (Book Value Re. 1)	2,40,386	—		—	
45. Tata Incorporated (Face value of US \$ 1,000 each)	1,500	1.64		1.64	
46. TM International Logistics Ltd.	91,80,000	9.18		9.18	
47. Lanka Special Steels Ltd. (Face value of LKR 10 each)	25,00,000	1.16		1.16	
48. Jamshedpur Utilities & Services Co. Ltd. (60 shares subscribed during the year)	3,50,000	0.35		0.35	
49. The Indian Steel and Wire Products Ltd. (Book value : Re. 1) (See Note 12, Page 88)	54,74,030	—		—	
Carried forward		190.68	1055.52	121.52	678.61

Schedule forming part of the balance sheet

SCHEDULE F : INVESTMENTS :— continued
(Item No. 9, Page 64)

	No. of equity shares of Face Value of Rs. 10 each fully paid-up unless otherwise specified	Rupees	Rupees	As at 31-3-2005	
		crores	crores	Rupees crores	Rupees crores
Brought over ...		190.68	1055.52	121.52	678.61
50. NatSteel Asia Pte Ltd. (5,00,00,000 shares subscribed during the year and 15,00,00,000 shares allotted on conversion of bridge loan) (Face Value of S\$ 1 each)	25,20,00,000	690.02		149.46	
51. Sila Eastern Ltd. (Face value of THB 100 each)	9,800	0.10		0.10	
52. Hooghly MetCoke & Power Company Ltd. (9,80,00,000 shares subscribed during the year)	9,80,48,995	98.05		0.05	
			978.85		271.13
B. CURRENT INVESTMENTS (at lower of cost and fair value)					
Other Investments :					
53. 6.75% Tax Free Bonds of Unit Trust of India (Quoted) ... (Face value of Rs. 100 each)	8,95,982		8.96		8.96
54. 7.60% ICICI Bank tier II unsecured redeemable bonds - December 2005 (100 bonds of the face value Rs. 10,00,000 each subscribed and sold during the year)			—		—
55. Investment in Mutual Funds					
Fixed Maturity Funds		734.65		165.00	
Floating Rate Funds		—		275.60	
Liquid Funds		1291.98		1033.35	
(As per Note 5, Page No. 79)			2026.63		1473.95
			4069.96		2432.65

Notes :	No. of equity shares of Face Value of Rs. 10 each fully paid-up unless otherwise specified	Rupees	Rupees	As at 31-3-2005	
		crores	crores	Rupees crores	Rupees crores
(1) Aggregate amount of Quoted Investments			592.58		312.90
Market value as at 31.3.2006 : Rs. 4,079.52 crores (As at 31.3.2005 : Rs. 1,952.43 crores)					
(2) Aggregate amount of Unquoted Investments			3,477.38		2119.75
			4,069.96		2432.65
(3) Shares and Debentures (Quoted) — Others include :—			Rupees		Rupees
(a) Reliance Firebrick and Pottery Co. Ltd. (partly paid up)	16,800		1		1
(b) Reliance Firebrick and Pottery Co. Ltd.	2,400		1		1
(c) Sijua (Jherriah) Electric Supply Co. Ltd.	4,144		40,260		40,260
(d) Timken India Ltd.	1		10		10
			40,272		40,272
(4) Shares and Debentures (Unquoted) — Others include :—					
(a) Bokaro and Ramgarh Ltd.	100		16,225		16,225
(b) Indian Chamber of Commerce — 8% Mortgage Debentures (Face value of Rs. 100 each) (Redeemed during the year)	—		—		5,000
(c) Jamshedpur Educational and Cultural Co-operative Society Ltd. (Face value of Rs. 100 each)	50		5,000		5,000
(d) Barajamda Iron Ore Mine Workers' Central Co-operative Stores Ltd. (Face value of Rs. 25 each)	200		5,000		5,000
(e) Joda East Iron Mine Employees' Consumer Co-operative Society Ltd. (Face value of Rs. 25 each).	100		2,500		2,500
(f) Ferro-Manganese Plant Employees' Consumer Co-operative Society Ltd. (Face value of Rs. 25 each)	100		2,500		2,500
(g) Jamshedpur Co-operative House Building Society Ltd. (Face value of Rs. 100 each)	10		1,000		1,000
(h) Jamshedpur Co-operative Stores Ltd. (Face value of Rs. 5 each) .	50		250		250
(i) Malusha Travels Pvt. Ltd.	2		20		20
			32,495		37,495

Schedule forming part of the balance sheet

SCHEDULE F : INVESTMENTS :— continued
(Item No. 9, Page 64)

(5) **INVESTMENT IN MUTUAL FUNDS**

Name of Mutual Fund	Balance As on 1.4.2005		Purchased during the year		Sold during the year		Balance As on 31.3.2006	
	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.
FIXED MATURITY FUNDS								
Tata Fixed Horizon Yearly - Growth Plan - August 2004	20,000,000.000	20.00	—	—	20,000,000.000	20.00	—	—
Tata Fixed Horizon Yearly - Growth Plan - September 2004	60,000,000.000	60.00	—	—	60,000,000.000	60.00	—	—
Tata Fixed Horizon Yearly - Growth Plan - November 2004	10,000,000.000	10.00	—	—	10,000,000.000	10.00	—	—
Tata Fixed Horizon Yearly - Growth Plan - January 2005	30,000,000.000	30.00	—	—	30,000,000.000	30.00	—	—
Tata Fixed Horizon Series 1 - Plan A - Growth Plan	30,000,000.000	30.00	—	—	—	—	30,000,000.000	30.00
Tata Fixed Horizon Fund Series 1 - Plan C (371 Days) - Growth	—	—	30,000,000.000	30.00	—	—	30,000,000.000	30.00
Tata Fixed Horizon Fund Series 2 B - Option (18 Months) - Growth	—	—	50,000,000.000	50.00	—	—	50,000,000.000	50.00
Tata Fixed Horizon Fund Series 2 - Plan A (13 Months) - Growth	—	—	50,000,000.000	50.00	—	—	50,000,000.000	50.00
Tata Fixed Horizon Fund Series 2 - Plan C (18 Months) - Growth	—	—	42,000,000.000	42.00	—	—	42,000,000.000	42.00
Tata Fixed Horizon Fund Series 3 - Scheme F (18 Months) - Growth	—	—	25,000,000.000	25.00	—	—	25,000,000.000	25.00
Tata Fixed Horizon Fund Series 3 - Scheme A (6 Months) - Dividend	—	—	50,327,962.142	50.33	—	—	50,327,962.142	50.33
Tata Fixed Horizon Fund Series 3 - Scheme B (6 Months) - Dividend	—	—	45,204,044.944	45.20	—	—	45,204,044.944	45.20
Tata Fixed Horizon Fund Series 5 - Scheme A - Dividend	—	—	50,000,000.000	50.00	—	—	50,000,000.000	50.00
Birla Fixed Term Plan - Series A - Growth Plan	15,000,000.000	15.00	—	—	—	—	15,000,000.000	15.00
Birla FMP - Series 2 - Quarterly - Dividend Payout	—	—	19,984,212.472	20.00	19,984,212.472	20.00	—	—
Birla FTP - Quarterly - Series 1 - Dividend - Payout	—	—	25,000,000.000	25.00	—	—	25,000,000.000	25.00
Grindlays Fixed Maturity - 17th Plan - Dividend	—	—	20,000,000.000	20.00	20,000,000.000	20.00	—	—
Grindlays Fixed Maturity - 19th Plan - Dividend	—	—	20,202,800.000	20.20	—	—	20,202,800.000	20.20
Grindlays Fixed Maturity - 21st Plan - Dividend	—	—	20,188,400.000	20.19	—	—	20,188,400.000	20.19
J M Fixed Maturity Fund - Quarterly Plan - QSG7 Series - dividend	—	—	10,126,837.630	10.13	10,126,837.630	10.13	—	—
J M Fixed Maturity Yearly Plan - YSA2 Series - Growth	—	—	15,000,000.000	15.00	—	—	15,000,000.000	15.00
J M Fixed Maturity Fund Ser - 11 Quarterly Plan QSA - Dividend	—	—	20,000,000.000	20.00	—	—	20,000,000.000	20.00
Kotak FMP Series XII - Dividend	—	—	25,290,343.215	25.29	25,290,343.215	25.29	—	—
Kotak FMP Series XV - Dividend	—	—	20,220,560.299	20.22	—	—	20,220,560.299	20.22
Kotak FMP Series XVI - Dividend	—	—	25,231,453.709	25.23	—	—	25,231,453.709	25.23
Kotak FM P Series XVIII - Dividend	—	—	25,428,133.841	25.43	—	—	25,428,133.841	25.43
Kotak FMP Series 23 - Dividend	—	—	25,000,000.000	25.00	—	—	25,000,000.000	25.00
Deutsche Fixed Term Fund - Series 7 - Dividend Option	—	—	20,000,000.000	20.00	20,000,000.000	20.00	—	—
DSP ML Fixed Term Plan - Series 3 - 12 Months - Growth	—	—	10,000,000.000	10.00	—	—	10,000,000.000	10.00
Prud ICICI FMP Yearly Series XXV - Dividend	—	—	25,337,000.000	25.34	—	—	25,337,000.000	25.34
Carried forward		165.00		669.56		215.42		619.14

Schedule forming part of the balance sheet

SCHEDULE F : INVESTMENTS :— continued
(Item No. 9, Page 64)(5) **INVESTMENT IN MUTUAL FUNDS** (Contd.)

Name of Mutual Fund	Balance As on 1.4.2005		Purchased during the year		Sold during the year		Balance As on 31.3.2006	
	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.
Brought over		165.00		669.56		215.42		619.14
Prud ICICI FMP Series 28 - 4 Months Dividend - XXVIII	—	—	20,191,600.000	20.19	—	—	20,191,600.000	20.19
Principal PNB Fixed Maturity Plan - 91 Days - Series I - Dividend Reinvestment - Jan. 06	—	—	20,196,729.177	20.20	—	—	20,196,729.177	20.20
Principal PNB Fixed Maturity Plan - 91 Days Series II - Dividend Reinvestment - Mar. 06	—	—	25,123,166.247	25.12	—	—	25,123,166.247	25.12
Principal PNB Fixed Maturity Plan - 91 Days - Series 111	—	—	25,000,000.000	25.00	—	—	25,000,000.000	25.00
HDFC FMP 3M March 06 2006 (1) - Institutional Plan - Dividend	—	—	25,000,000.000	25.00	—	—	25,000,000.000	25.00
TOTAL FIXED MATURITY FUNDS		165.00		785.07		215.42		734.65
INVESTMENT WITH FLOATING RATE FUNDS								
J M Floater Fund - Short Term Plan - Dividend Plan	25,484,119.700	25.62	1,092,698.748	1.10	26,576,818.448	26.72	—	—
DSP Merrill Lynch Floating Rate Fund - Dividend Plan	29,395,078.893	29.64	—	—	29,395,078.893	29.64	—	—
DSP Merrill Lynch Floating Rate Fund - IP - Dividend Plan	—	—	302,299.414	30.23	302,299.414	30.23	—	—
Grindlays Floating Rate Fund - Dividend Plan	29,917,034.300	29.99	—	—	29,917,034.300	29.99	—	—
HDFC Floating Rate Income Fund - Short Term Plan - Dividend Plan	30,708,126.129	30.76	661,280.373	0.67	31,369,406.502	31.43	—	—
Tata Floating Rate Fund - Dividend Plan	59,185,091.932	59.25	2,712,431.764	2.71	61,897,523.696	61.96	—	—
Tata Floater Fund - Weekly Dividend	—	—	10,214,289.409	10.21	10,214,289.409	10.21	—	—
Birla Floating Rate Fund - Short Term Plan - Dividend Plan	17,202,242.132	17.79	417,748.803	0.44	17,619,990.935	18.23	—	—
Birla Floating Rate Fund - STP - IP Weekly Dividend Reinvestment	—	—	18,619,888.128	18.62	18,619,888.128	18.62	—	—
Kotak Floater Short Term - Dividend Plan	15,132,501.497	15.15	395,388.460	0.39	15,527,889.957	15.54	—	—
Prudential ICICI Floating Rate Plan C - Dividend Plan	31,117,328.903	31.13	774,863.593	0.77	31,892,192.496	31.90	—	—
Templeton Floating Rate Income Fund - Short Term Plan - Dividend	36,251,922.638	36.27	575,137.616	0.58	36,827,060.254	36.85	—	—
TOTAL FLOATING RATE FUNDS		275.60		65.72		341.32		—
LIQUID FUNDS								
J M High Liquidity Fund - Super Institutional Plan - Dividend Plan	103,248,469.041	103.42	834,503,296.329	836.38	857,084,984.774	859.00	80,666,780.596	80.80
DSP Merrill Lynch Liquidity Fund - Dividend Plan	4,349,209.261	4.35	279,215,102.072	478.91	282,150,087.239	341.82	1,414,224.094	141.44
Grindlays Cash Fund - Super Institutional Plan C - Dividend Plan	9,061,939.333	9.06	269,011,782.499	269.02	273,000,000.000	273.00	5,073,721.832	5.08
Carried forward		116.83		1584.31		1473.82		227.32

Schedule forming part of the balance sheet

SCHEDULE F : INVESTMENTS :— continued (Item No. 9, Page 64)

(5) INVESTMENT IN MUTUAL FUNDS (Contd.)

Name of Mutual Fund	Balance As on 1.4.2005		Purchased during the year		Sold during the year		Balance As on 31.3.2006	
	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.	No. of Units	Rs. Crs.
Brought over		116.83		1584.31		1473.82		227.32
HDFC Liquid Fund-premium Plus Plan - Dividend Plan	66,942,918.636	80.76	272,817,422.917	333.96	315,231,676.175	384.56	24,528,665.378	30.16
Tata Liquid Super High Investment Fund - Dividend Plan	2,070,870.909	230.67	8,149,212.661	908.23	5,634,773.017	627.91	4,585,310.553	510.99
Birla Cash Plus - Institutional Premium Plan - Dividend Plan	34,119,147.694	34.18	291,853,071.357	292.43	184,639,952.098	185.00	141,332,266.953	141.61
Kotak Liquid Institutional Premium - Dividend Plan	105,826,939.074	106.13	142,259,044.245	142.72	162,468,378.789	162.96	85,617,604.530	85.89
Prudential ICICI Liquid Plan Institutional Plus - Dividend Plan	27,081,084.987	32.09	186,272,620.943	220.77	213,353,705.930	252.86	—	—
Prudential ICICI Liquid Plan Super Institutional - Daily Dividend Plan	—	—	211,151,379.545	211.15	178,000,000.000	178.00	33,151,379.545	33.15
UTI Liquid Cash Management Plan Institutional - Dividend Plan	869,987.468	88.07	2,096,900.537	213.28	2,929,751.582	297.57	37,136.423	3.78
Templeton India Treasury Management Account - IP - Dividend Plan	425,518.348	42.59	764,359.748	76.50	1,189,878.096	119.09	—	—
Templeton India Treasury Management Account - Super IP- Daily Dividend Reinvestment Plan	—	—	3,269,214.671	326.94	3,229,587.637	322.99	39,627.034	3.95
HSBC Cash Fund - Institutional Plus - Dividend Plan	50,882,032.464	50.91	414,226,260.172	414.74	389,533,693.406	389.98	75,574,599.230	75.67
Deutsche Insta Cash Plus Fund - Institutional Plan - Dividend Plan	1,833,519.993	1.84	524,449,979.746	527.05	461,601,337.452	463.83	64,682,162.287	65.06
SBI Magnum Institutional Income Fund - Savings - Dividend Plan	33,432,992.284	33.54	988,048,731.909	991.26	992,773,486.172	996.00	28,708,238.021	28.80
Principal Cash Management Fund - Institutional Premium Plan - Dividend Plan	150,086,158.885	150.09	309,830,051.442	309.86	378,973,471.856	379.00	80,942,738.471	80.95
ING Vysya Liquid Fund - Institutional Dividend Plan	6,323,142.572	6.34	77,906,834.716	78.18	84,229,977.288	84.52	—	—
ING Vysya Liquid Fund Super Institutional - Daily Dividend Option	—	—	59,635,997.844	59.64	54,986,803.160	54.99	4,649,194.684	4.65
LICMF Liquid Fund - Dividend Plan	54,602,931.265	59.31	73,699,553.919	80.43	128,302,485.184	139.74	—	—
TOTAL LIQUID FUNDS		1,033.35		6,771.45		6,512.82		1,291.98
		1,473.95		7,622.24		7,069.56		2,026.63

Schedules forming part of the balance sheet

SCHEDULE G : STOCK-IN-TRADE :—
(Item No. 10A(b), Page 64)

	Rupees crores	<i>As at 31-3-2005 Rupees crores</i>
(a) Finished and semi-finished products produced and purchased by the Company, at lower of cost and net realisable value (including purchased goods-in-transit at cost)	1000.62	887.22
(b) Work-in-progress (at lower of cost and net realisable value)	23.93	32.42
	1024.55	919.64
(c) Coal, iron ore and other raw materials produced and purchased by the Company, at lower of cost and net realisable value (including purchased raw materials-in-transit at cost)	707.54	603.70
	1732.09	1523.34

SCHEDULE H : SUNDRY DEBTORS :—
(Item No. 10A(c), Page 64)

	Rupees crores	<i>As at 31-3-2005 Rupees crores</i>
(a) Over six months old	81.73	73.50
(b) Others	489.85	548.17
	571.58	621.67
Less — Provision for doubtful debts	32.18	39.85
	539.40	581.82

	As at 31-3-2006 Rupees crores	<i>As at 31-3-2005 Rupees crores</i>
Sundry debts, unsecured and considered good	539.40	581.82
Sundry debts, considered doubtful	32.18	39.85
	571.58	621.67

Schedules forming part of the balance sheet

SCHEDULE I : CASH AND BANK BALANCES :— (Item No. 10A(e), Page 64)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Cash in hand (including cheques : Rs. 92.60 crores; <i>As at 31.3.2005 : Rs. 109.42 crores</i>)	94.48	110.20
(b) Remittance in transit	55.16	39.43
(c) Current accounts with Scheduled Banks	138.34	96.44
(d) Current account with Bank of Bhutan	0.09*	0.37*
(e) Current account with CitiBank Singapore	0.28*	0.24*
(f) Current account with Thane District Co-operative Bank Ltd. @ [Rs. 6,032 (31.3.2005 : Rs. 7,706)]	@*	@*
(g) Deposit accounts with Scheduled Banks	0.04	0.04
	288.39	246.72

	2005-2006 Rs. crores	2004-2005 Rs. crores
* Maximum balances in current account with		
1. Bank of Bhutan	2.88	0.41
2. Citibank Singapore	0.36	0.32
3. Thane District Co-operative Bank Ltd. [Rs. 37,472 (31.03.2005 : Rs. 84,412)]		

SCHEDULE J : LOANS AND ADVANCES :— (Item No. 10(B), Page 64)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Advances with public bodies	337.83	299.71
(b) Other advances	572.37	422.98
(c) Advances and Loans to subsidiary companies	321.72	690.06
(d) Advance payment against taxes	75.02	44.02
	1306.94	1456.77
Less — Provision for doubtful advances	72.08	74.33
	1234.86	1382.44

	As at 31-3-2006 Rupees crores	As at 31-3-2005 Rupees crores
Loans and Advances, unsecured and considered good ...	1234.86	1382.44
Loans and Advances, considered doubtful	72.08	74.33
	1306.94	1456.77

- Notes :**
1. Advances with public bodies include balances with Customs, Port Trust, etc. **Rs. 224.83** crores (*As at 31.3.2005 : Rs. 193.50 crores*).
 2. Other advances include :
 - (a) Loan due by an Officer of the Company **Rs. 1,18,750** (*As at 31.3.2005 : Rs. 1,33,750*). Maximum balance during the year **Rs. 1,33,750** (*2004-2005 : Rs. 1,48,750*).
 - (b) Intercorporate deposits of **Rs. 2.00** crores (*As at 31.3.2005 : Rs. 2.00 crores*).
 - (c) Application monies on investments **Rs. 30.95** crores (*As at 31.3.2005 : Rs. 30.60 crores*).
 3. Advances and Loans to subsidiary companies include Loans and Advances in the nature of Loans given to Subsidiaries **Rs. 315.85** crores (*As at 31.3.2005 : Rs. 689.80 crores*) - [See Note 13, Page 88]

Schedules forming part of the balance sheet

SCHEDULE K : CURRENT LIABILITIES :—
(Item No. 11(A), Page 64)

	Rupees crores	Rupees crores	As at 31-3-2005 Rupees crores
(a) Sundry creditors :			
(i) For goods supplied [See Note 11, Page 87]	814.88		778.76
(ii) For accrued wages and salaries	595.45		502.45
(iii) For other liabilities [See Note 11, Page 87]	1123.70		1038.75
		2534.03	2319.96
(b) Subsidiary companies		62.37	58.10
(c) Interest accrued but not due		24.29	85.15
(d) Advances received from customers		185.07	199.51
(e) Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956			
Due as on 31.3.2006			
(i) Unpaid Dividends	—	—	—
(ii) Application Money Pending Refund	—	—	—
(iii) Unclaimed Matured Deposits	—	0.01	0.04
(iv) Unclaimed Matured Debentures	—	—	—
(v) Interest Accrued on (i) to (iv) above	—	0.06	0.03
Not due as on 31.3.2006			
(i) Unpaid Dividends	—	21.55	15.50
(ii) Application Money Pending Refund	—	0.01	—
(iii) Unclaimed Matured Deposits	—	3.80	4.45
(iv) Unclaimed Matured Debentures	—	3.96	6.36
(v) Interest Accrued on (i) to (iv) above	—	0.84	0.73
		2835.99	2689.83
		54.60	49.81

Note : Sundry Creditors for other liabilities include :
Provision for Employees Family Benefit Scheme

SCHEDULE L : PROVISIONS :—
(Item No. 11(B), Page 64)

	Rupees crores	Rupees crores	As at 31-3-2005 Rupees crores
(a) Provision for retiring gratuities (See Note 7, Page 87)		0.81	6.77
(b) Provision for taxation		250.04	283.88
(c) Provision for Fringe Benefits Tax		2.37	—
(d) Proposed dividends		719.51	719.51
		972.73	1010.16

Signatures to Schedules 1 to 4 and
A to L and Notes on pages 85 to 100

For and on behalf of the Board
RATAN N TATA *Chairman*
NUSLI N WADIA
S M PALIA
SURESH KRISHNA
ISHAAT HUSSAIN
JAMSHED J IRANI *Directors*
B MUTHURAMAN
T MUKHERJEE
A N SINGH *Executive Directors*

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

1. Accounting Policies :

- (a) The financial statements are prepared under the historical cost convention on an accrual basis.
- (b) Sale of Products and Services :
- (i) Sales comprises sale of goods and services, net of trade discounts and include exchange differences arising on sales transactions.
- (ii) Export incentive under the Duty Entitlement Pass Book Scheme has been recognised on the basis of credits afforded in the pass book.
- (c) Gratuity :
Provision for gratuity liability to employees is made on the basis of actuarial valuation.
- (d) Leave Salaries :
Provision is made for value of unutilised leave due to employees at the end of the year.
- (e) Relining Expenses :
Relining expenses other than expenses on Blast Furnace relining are charged as an expense in the year in which they are incurred.
- (f) Research and Development :
Research and Development costs (other than cost of fixed assets acquired) are charged as an expense in the year in which they are incurred.
- (g) Depreciation :
- (I) Capital assets whose ownership does not vest in the Company have been depreciated over the estimated period of their utility or five years, whichever is less.
- (II) In respect of other assets, depreciation is provided on a straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956 as under :—
- (i) In respect of plant and machinery, railway siding, buildings and vehicles acquired before 1.4.1993 the specified period has been re-calculated by applying the revised rates in force in terms of the notification dated 16.12.1993 and the unamortised value of the asset has been allocated equally over the remaining part of the specified period and on assets acquired after 31.3.1993 at the revised rates.
For the purposes of determining the appropriate depreciation rates plant and machinery falling in the category of continuous process plants has been identified on the basis of technical opinion obtained by the Company. Extra shift depreciation, wherever applicable is calculated on actual shift basis in respect of each mill/shop/unit.
- (ii) In respect of furniture, fixtures and office equipment acquired before 1.4.1993 at the rates in force prior to the abovementioned notification and at the revised rates for assets acquired thereafter.
- (iii) Development of Property and Mining Rights are depreciated over the useful life of the mine or lease period whichever is shorter.
- (iv) Blast Furnace relining is depreciated over a period of 10 years (average expected life).
- (v) Freehold land is not depreciated.
- (vi) Leasehold land is amortised over the life of the lease.
- (h) Foreign Exchange Transactions
Foreign currency transactions (FCT) and forward exchange contracts used to hedge FCT (including firm commitments and forecast transactions) are initially recognized at the spot rate on the date of the transaction/contract.
Monetary assets and liabilities relating to foreign currency transactions and forward exchange contracts remaining unsettled at the end of the year are translated at year end rates.
The differences in translation and realized gains and losses on foreign exchange transactions (including option contracts), other than those relating to fixed assets are recognized in the Profit and Loss Account. Further in respect of transactions covered by forward exchange contracts, the differences between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss account over the period of the contract. Exchange difference relating to monetary items that are in substance forming part of the Company's net investment in non integral foreign operations are accumulated in Foreign Exchange Fluctuation Reserve Account.
Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets prior to April 01, 2004, are adjusted to the carrying amount of such fixed assets.
- (i) Fixed Assets :
All fixed assets are valued at cost less depreciation. Pre-operation expenses including trial run expenses (net of revenue) are capitalised. Interest on borrowings and financing costs during the period of construction is added to the cost of fixed assets.
Blast Furnace relining is capitalised. The written down value of the asset consisting of lining/relining expenditure embedded in the cost of the furnace is written off in the year of fresh relining. For assets identified for replacement during future relining, the written down value is depreciated proportionately over the period to the planned relining date.

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

(j) Investments :

Long term investments are carried at cost less provision for permanent diminution in value of such investments. Current investments are carried at lower of cost and fair value. When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as a part of the cost of acquisition of the convertible portion of the debenture.

(k) Inventories :

Finished and semi-finished products produced and purchased by the Company are carried at lower of cost and net realisable value. Purchased goods-in-transit are carried at cost.

Work-in-progress is carried at lower of cost and net realisable value.

Coal, iron ore and other raw materials produced and purchased by the Company are carried at lower of cost and net realisable value. Purchased raw materials-in-transit are carried at cost.

Stores and spare parts are carried at or below cost.

Cost of inventories is generally ascertained on the 'weighted average' basis. Work-in-progress and finished and semi-finished products are valued on full absorption cost basis.

(l) Miscellaneous Expenditure :

In respect of the Schemes of Early Separation Compensation, net present value of the future liability for pension payable is amortised equally over five years.

The increase in the net present value of the future liability for pension payable to employees who have opted for retirement under the Early Separation Scheme (ESS) of the Company is charged to the Profit and Loss Account.

(m) Compensation under the Employees Family Benefit Scheme of the Company is calculated on the basis of the net present value of the future monthly payments and charged to Profit and Loss Account.

(n) Deferred Tax is accounted for by computing the tax effect of timing differences which arise during the year and reverse in subsequent periods.

2. Contingent Liabilities :

(a) Guarantees :—

The Company has given guarantees aggregating **Rs. 177.66** crores (31.3.2005 : Rs. 351.79 crores) to banks and financial institutions on behalf of others. As at 31st March, 2006 the contingent liabilities under these guarantees amounted to **Rs. 177.66** crores (31.3.2005 : Rs. 351.79 crores).

(b) Claims not acknowledged by the Company relating to the following areas :

	Financial year 2005-06 Rs. Crores	<i>Financial year 2004-05 Rs. Crores</i>
(i) Excise	175.06	51.94
(ii) Customs	21.15	25.23
(iii) Sales Tax	293.86	348.38
(iv) State Levies	107.12	91.79
(v) Suppliers and Service Contract	109.46	116.03
(vi) Labour Related	31.22	30.12
(vii) Income Tax	68.74	82.23

(c) Claim by a party arising out of conversion arrangement - **Rs. 195.82** crores (31.3.2005 : Rs. 195.82 crores). The Company has not acknowledged this claim and has instead filed a claim of **Rs. 139.65** crores (31.3.2005 : Rs. 139.65 crores) on the party. The matter is pending before the Calcutta High Court.

(d) The Excise Department has raised a demand of **Rs. 235.48** crores (31.3.2005 : Rs. Nil) denying the benefit of Notification No. 13/2000 which provides for exemption to the integrated steel plant from payment of excise duty on the freight amount incurred for transporting material from plant to stock yard and consignment agents. The Company has filed an appeal with CESTAT Kolkata.

(e) The State Government of Orissa introduced "Orissa Rural Infrastructure and Socio Economic Development Act 2004" with effect from February 2005 levying tax on mineral bearing land computed on the basis of value of minerals produced from the mineral bearing land. Tata Steel filed a Writ Petition in the High Court of Orissa, challenging the validity of the Act. Orissa High Court held in November 2005 that State does not have authority to levy tax on minerals. State Government of Orissa moved Supreme Court against the order of Orissa High Court and the case is pending with Supreme Court. The liability, if it materialises, as on 31.03.2006 would be **Rs.157.36** crores.

(f) The Industrial Tribunal, Ranchi has passed an award on 20.10.1998 with reference to an industrial dispute regarding permanent absorption of contract labourers engaged by the Company prior to 1981, directing the Company to absorb 658 erstwhile contract labourers w.e.f 22.8.1990. A single bench of the Patna High Court has upheld this award. The Company challenged this award before the division bench of the Jharkhand High Court which has set aside the orders of the single bench of Patna High Court as well as the Tribunal and remanded back the case to the tribunal for fresh hearing on all issues in accordance with law. The liability, if it materialises, would be to the tune of **Rs. 106.61** crores (31.3.2005 : Rs. 94.78 crores).

(g) Uncalled liability on partly paid shares and debentures **Rs. 0.01** crore (31.3.2005 : Rs. 0.01 crore).

(h) Bills discounted **Rs. 386.82** crores (31.3.2005 : Rs. 383.35 crores).

(i) Cheques discounted : Amount indeterminate.

3. Excise Duty is inclusive of excise duty on captive consumption.

4. The Company has given undertakings to (a) IDBI, IFCI and IIBI not to dispose of its investment in The Tinplate Company of India Limited, (b) ICICI Bank Ltd. (formerly ICICI), IFCI and IIBI not to dispose of its investment in the Indian Steel Rolling Mills Ltd. (ISRM). The ISRM is under liquidation, (c) IDBI not to dispose of its investment in Wellman Incandescent India Ltd., (d) IDBI and ICICI Bank Ltd. (formerly ICICI) not to dispose of its investment in Standard Chrome Ltd., (e) Citibank N.A. New York, Bank of America and HSBC not to dispose of its investment in Tata Incorporated, New York, (f) SBI, State Bank of Indore, State Bank of Hyderabad, State Bank of Patiala and WBIDC Ltd., not to dispose of its investment in Hooghly MetCoke and Power Co. Ltd., without the prior consent of the respective financial institutions/banks so long as any part of the loans/facilities sanctioned by the institutions/banks to these six

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

companies remains outstanding. The Company has also furnished a Security Bond in respect of its immovable property to the extent of Rs. 20.00 crores in favour of the Registrar of the Delhi High Court and has given an undertaking not to sell or otherwise dispose of the said property.

5. The Company has, on 20th August, 2005, signed an agreement with the Government of Jharkhand to participate in a special health insurance scheme to be formulated by the Government of Jharkhand for the purpose of providing medical facilities to the families of the people below poverty line. The state government would develop a suitable scheme and the Company has agreed to contribute to such scheme, when operational, a sum of Rs. 25.00 crores annually for a period of 30 years or upto the year of operation of the scheme whichever is less. The scheme is yet to be formed and no contribution has been made till 31st March, 2006.
6. The Company has, on 20th August, 2005 signed an agreement with the Government of Jharkhand to partner with the State for developing sports infrastructure for the National Games 2007 to be held in Jharkhand. The Company has, on request from the Government of Jharkhand, paid **Rs. 150.00** crores as advance towards the same. The actual expenditure upto **Rs. 150.00** crores would be incurred during the financial years 2006-07 and 2007-08 and the expenses would be recognized in the books of the Company based on the periodical expenditure statements received from the State Government. The Government of Jharkhand has not given any statement of expenditure till 31st March, 2006.
7. The total future liability for retiring gratuities payable in accordance with the Payment of Gratuity Act and the Company's Rules as on 31st March, 2006 as per the certificate of an independent actuary is **Rs. 647.07** crores (31.3.2005 : Rs. 590.33 crores). Having regard to the amounts available with the Gratuity Fund and the balance of **Rs. 0.81** crore (31.3.2005 : Rs. 6.77 crores) in Provision for Retiring Gratuities Account, the liability is fully covered.
8. The Company's management and the Rashtriya Colliery Mazdoor Sangh representing the employees at Jamadoba and West Bokaro collieries, on 18th September, 2005 signed an agreement to implement the revised wage structure at the collieries. The agreement is for the period from 1st July, 2001 to 30th June, 2008. The provisions of the agreement have been substantively implemented and no further provision is considered necessary.
9. (a) Provision for employee separation compensation has been calculated on the basis of net present value of the future monthly payments of pension and lump sum benefits under the scheme including **Rs. 144.15** crores (31.3.2005 : Rs. 122.30 crores) in respect of schemes introduced during the year.
 - (b) In accordance with the guidelines of Accounting Standard on Employee Benefits AS-15 (revised 2005), the rate used to discount provision for employee separation compensation (ESS) has been determined with reference to market yields on government bonds as on 31st March, 2006. Consequently, the Provision for employee separation compensation and miscellaneous expenditure are lower by **Rs. 119.00** crores and **Rs. 24.00** crores respectively and the profit before taxes is higher by **Rs. 95.00** crores.
 - (c) The amounts payable within one year under the ESS aggregate to **Rs. 242.60** crores (31.3.2005 : Rs. 204.09 crores).
 - (d) The amount shown under Miscellaneous Expenditure on ESS account, represents the balance amount to be amortised over the future years.
10. The manufacturing and other expenses and depreciation shown in the Profit and Loss Account include **Rs. 24.14** crores (2004-2005 : Rs. 30.23 crores) and **Rs. 0.84** crore (2004-2005 : Rs. 0.75 crore) respectively in respect of Research and Development activities undertaken during the year.
11. (a) Sundry Creditors [Item No. (a)(i) and (iii) to Schedule K - Page 84] include **Rs. 2.50** crores (31.3.2005 : Rs. 7.25 crores), due to small scale and ancillary undertakings.
 - (b) The list of small scale undertakings to whom amount is outstanding for more than 30 days is as follows :

ACHARYA SAFETY SPARES CORPORATION	DIAMOND AUTO & ELECTRIC WORKS	JOYTSHNA PRINTING PRESS K A INDUSTRIES	ORISSA ENGINEERING WORKS OSHAN ENTERPRISES	SOSUN ENGINEERING CO. SOUTH BIHAR PLASTICS (P) LTD.
ADBBE INDUSTRIES	DIESEL PUMP ENGINEERS	KHETAN UDYOG	OSTA ENTERPRISES	SPARE-AGE INDIA (P) LIMITED
ADITYAPURDIES	EASTERN MACHINERY WORKS	KUMAR UDYOG	PAPPU ARTS	SPECIAL TOOL MANUFACTURERS
ADROIT ENGG. COMPANY	ELASTOMER LINING WOR	KWALITY ENGINEERING COMPANY	PEST CONTROL (INDIA) LTD.	SUBERN REKHA ENTERPRISES
AMIN PRINTING PRESS	ELECTRO - MINE	LAXMI ENGINEERING & CO.	PETRO SYNTH (INDIA) LTD.	SUNDARAM INDUSTRIES LTD.
ANAND FABRICATORS PVT. LTD.	ELECTROMAG METHODS	LECHLER (INDIA) PVT.	PINAK INDUSTRIES	SUNNY GLOVES INDUSTRIES
ANK SEALS PVT. LTD.	ELEGANT ENTERPRISE	M S P INDUSTRIES PVT.LTD.	PIONEER TECHNOCRATS PVT. LTD.	SUNRAJ INDUSTRIES
ANKUR ENGG. WORKS	ELMAN'S STEEL INDIA	M/S. ELECTROCHEMICALS	POLY PACK INDIA	SUPERINTENDENCE CO. OF INDIA (P) LTD.
ARIES APPLIANCES	EMPIRE INDUSTRIES	M/S. MALLABHUM	MANUFACTURING	SUTLEJ ENGG. WORKS
ARVICO RUBBER INDUST.	FLUID CONTROL ENGINE	POLYPACKS (P) LTD.	PRAKASH ENGG. WORKS	SVEDALA INDUSTRIES
ASIAN ENGINEERING CO.	FOURESS ENGG. (INDIA) LTD.	MADRAS CUPPRUM METAL	PREET ENGG. CO.	SWARN ENGINEERING WORKS
ASSOCIATED CHEMICAL INDUSTRIES	G. R. INDUSTRIES	MAHARASHTRA MACHINE MAHATRA & CO.	PURAN SINGH & SONS	SYSTEMS AND CONTROLS
ASSOCIATED ENGG. CO.	GAJANAND ENGG.	MAIL. COM MESSAGING INDIA PVT. LTD.	QUALITY ENGINEERING WORKS	TAPOS ENTERPRISES
B M C METAL CAST LTD.	GANESH ENGINEERING WORKS	MEC FAB ENGINEERING	R. K. INDUSTRIES	TARJEET FOUNDRY
BALAJI ELECTRONICS	GEETA TIMBER MART	MECHANO RUBBER & ALLIED INDUSTRIES	R.N. PANDEY	TATA INTERNATIONAL LTD.
BARBIL EMPORIUM	GENERAL ENGG. CO.	MEHTA ENGG. WORKS	R.S. ENGINEERING WORKS	TATANAGAR COLD STORAGE CO. PVT. LTD.
BAY- CHEMICAL FABRIC P. LTD.	GENERAL ENGG. WORKS	META THERM FURNACE	RAJ INDUSTRIAL & ENGG. CO.	TATANAGAR ENGG. & MACHINE MFG. CO.
BENGAL TECHNOCRATS PVT. LTD.	GLOBE ENGG. WORKS	MICON ENGINEERS	RAJ TECHNICAL WORKS	TAURUS FLEXIBLES
BHARAT ELECTRICAL REPAIRING WORKS	GON ENGINEERING WORKS	MIM PACKS	RAJ ENGINEERING WORKS	TECHNO ENTERPRISE
BHARAT SPUN PIPE CO.	GOVIND ENGG. WORKS	MINE LINE PVT. LTD.	RANA ENGINEERING WORKS	THE MINES SERVICE CORPORATION
BHARAT STEEL & METAL INDUSTRIES	H. GURU INSTRUMENTS P. LTD.	MODERN PRINTERS	REGULAR ENGG. CO.	THE ORIENT PRINTERS
BHOGAL ENGG. CO.	H.K. INDUSTRIES	MOHINDRA ENGINEERING CONCERN	REINOLD OBSTFELD INDIA	THE WAXPOL INDUSTRIES LTD.
BIHAR ELECTRIC & REFRIGERATION CO.	HANS ENGG. CO.	NAMITA ELECTRIC WORKS	ROTOMAC INDUSTRIES PVT. LTD.	THEJO ENGINEERING SERVICES (P) LTD.
BIRLA INTERNATIONAL PVT. LTD.	HENKEL CHEMBOND SURF	NARBHERAM MOTORS	S.G. METAL INDUSTRIES	THYRISTORAGE
CALCUTTA ANODIZING WORKS	HIND ELECTRICAL AND INDUSTRIES	NASCENT DATA AID	S. DAS & CO.	TRANSUDCERS AND ALLIED PRODUCTS
CANN PHOTOCOPIERS	GENERAL INDUSTRIES	NATIONAL ENGG. ENTERPRISES	S. S.R. ENGINEERING WORKS	UDYOG PLASTICS PVT. LTD.
INDIA PVT. LTD.	HIND ENGG. CO.	NATIONAL INDUSTRIAL CORP.	S.R. UDYOG	UNION ASBESTOS & ALLIED PRODUCTS
CLASSIC PRODUCTS	HINDUSTAN ENGINEERING WORKS	NEO HIRE	SANDEEP INDUSTRIES	VASANI ENTERPRISES
CONCORD ARAI PVT. LTD.	HINDUSTAN RUBBER PRODUCT	NESCENT DATA AID	SANDHU TECHNOCRATS PVT. LTD.	VIBRO SCREEN INDUSTRIES
CONCORD STEELS WORKS	HINDUSTAN STEEL TECH.	NEW ALLENBERRY WORKS	SANJAY PRINTING WORKS	VINYAS ENGINEERS
CRS ENGG. WORKS	HYDROCRIMP A.C. (P) LTD.	NEW ALLENBY ENGG. WORKS	SARAFF RUBBER INDUSTRIES	VIRDI MECHANICAL WORKS
DARSHAN LAL & CO.	INDIA CONSTRUCTION CO.	NEW CARBONIC GAS INDUSTRIES	SHAH METAL INDUSTRIES	VISHKARMA FURNITURE SHOP
DAS & DAS	INDIA MILLS STORES SUPPLY	INDUSTRIES	SHAH BROTHERS	VIVEK INDUSTRIES
DECO STYLE COMPANY	INDIAN FORGING & STAMPING	NEW EMPIRE INDUSTRIES	SHERPA FRUIT PRODUCTS	ZEDAY TRADING CORPORATION
DEE TEE INDUSTRIES	INDRA ENGINEERS	NIMPS AGRO FARMS (TRADER)	SHILP UDYOG	
DEEPSUN INDUSTRIAL CORPORATION	J. S. ENTERPRISE	NORTHERN ENGINEERING COMPANY	SHREE PUROHIT ENGINEERING WORKS	
DHANJAL ENGINEERING WORKS	J.S.T. PLASTS	OM ENGINEERING WORKS (I) PVT. LTD.	SINGBHUM MECHINO METAL PVT. LTD.	
	JAI MAA KALI INDUSTRIES		SOKHI & SONS	
	JAI SUPRABHA PROJECT		SOKHI ENGG. CO. PVT. LTD.	
	JAIPUR STEEL STRIPS		SOLAR DIAMOND	
	JAMSHEDPUR SPRING & ENGG. CO. (P) LTD.			
	JAY PEE INDUSTRIES			

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

12. The Board of Industrial and Financial Reconstruction (BIFR) sanctioned a scheme for rehabilitation of The Indian Steel and Wire Products Limited (ISWP), a sick Company in FY 2003-04. In terms of the scheme, the Company –

(a) took management control of ISWP; (b) acquired 4,74,130 Equity Shares from the existing promoters at Re. 1/- per share; (c) converted Rs. 5.00 crores of dues into 50,00,000 fully paid Equity Shares at Rs. 10 each and Rs. 10.88 crores into unsecured loan to be repaid by ISWP in 8 annual instalments starting from FY 2004-05; (d) advanced **Rs. 25.17** crores as on 31.3.2006 (Rs. 18.09 crores as on 31.3.2005) to ISWP towards one time settlement with financial institutions for capital expenditure and margin for working capital.

13. Disclosure as per clause 32 of the Listing Agreement.

Loans and Advances in the nature of Loans given to Subsidiaries, Associates and Others :

Name of the Company	Relationship	Amount outstanding	Maximum balance	Investment in
		as on 31.3.2006	outstanding during	Shares of the
		Rs. crores	the year	Company
			Rs. crores	No. of Shares
Tata Korf Engineering Services Ltd.	Subsidiary	0.65	1.09	—
		0.26	0.26	—
The Indian Steel and Wire Products Ltd.	Subsidiary	31.68	34.94	—
		28.97	28.97	—
Kalimati Investment Co. Ltd.	Subsidiary	—	182.00	671,455
		—	1.00	1,404,055
NatSteel Asia Pte. Ltd.	Subsidiary	283.52	681.02	—
		660.57	673.04	—
Rujuvalika Investments Ltd.	Associates	—	—	1,168,393
		—	—	1,168,393
TRF Ltd.	Associates	—	—	—
		—	10.00	—
Tata Sons Ltd.	Others	—	—	110,893,040
		—	25.00	109,573,040
Tata Teleservices Ltd.	Others	—	15.00	—
		—	113.00	—
Tata Industries Ltd.	Others	—	20.00	570,369
		—	—	570,369

14. The Company had issued during 1992-93, 1,15,50,000 Secured Premium Notes (SPN) of Rs. 300 each aggregating to Rs. 346.50 crores with Warrants attached for subscribing to one ordinary share of Rs. 10 each per SPN at a premium of Rs. 70 per share. The warrant holders have exercised their option in respect of 1,11,61,201 Detachable Warrants. For the balance of 3,88,799 Detachable Warrants for which option has not been exercised, the option is deemed to have lapsed except in respect of approximately 12,446 Detachable Warrants applicable to matters which are in dispute and for which the option is deemed to be kept alive for the time being. In terms of issue of SPNs, they have been redeemed on 24.8.1999.

15. Estimated amount of contracts remaining to be executed on Capital Account and not provided for : **Rs. 1963.34** crores (31.3.2005 : Rs. 1100.84 crores).

16. Consequent on the realignment of the value of foreign currency loans, the rupee liability of the Company in respect of such loans has decreased by a net amount of **Rs. 15.27** crores (2004-2005 : net decrease by Rs. 5.61 crores). This decrease has been adjusted in the carrying cost of the fixed assets to the extent of **Rs. 15.27** crores (2004-2005 : Rs. 5.61 crores).

17. The Company has taken on lease Plant and Machinery, having an aggregate cost of **Rs. 4.51** crores (31.3.2005 : Rs. 45.25 crores). The element of the lease rental applicable to the cost of the assets has been charged to the Profit and Loss Account over the estimated life of the asset and financing cost has been allocated over the life of the lease on an appropriate basis. The total charge to the Profit and Loss Account for the year is **Rs. 1.19** crores (2004-2005 : Rs. 11.83 crores). The break up of total minimal lease payments due as on 31st March, 2006 and their corresponding present value are as follows :

Period	2005-2006		2004-2005	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Not later than one year	0.61	0.57	1.31	1.25
Later than one year but not later than Five years	2.09	1.54	2.56	1.84
Later than five years	—	—	0.36	0.20
Total	2.70	2.11	4.23	3.29

18. Current Tax [Item 10(a), Page 65] is net of **Rs. Nil** (2004-2005 : Rs. 27.34 crores) being excess provision for tax relating to earlier years written back to the Profit and Loss Account.

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued
19. Information about Primary Business Segments :

Particulars	Business Segments			Unallocable Total	
	Steel	Ferro Alloys and Minerals	Others	Rs. crores	Rs. crores
	Rs. crores	Rs. crores	Rs. crores		
Revenue :					
Total External Sales	12,837.03	1,310.77	991.59		15,139.39
	12,315.31	1,308.79	874.85		14,498.95
Inter segment sales	630.51	113.71	14.27		758.49
	677.18	140.85	13.42		831.45
Total Revenue	13,467.54	1,424.48	1,005.86		15,897.88
	12,992.49	1,449.64	888.27		15,330.40
Less : Inter segment sales	630.51	113.71	14.27		758.49
	677.18	140.85	13.42		831.45
Total Sales	12,837.03	1,310.77	991.59		15,139.39
	12,315.31	1,308.79	874.85		14,498.95
Segment result before interest, exceptional items and tax	4,618.66	572.52	54.13	165.86	5,411.17
	4,764.60	700.89	38.84	70.28	5,574.61
Less : Interest (See Schedule 3, Page 68)					118.44
					186.80
Profit before Exceptional items and tax					5,292.73
					5,387.81
Exceptional items					
Less : Employee's Separation Compensation (See Note 9, Page 87)					52.77
					119.11
Add : Profit on Sale of Long-Term Investments					—
					28.58
Profit before Tax					5,239.96
					5,297.28
Taxes					1,733.58
					1,823.12
Profit after Taxes					3,506.38
					3,474.16
Segment Assets	12,873.06	328.88	311.00	589.71	14,102.65
	11,752.46	312.53	266.70	864.13	13,195.82
Segment Liabilities	2,483.68	139.53	107.50	1,078.01	3,808.72
	2,337.41	111.73	99.18	1,151.67	3,699.99
Total cost incurred during the year to acquire Segment assets	1,497.06	11.84	18.68		1,527.58
	1,932.65	29.21	16.51		1,978.37
Segment Depreciation	753.23	14.07	7.80		775.10
	600.43	10.27	8.08		618.78
Non-Cash Expenses other than depreciation	9.18	(0.61)	0.90	4.98	14.45
	19.49	(0.22)	1.11	3.58	23.96

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

Information about Secondary Segments :- Geographical	2005-06	<i>2004-05</i>
	Rs. crores	<i>Rs. crores</i>
Revenue by Geographical Market		
India	13,160.35	<i>12,187.82</i>
Outside India	1,979.04	<i>2,311.13</i>
	15,139.39	<i>14,498.95</i>
Additions to Fixed Assets and Intangible Assets		
India	1,527.58	<i>1,978.37</i>
Outside India	—	<i>—</i>
	1,527.58	<i>1,978.37</i>
Carrying Amount of Segment Assets		
India	13,817.09	<i>12,532.49</i>
Outside India	285.56	<i>663.33</i>
	14,102.65	<i>13,195.82</i>

Notes :

- (i) The Company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisational structure and internal reporting system. The Company's operations predominantly relate to manufacture of Steel and Ferro Alloys and Minerals Division. Other business segments comprise Tubes, Bearings.
- (ii) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly relatable to the business segment, are shown as unallocated corporate cost. Assets and liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

(iii) Total Unallocable assets exclude :	2005-06	<i>2004-05</i>
	Rs. crores	<i>Rs. crores</i>
Investments	4,069.96	<i>2,432.65</i>
Miscellaneous expenditure	253.27	<i>214.82</i>
	4,323.23	<i>2,647.47</i>
Total Unallocable Liabilities exclude :		
Secured Loans	2,191.74	<i>2,468.18</i>
Unsecured Loans	324.41	<i>271.52</i>
Provision for Employee Separation Compensation	1,388.71	<i>1,514.26</i>
Deferred Tax Liability (Net)	957.00	<i>829.42</i>
	4,861.86	<i>5,083.38</i>

- (iv) Transactions between segments are primarily for materials which are transferred at market determined prices and common costs are apportioned on a reasonable basis.

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

20. Related Party Disclosures :

(a) List of Related Parties and Relationships

Party	Relationship
A. Bangla Steel & Mining Co. Ltd. @ Best Bar (VIC) Pte. Ltd. Best Bar Pty. Ltd. Burwill Trading Pte. Ltd. Easteel Construction Services Pte. Ltd. Easteel Services (M) Sdn. Bhd. Eastern Steel Fabricators Phillipines, Inc. Eastern Steel Services Pte. Ltd. Eastern Wire Pte. Ltd. EW Reinforcement Pty. Ltd. Hooghly MetCoke and Power Company Ltd. International Shipping Logistics FZE Jamshedpur Utilities & Services Company Ltd. Kalimati Coal Company Pty. Ltd. @ Kalimati Investment Company Ltd. Lanka Special Steels Ltd. Materials Recycling Pte. Ltd. NatFerrous Pte. Ltd. NatSteel Asia (S) Pte. Ltd. NatSteel Asia Pte. Ltd. NatSteel Equity IV Pte. Ltd. NatSteel Trade International (Shanghai) Company Ltd. NatSteel Trade International Pte. Ltd. PT Materials Recycling Indonesia Siam Industrial Wire Company Ltd. Sila Eastern Ltd. Stewarts & Lloyds of India Ltd. # Tata Incorporated Tata Korf Engineering Services Ltd. Tata Refractories Ltd. The Indian Steel and Wire Products Ltd. The Tata Pigments Ltd. TKM Overseas Transport (Europe) GmbH. @ TKM Transport Management Services Ltd. TM International Logistics Ltd. TRL Asia Pvt. Ltd. @ TRL China Ltd. @ Wuxi Jinyang Metal Products Co. Ltd.	Subsidiary
B. Adityapur Toll Bridge Ltd. Almora Magnesite Ltd. Indian Steel Rolling Mills Ltd. Jamshedpur Injection Powder Ltd. Kalinga Aquatics Ltd. Kumardhubi Fireclay & Silica Works Ltd. Kumardhubi Metal Casting & Engineering Ltd. Metal Corporation of India Ltd. Millennium Steel Public Co. Ltd. Nicco Jubilee Park Ltd. Nilachal Refractories Ltd. * Rujavalika Investments Ltd. Southern Steel, Berhard Srutech Tubes (India) Pvt. Ltd. Steel Asia Development and Management Corporation Steel Asia Industries Inc. Steel Asia Manufacturing Corporation Tata Construction & Projects Ltd. Tata Metaliks Ltd. Tata Sponge Iron Ltd. TAYO Rolls Ltd. Tinplate Company of India Ltd. TKM Overseas Ltd. TRF Ltd.	Associate - Shareholding of the Company on its own or along with Subsidiaries is 20% or more.
C. Metaljunction Services Ltd. Tata Ryerson Ltd. The Dhamra Port Company Ltd. @ Southern NatSteel (Xiamen) Ltd. \$ NatSteel Vina Co. Ltd. \$	Joint Ventures
D. Tata Sons Ltd.	Promoters holding together with its Subsidiary is more than 20%
E. Key Management Personnel Mr. B. Muthuraman Dr. T. Mukherjee Mr. A. N. Singh	Whole Time Directors
F. Relatives of Key Management Personnel Ms. Sumathi Muthuraman Ms. Shuvra Mukherjee Ms. Ipshita Kamra Ms. Pallavi Arun #	Relatives of Whole Time Directors

@ Part of the year.

\$ Earlier as Associate Company now became a Joint Venture.

During the previous year.

* Ceased to be an Associate Company w.e.f. 13th March, 2006.

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

20. (b) Related Party Transactions

Amount in Rs. crores

Transactions	Subsidiaries	Associates & JVs	Key Management Personnel	Relatives of Key Management Personnel	Promoter	Grand Total
Purchase of Goods						
Jamshedpur Injection Powder Ltd.	—	37.92	—	—	—	37.92
	—	37.50	—	—	—	37.50
Tata Refractories Ltd.	84.17	—	—	—	—	84.17
	69.75	—	—	—	—	69.75
Tayo Rolls Ltd.	—	22.36	—	—	—	22.36
	—	21.88	—	—	—	21.88
TRF Ltd.	—	42.96	—	—	—	42.96
	—	47.43	—	—	—	47.43
Others	9.19	13.94	—	—	—	23.13
	2.64	101.45	—	—	—	104.09
	93.36	117.18	—	—	—	210.54
	72.39	208.26	—	—	—	280.65
Sale of Goods						
Tata Ryerson Ltd.	—	475.38	—	—	—	475.38
	—	385.07	—	—	—	385.07
Tata Metaliks Ltd.	—	72.07	—	—	—	72.07
	—	76.21	—	—	—	76.21
Tata Sponge Iron Ltd.	—	78.67	—	—	—	78.67
	—	48.03	—	—	—	48.03
Others	20.93	61.60	—	—	—	82.53
	26.00	36.29	—	—	—	62.29
	20.93	687.72	—	—	—	708.65
	26.00	545.60	—	—	—	571.60
Purchase of Fixed Assets						
Stewarts & Lloyds of India Ltd.	—	—	—	—	—	—
	7.98	—	—	—	—	7.98
TRF Ltd.	—	2.33	—	—	—	2.33
	—	15.40	—	—	—	15.40
	7.98	2.33	—	—	—	2.33
	—	15.40	—	—	—	23.38
Sale of Assets						
The Indian Steel and Wire Products Ltd.	0.12	—	—	—	—	0.12
	—	—	—	—	—	—
Lanka Special Steel Limited	0.12	—	—	—	—	0.12
	—	—	—	—	—	—
	0.24	—	—	—	—	0.24
	—	—	—	—	—	—
Rendering of Services to						
The Indian Steel and Wire Products Ltd.	16.21	—	—	—	—	16.21
	14.91	—	—	—	—	14.91
Tinplate Company of India Ltd.	—	32.74	—	—	—	32.74
	—	30.88	—	—	—	30.88
Others	4.40	8.69	—	—	0.06	13.15
	4.50	8.48	—	—	0.06	13.04
	20.61	41.43	—	—	0.06	62.10
	19.41	39.36	—	—	0.06	58.83
Receiving of Services from						
Jamshedpur Utilities and Services Company Ltd.	150.10	—	—	—	—	150.10
	100.16	—	—	—	—	100.16
T M International Logistics Ltd.	98.24	—	—	—	—	98.24
	102.54	—	—	—	—	102.54
Tata Ryerson Ltd.	—	75.95	—	—	—	75.95
	—	62.36	—	—	—	62.36
Tinplate Company of India Ltd.	—	166.15	—	—	—	166.15
	—	188.81	—	—	—	188.81
Others	84.55	9.60	0.02	0.02	0.28	94.47
	79.07	24.44	0.02	0.02	0.73	104.28
	332.89	251.70	0.02	0.02	0.28	584.91
	281.77	275.61	0.02	0.02	0.73	558.15
Leasing or hire purchase arrangements						
Tata Ryerson Ltd.	—	0.08	—	—	—	0.08
	—	—	—	—	—	—
Others	—	—	—	—	—	—
	—	0.63	—	—	—	0.63
	—	0.08	—	—	—	0.08
	—	0.63	—	—	—	0.63

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued
20. (b) Related Party Transactions

Amount in Rs. crores

Transactions	Subsidiaries	Associates & JVs	Key Management Personnel	Relatives of Key Management Personnel	Promoter	Grand Total
Finance provided (including loans and equity contributions in cash or in kind)						
Hooghly MetCoke & Power Co. Ltd.	131.00	—	—	—	—	131.00
	3.50	—	—	—	—	3.50
Kalimati Investment Co. Ltd.	202.00	—	—	—	—	202.00
	1.00	—	—	—	—	1.00
Millennium Steel Public Co. Ltd.	—	278.01	—	—	—	278.01
	—	—	—	—	—	—
NatSteel Asia Pte. Ltd.	138.05	—	—	—	—	138.05
	660.57	—	—	—	—	660.57
Others	54.69	56.57	—	—	0.65	111.91
	32.32	12.80	—	—	25.00	70.12
	525.74	334.58	—	—	0.65	860.97
	697.39	12.80	—	—	25.00	735.19
Interest income during the year						
NatSteel Asia Pte. Ltd.	16.08	—	—	—	—	16.08
	2.49	—	—	—	—	2.49
Others	1.59	1.00	—	—	—	2.59
	0.98	2.28	—	—	0.05	3.31
	17.67	1.00	—	—	—	18.67
	3.47	2.28	—	—	0.05	5.80
Guarantees and collaterals given during the year						
Tinplate Company of India Ltd.	—	—	—	—	—	—
	—	25.00	—	—	—	25.00
	—	—	—	—	—	—
	—	25.00	—	—	—	25.00
Management contracts including deputation of employees						
Tata Sons Ltd.	—	—	—	—	32.62	32.62
	—	—	—	—	31.15	31.15
Others	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	32.62	32.62
	—	—	—	—	31.15	31.15
Dividend income						
Jamshedpur Injection Powder Ltd.	—	3.02	—	—	—	3.02
	—	1.91	—	—	—	1.91
Kalimati Investment Co. Ltd.	3.28	—	—	—	—	3.28
	1.64	—	—	—	—	1.64
Tata Metaliks Ltd.	—	7.08	—	—	—	7.08
	—	4.13	—	—	—	4.13
Tata Refractories Ltd.	3.38	—	—	—	—	3.38
	1.68	—	—	—	—	1.68
Tata Sponge Iron Ltd.	—	4.28	—	—	—	4.28
	—	3.06	—	—	—	3.06
Others	1.37	3.57	—	—	—	4.94
	1.21	2.97	—	—	—	4.18
	8.03	17.95	—	—	—	25.98
	4.53	12.07	—	—	—	16.60
Provision for receivables made during the year						
The Indian Steel and Wire Products Ltd.	0.48	—	—	—	—	0.48
	—	—	—	—	—	—
Tata Korf Engineering Services Ltd.	0.39	—	—	—	—	0.39
	0.26	—	—	—	—	0.26
Others	0.13	0.05	—	—	—	0.18
	0.32	2.99	—	—	—	3.31
	1.00	0.05	—	—	—	1.05
	0.58	2.99	—	—	—	3.57
Issue of Bonus Shares Face value of Rs.10/- each						
Tata Sons Ltd.	—	—	—	—	—	—
	—	—	—	—	36.52	36.52
Others	—	—	—	—	—	—
	0.47	0.39	#	@	—	0.86
	—	—	—	—	—	—
	0.47	0.39	—	—	36.52	37.38
Dividend and Fraction Bonus amount paid to shareholders						
Tata Sons Ltd.	—	—	—	—	142.44	142.44
	—	—	—	—	73.05	73.05
Others	1.83	1.52	***	****	—	3.35
	0.94	0.78	*	**	—	1.72
	1.83	1.52	—	—	142.44	145.79
	0.94	0.78	—	—	73.05	74.77

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

20. (b) Related Party Transactions

Amount in Rs. crores

Transactions	Subsidiaries	Associates & JVs	Key Management Personnel	Relatives of Key Management Personnel	Promoter	Grand Total
Unsecured advances/ deposits accepted						
Tata Sons Ltd.	—	—	—	—	1.03	1.03
Others	—	0.09	—	—	—	0.09
	—	5.82	—	—	—	5.82
	—	0.09	—	—	1.03	1.12
	—	5.82	—	—	—	5.82
Remuneration Paid						
Mr. B. Muthuraman	—	—	2.20	—	—	2.20
	—	—	1.94	—	—	1.94
Mr. T. Mukherjee	—	—	1.75	—	—	1.75
	—	—	1.48	—	—	1.48
Mr. A. N. Singh	—	—	1.34	—	—	1.34
	—	—	1.21	—	—	1.21
Others	—	—	—	—	—	—
	—	—	—	0.01	—	0.01
	—	—	5.29	—	—	5.29
	—	—	4.63	0.01	—	4.64
Bad debts written off						
Tata Pigments Ltd.	0.09	—	—	—	—	0.09
	—	—	—	—	—	—
Tayo Rolls Ltd.	—	0.14	—	—	—	0.14
	—	—	—	—	—	—
Others	—	0.04	—	—	—	0.04
	0.01	0.02	—	—	—	0.03
	0.09	0.18	—	—	—	0.27
	0.01	0.02	—	—	—	0.03
Bad debts written back						
Nilachal Refractories Limited	—	5.42	—	—	—	5.42
	—	—	—	—	—	—
	—	5.42	—	—	—	5.42
	—	—	—	—	—	—
Provision of diminution in value of investments made during the year						
Nicco Jubilee Park Ltd.	—	—	—	—	—	—
	—	0.34	—	—	—	0.34
	—	—	—	—	—	—
	—	0.34	—	—	—	0.34
Guarantees outstanding as on 31.03.2006						
Tinplate Company of India Ltd.	—	95.00	—	—	—	95.00
	—	95.00	—	—	—	95.00
Others	—	1.44	—	—	—	1.44
	—	1.44	—	—	—	1.44
	—	96.44	—	—	—	96.44
	—	96.44	—	—	—	96.44
Debit balances outstanding as on 31.03.2006						
Outstanding receivables						
NatSteel Asia Pte. Ltd.	285.26	—	—	—	—	285.26
	663.06	—	—	—	—	663.06
Others	84.53	51.78	0.01	0.01	2.60	138.93
	77.23	75.51	0.01	0.01	1.55	154.31
	369.79	51.78	0.01	0.01	2.60	424.19
	740.29	75.51	0.01	0.01	1.55	817.37
Provision for outstanding receivables						
The Indian Steel and Wire Products Ltd.	7.72	—	—	—	—	7.72
	10.31	—	—	—	—	10.31
Others	1.25	2.09	—	—	—	3.34
	0.73	4.19	—	—	—	4.92
	8.97	2.09	—	—	—	11.06
	11.04	4.19	—	—	—	15.23
Credit balances outstanding as on 31.03.2006						
Outstanding Payables						
Jamshedpur Utilities and Services Company Ltd.	40.04	—	—	—	—	40.04
	29.30	—	—	—	—	29.30
Tata Ryerson Ltd.	—	16.76	—	—	—	16.76
	—	14.37	—	—	—	14.37
Tata Sons Ltd.	—	—	—	—	36.70	36.70
	—	—	—	—	34.50	34.50
Others	22.42	16.44	—	—	—	38.86
	28.90	22.93	—	—	—	51.83
	62.46	33.20	—	—	36.70	132.36
	58.20	37.30	—	—	34.50	130.00

Rs. 7280 @ Rs. 4300
 * Rs. 14829 **Rs. 8600
 *** Rs. 28418 **** 16770

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

21. The Company has the following Joint Ventures as on 31st March, 2006 and its proportionate share in the Assets, Liabilities, Income and Expenditure of the Joint Venture companies is given below :

Name of the Joint Venture Company	Percentage of Holding	As at 31st March, 2006				For the year ended 31st March, 2006	
		Assets	Liabilities	Contingent Liabilities	Capital commitment	Income	Expenditure
Tata Ryerson Ltd. (incorporated in India)	50%	152.05 123.74	80.34 68.63	33.09 3.88	2.71 0.12	367.81 283.09	354.03 272.51
Metaljunction Services Ltd. (incorporated in India)	50%	17.44 10.73	8.17 3.34	— —	0.11 —	15.54 10.31	9.54 6.64
The Dhamra Port Company Ltd. (incorporated in India)	50%	54.49 —	1.02 —	— —	— —	— —	(0.23) —

22. Earnings Per Share (EPS):

	2005-06 Rs. crores	2004-05 Rs. crores
(i) Profit after tax	3506.38	3474.16
Profit attributable to Ordinary Shareholders	3506.38	3474.16
	Nos.	Nos.
(ii) Weighted average No. of Ordinary Shares for Basic EPS	55,34,72,856	55,34,72,856
Add : Adjustment for Options relating to 12,446 (2004-05 : 12,446) Detachable Warrants (See Note 14, Page 88)	10,590	9,962
Weighted average no. of Ordinary Shares for Diluted EPS	55,34,83,446	55,34,82,818
(iii) Nominal value of Ordinary Shares	Rs.10	Rs. 10
(iv) Basic/Diluted Earnings per Ordinary Share	Rs. 63.35	Rs. 62.77

23. Deferred Tax Liability (Net) (Item No. 10(b), Page 65) :

	Deferred tax (asset)/liability as at 1.4.2005 Rs. crores	Current year charge/(credit) Rs. crores	Deferred tax (asset)/liability as at 31.3.2006 Rs. crores
Deferred Tax Liabilities			
(i) Difference between book and tax depreciation	1602.19	105.36	1707.55
(ii) Prepaid Expenses	2.76	17.84	20.60
(iii) Differences in written down value of development of property	2.46	(14.21)	(11.75)
(A)	1607.41	108.99	1716.40
Deferred Tax Assets			
(i) Employee Separation Scheme	(598.27)	64.55	(533.72)
(ii) Wage Provision	(0.15)	(10.26)	(10.41)
(iii) Provision for doubtful debts & advances	(32.01)	3.34	(28.67)
(iv) Disallowance under Section 43B	(50.87)	(14.01)	(64.88)
(v) Provision for Leave Salary	(93.91)	(16.93)	(110.84)
(vi) Provision for Retiring Gratuity	(2.27)	2.00	(0.27)
(vii) Other Deferred Tax Assets/Liabilities	(0.51)	(10.10)	(10.61)
(B)	(777.99)	18.59	(759.40)
Deferred Tax Liability (Net)	829.42	127.58	957.00

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

24. Licensed and installed capacities and production : ⁽²⁾	Installed capacity ⁽³⁾	Production ⁽⁴⁾
	Tonnes	Tonnes
Class of Products		
(i) Saleable Steel (Jamshedpur works)	4,808,000 (3,320,000)	4,552,136 ^{(5), (10)&(11)} (4,109,002)
(ii) Cold Rolled Coils (Tarapur)	100,000 (100,000)	128,157 (121,275)
(iii) Wire Rods (Borivali)	265,000 (265,000)	278,647 (269,858)
Wires (Borivali & Tarapur)	205,700 (199,700)	184,349 (187,550)
Cold Rolled Coils & Profiles (Sisodra)	46,000 (46,000)	29,211 (30,449)
(iv) Ferro Manganese & Silico Manganese (Joda)	30,500 (30,500)	41,240 (44,201)
(v) Charge Chrome (Bamnipal)	50,000 (50,000)	50,030 (41,405)
(vi) Welded Steel Tubes (Jamshedpur)	212,000 (212,000)	225,062 ⁽⁶⁾ (179,190)
(vii) Carbon and Alloy Steel Bearing Rings, Annular Forgings and Flanges (Jamshedpur)	5,250 (5,250)	3,413 (2,756)
(viii) Metallurgical Machinery (Jamshedpur)	— —	10,722 ⁽⁷⁾ (19,546)
	Numbers	Numbers
(ix) Alloy Steel Ball Bearing Rings (Jamshedpur)	20,500,000 (20,500,000)	12,430,223 ⁽⁸⁾ (10,313,576)
(x) Bearings (Kharagpur)	25,000,000 (25,000,000)	28,000,044 (25,011,887)

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

(2) Excluding items intended for captive consumption.

(3) As certified by the Managing Director and accepted by the Auditors.

(4) Including production for works use and for conversion by the third parties into finished goods for sale.

(5) Including semi-finished steel produced **679,132** tonnes (2004-2005 : 604,424 tonnes) and steel transferred for manufacture into Tubes/C.R. Strips at the Company's Tubes Division **266,711** tonnes (2004-2005 : 234,422 tonnes) / steel transferred for manufacture of Cold Rolled Coils at the Company's Cold Rolling Mill Division (West) **162,108** tonnes (2004-2005 : 156,344 tonnes) and steel transferred for manufacture of Wire Rods **247,426** tonnes (2004-2005 : 253,343 tonnes) at the Company's Wire Rod Mill (West).

(6) Including Tubes used in manufacture of Tubular Steel Structures and Scaffoldings.

(7) There is no separate installed capacity.

(8) Including rings transferred for manufacture of Bearings.

(9) Previous years figures recasted where necessary.

(10) This includes **27,729** tonnes production during trial run of New bar mill.

(11) The installed capacity for FY 2005-2006 represents the capacity as at the end of the year. Capacity addition have been made throughout the year.

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued
25. Turnover, Closing and Opening Stocks :

Class of Products	Turnover ⁽¹⁾		Closing Stock		Opening Stock	
	Tonnes	Rupees crores	Tonnes	Rupees crores	Tonnes	Rupees crores
(i) Saleable Steel (Finished)	4,050,627 ⁽²⁾	12,220.07	394,829	641.90	373,626	626.59
	3,675,090	11,081.26	373,626	626.59	305,542	410.01
Agrico Products		61.76		3.41		1.78
		60.06		1.78		0.35
		12,281.83		645.31		628.37
		11,141.32		628.37		410.36
(ii) Semi-finished Steel and Scrap	366,510	641.62	233,919	183.48	155,594	110.87
	253,067	455.33	155,594	110.87	97,956	87.45
(iii) Welded Steel Tubes	218,007 ⁽³⁾	838.34	27,086	57.47	18,431	40.86
	186,771	730.69	18,431	40.86	20,341	41.64
(iv) Carbon and Alloy Steel Bearing Rings	2,487	21.82	352	2.29	190	1.56
	2,442	23.85	190	1.56	346	2.04
(v) By-products, etc.		89.75		4.68		1.54
		89.67		1.54		1.59
(vi) Raw Materials :						
(a) Ferro Manganese	39,782	106.34	—	—	—	—
	28,107	135.08	—	—	—	—
(b) Charge Chrome/Ferro Chrome ⁽⁴⁾	144,717	511.30	—	—	—	—
	135,154	508.63	—	—	—	—
(c) Other Raw Materials	—	1,513.37	—	—	—	—
	—	1,662.24	—	—	—	—
(vii) Other Products ⁽⁵⁾	—	158.50		70.49		66.74
	—	142.22		66.74	—	49.54
(viii) Alloy Steel Ball Bearing Rings ⁽⁶⁾	12,137,966	94.56	2,446,088	12.76	2,413,180	15.68
	9,809,018	67.03	2,413,180	15.68	3,280,091	9.12
(ix) Bearings	27,379,136	154.19	2,988,022	13.50	2,504,458	12.92
	25,299,137	141.60	2,504,458	12.92	2,831,299	14.57
(x) Metallurgical Machinery	10,722	102.97	—	—	—	—
	19,546	151.40	—	—	—	—
(xi) Sale of Purchased Materials						
(a) Saleable Steel (finished/converted)	1,598	5.70	2,520	10.64	2,087	8.68
	360	1.63	2,087	8.68	1,468	4.50
(b) Scrap/Other Materials/Raw Materials	—	1.15	—	—	—	—
	—	—	—	—	—	—
		16,521.44		1,000.62		887.22
		15,250.69		887.22		620.81

Notes :

- (1) Turnover includes exchange gain (net) **Rs. 3.98** crores (2004-2005 : Rs. 5.79 crores).
- (2) Including steel material converted by re-rollers : **10,93,334** tonnes (2004-2005 : 11,03,318 tonnes).
- (3) Includes Welded Steel Tubes converted under conversion arrangement **34,397** tonnes (2004-2005 : 37,236 tonnes).
- (4) Turnover includes Ferro Chrome converted under conversion arrangement **96,228** tonnes (2004-2005 : 94,123 tonnes).
- (5) Includes tubular steel structures **Rs. 115.38** crores (2004-2005 : Rs. 99.12 crores).
- (6) Turnover includes sale proceeds of Salvaged Rings, Stock includes Semi-Finished Rings/Flanges.

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

	Tonnes	Rupees crores
26. Purchase of Finished, Semi-Finished Steel and Other Products : (1)		
A. For Resale :		
(i) Finished/Semi-Finished Steel Materials	1,868	8.49
	(472)	(1.80)
(ii) Others	75	0.51
	(—)	(—)
B. For Own Consumption :		
(i) Finished/Semi-Finished Steel Materials (2)	115,404	371.78
	(229,406)	(630.30)
(ii) Sponge/Pig Iron	307,711	231.71
	(630,546)	(666.25)
(iii) Others		43.59
		(6.93)
		656.08
		<u>(1,305.28)</u>
(1) including exchange loss (net) of Rs. 0.09 crore [(2004-2005 : exchange loss (net) Rs. 0.14 crore)]		
(2) includes components for manufacture of metallurgical machinery Rs. 29.40 crores (2004-2005 : Rs. 40.45 crores)		
27. Raw materials consumed : @	Tonnes	Rupees crores
(i) Iron ore	8,486,755	273.53
	(5,986,753)	(181.78)
(ii) Coal [excluding 3,645,201 tonnes (2004-2005 : 3,939,919 tonnes) valued at Rs. 1,099.83 crores (2004-2005 : Rs. 866.19 crores) used for manufacturing coke]	1,019,483	226.56
	(841,649)	(92.10)
(iii) Coke	2,773,807	1,093.71
	(2,422,875)	(834.65)
(iv) Limestone and Dolomite	1,863,757	300.48
	(1,464,970)	(217.87)
(v) Ferro Manganese	16,516	71.84
	(16,844)	(102.47)
(vi) Zinc and Zinc Alloys	20,692	159.26
	(21,327)	(134.63)
(vii) Spelter, sulphur and other materials [excluding 88,917 tonnes valued at Rs. 14.19 crores (2004-2005 : 97,563 tonnes valued at Rs. 15.65 crores) used in the manufacture of Ferro Manganese]	798,141	513.79
	(487,702)	(362.03)
		2,639.17
		<u>(1,925.53)</u>

Note : @ The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc. including exchange gain (net) **Rs. 5.07** crores [2004-2005 : exchange loss (net) Rs. 0.44 crore]

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

28. Value of direct imports (C.I.F. value) :

	Rupees crores
(i) Raw materials	1226.82 (878.12)
(ii) Semi-finished products	122.09 (117.74)
(iii) Components, stores and spare parts	216.96 (231.98)
(iv) Capital goods	181.43 (294.79)

29. The value of consumption of directly imported and indigenously obtained raw materials, stores and spare parts and the percentage of each to the total consumption :

	Raw materials		Components, stores and spare parts	
	Rupees crores	Percentage	Rupees crores	Percentage
(a) Directly imported	1066.92 (925.16)	40.43 (48.05)	220.20 (257.54)	13.87 (18.35)
(b) Indigenously obtained	1572.25 (1,000.37)	59.57 (51.95)	1367.22 (1,146.16)	86.13 (81.65)
	2639.17 (1,925.53)	100.00 (100.00)	1587.42 (1,403.70)	100.00 (100.00)
Less : Consumption charged to other revenue accounts .			720.23 (638.52)	
			867.19 (765.18)	

- Notes : (i) The consumption figures shown above are after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.
- (ii) In respect of items which are purchased both from indigenous and imported sources, the identity of individual items consumed cannot be established but segregation of consumption between imported and indigenous sources has been made on a reasonable approximation determined from the Company's records.
- (iii) Stores consumed includes exchange gain (net) of **Rs. 0.72 crore** [2004-2005 : exchange gain (net) Rs. 0.28 crore].

30. Expenditure in foreign currency :

	Rupees crores	Previous Year Rupees crores
(i) Technical Know-how and Technical Consultants' Fees (net of taxes) including Rs. 55.66 crores on capital account (2004-2005 : Rs. 80.42 crores)	94.95	81.53
(ii) Interest and Commitment charges payable in foreign currencies	26.21	27.21
(iii) Commission	6.89	8.91
(iv) Payable on other accounts	20.66	25.79

SCHEDULE M : NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :- continued

31. Remittance in foreign currencies for dividends :

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividends for the year 2004-2005 payable to non-resident shareholders, which dividends were declared during the year, are as under :

	Current Year	Previous Year
(i) Number of non-resident shareholders	3,619	2,579
(ii) Number of Ordinary shares held by them	82,172,952	34,661,603
(iii) Gross amount of dividends	Rs. 106.82 crores	<i>Rs. 34.66 crores</i>

32. Earnings in foreign exchange :

- (i) Export of steel and other materials (at F.O.B. value) **Rs. 2,051.20** crores (2004-2005 : *Rs. 2,183.80 crores*) [including value of exports through export houses].
- (ii) Interest received **Rs. 16.08** crores (2004-2005 : *Rs. Nil*).
- (iii) Others **Rs. 42.91** crores (2004-2005 : *Rs. 6.10 crores*).

33. Derivative Instruments :

I) The Company has entered into the following derivative instruments :

- a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. 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.

The following are the outstanding Forward Exchange Contracts entered into by the Company as on 31st March, 2006 :

No. of Contracts	US Dollar Equivalent (Million)	INR Equivalent (Crores)
9	51.78	231.08

(Contracts include Forward Sales of US Dollar against Indian Rupee for forecast exports and also Forward Purchases of Japanese Yen against US Dollar for repayment of Short Term Foreign Currency Loans in April and May 2006.)

- b) The Company also uses derivative contracts other than forward contracts to hedge the interest rate and currency risk on its capital account. Such transactions are governed by the strategy approved by the Board of Directors which provide principles on the use of these instruments, consistent with the Company's Risk Management Policy. The Company does not use these contracts for speculative purposes.

i) Interest Rate Swaps to hedge against fluctuations in interest rate changes

No. of Contracts	US Dollar Equivalent (Million)	INR Equivalent (Crores)
1	27.25	121.59

ii) Currency and Interest Rate Swap to hedge against fluctuations in changes in exchange rate and Interest Rate

No. of Contracts	US Dollar Equivalent (Million)	INR Equivalent (Crores)
5	117.60	524.81

iii) Currency options to hedge against fluctuations in changes in exchange rate

No. of Contracts	US Dollar Equivalent (Million)	INR Equivalent (Crores)
6	135.16	603.16

(These include options used to selectively hedge the Company's exports from April 2006 to May 2008 and also options used to hedge the repayment of short term loans in May 2006.)

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

	US Dollar Equivalent (Million)	INR Equivalent (Crores)
A. Amounts receivable in foreign currency :	Nil	Nil
B. Amounts payable in foreign currency on account of the following :		
Import of goods and services	3.96	17.69
Capital Imports	7.18	32.06
Interest payable	0.439	1.96
Loans payable	47.09	210.13

The above disclosures have been made consequent to the announcement by the Institute of Chartered Accountants of India on 2nd December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006.

34. Previous year's figures have been recast/restated wherever necessary.

35. Figures in italics are in respect of the previous year.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. State Code
 Balance Sheet Date
 Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue
<input type="text" value="Nil"/>	<input type="text" value="Nil"/>
Bonus Issue	Private Placement
<input type="text" value="Nil"/>	<input type="text" value="Nil"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

	Total Liabilities		Total Assets
	<input type="text" value="146,171,648"/>		<input type="text" value="146,171,648"/>
Sources of Funds	Paid-up Capital	Reserves & Surplus	
	<input type="text" value="5,536,675"/>	<input type="text" value="92,016,345"/>	
	Secured Loans	Unsecured Loans	
	<input type="text" value="21,917,375"/>	<input type="text" value="3,244,087"/>	
	Other Liabilities		
	<input type="text" value="23,457,166"/>		
Application of Funds	Net Fixed Assets	Investments	
	<input type="text" value="98,650,499"/>	<input type="text" value="40,699,637"/>	
	Net Current Assets	Misc. Expenditure	
	<input type="text" value="4,288,778"/>	<input type="text" value="2,532,734"/>	

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
<input type="text" value="153,941,519"/>	<input type="text" value="101,014,187"/>
Exceptional Items	Profit/(Loss) Before Tax
<input type="text" value="(527,687)"/>	<input type="text" value="52,399,645"/>
Profit/(Loss) After Tax	Earnings per Share in Rs. (Weighted Average)
<input type="text" value="35,063,792"/>	<input type="text" value="63.35"/>
Dividend rate %	
<input type="text" value="130"/>	

V. Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)
 Product Description
 Item Code No. (ITC Code)
 Product Description
 Item Code No. (ITC Code)
 Product Description

Production Statistics

('000 Tonnes)

Year	Iron Ore	Coal	Iron	Crude Steel	Rolled/ Forged Bars & Structurals	Plates	Sheets	Hot Rolled Coils/ Strips	Cold Rolled Coils	Railway Materials	Semi- Finished for Sale	Total Saleable Steel
1945-46	1,707	883	1,022	1,030	249	58	146	—	—	176	129	758
1950-51	2,046	1,137	1,130	1,078	279	69	152	—	—	99	197	796
1955-56	2,001	1,536	1,168	1,076	246	61	148	—	—	130	227	812
1956-57	1,999	1,528	1,169	1,088	220	64	161	35	—	106	226	812
1957-58	2,074	1,488	1,109	1,122	210	72	161	71	—	103	182	799
1958-59	2,198	1,590	1,149	1,166	212	71	134	103	—	77	302	899
1959-60	2,551	1,705	1,591	1,555	298	89	134	164	—	98	454	1,237
1960-61	2,275	1,714	1,586	1,622	369	85	132	161	—	112	404	1,263
1961-62	2,104	1,700	1,645	1,643	449	77	134	173	—	114	371	1,318
1962-63	2,616	2,047	1,764	1,799	472	90	149	178	—	131	393	1,413
1963-64	2,953	2,173	1,809	1,892	534	96	154	162	—	127	434	1,507
1964-65	3,125	2,264	1,885	1,956	548	101	164	197	—	133	425	1,568
1965-66	3,232	2,175	1,917	1,979	555	98	166	181	—	128	440	1,568
1966-67	3,009	2,088	1,926	2,001	556	104	152	177	—	114	465	1,568
1967-68	2,728	1,974	1,798	1,933	518	111	155	138	—	118	494	1,534
1968-69	2,821	2,108	1,715	1,816	510	110	163	186	—	125	371	1,465
1969-70	2,564	2,172	1,624	1,708	479	104	159	179	—	120	399	1,440
1970-71	2,402	1,959	1,664	1,716	512	101	164	180	—	78	340	1,375
1971-72	2,844	1,940	1,631	1,709	497	106	184	185	—	85	330	1,387
1972-73	3,231	1,997	1,681	1,690	530	99	175	187	—	55	412	1,458
1973-74	2,922	2,134	1,435	1,514	482	93	131	169	—	22	303	1,200
1974-75	2,940	2,209	1,668	1,722	562	103	166	179	—	38	413	1,461
1975-76	2,965	2,181	1,652	1,787	547	111	164	173	—	46	445	1,486
1976-77	3,138	2,135	1,754	1,908	522	112	146	178	—	48	544	1,550
1977-78	2,972	2,239	1,762	1,968	510	107	129	165	—	56	634	1,601
1978-79	2,808	2,134	1,672	1,866	493	103	132	180	—	53	555	1,516
1979-80	2,549	2,065	1,516	1,781	409	73	122	154	—	34	656	1,448
1980-81	2,698	2,196	1,648	1,875	381	82	121	148	—	28	777	1,537
1981-82	2,991	2,327	1,774	1,962	525	99	151	149	—	22	660	1,606
1982-83	3,224	2,671	1,793	1,957	501	103	137	119	—	11	750	1,621
1983-84	3,137	3,335	1,746	1,973	488	107	129	138	—	20	744	1,626
1984-85	3,454	3,582	1,804	2,049	512	122	139	168	—	19	754	1,714
1985-86	3,184	3,739	1,752	2,094	484	108	134	169	—	18	859	1,702
1986-87	3,305	3,796	1,940	2,250	436	93	122	152	—	13	1,091	1,861
1987-88	3,237	3,793	2,018	2,275	591	99	127	155	—	13	929	1,862
1988-89	3,569	3,793	2,238	2,313	637	93	131	166	—	13	904	1,900
1989-90	3,726	3,754	2,268	2,323	553	91	117	155	—	17	1,033	1,913
1990-91	3,509	3,725	2,320	2,294	558	88	118	153	—	14	1,013	1,901
1991-92	3,996	3,848	2,400	2,415	599	92	123	170	—	9	1,045	1,978
1992-93	4,126	3,739	2,435	2,477	575	78	122	163	—	7	1,179	2,084
1993-94	4,201	3,922	2,598	2,487	561	—	124	281	—	6	1,182	2,117
1994-95	4,796	4,156	2,925	2,788	620	—	137	613	—	2	1,074	2,391
1995-96	5,181	4,897	3,241	3,019	629	—	133	1,070	—	—	869	2,660
1996-97	5,766	5,294	3,440	3,106	666	—	114	1,228	—	—	811	2,783
1997-98	5,984	5,226	3,513	3,226	634	—	60	1,210	—	—	1,105	2,971
1998-99	6,056	5,137	3,626	3,264	622	—	—	1,653	—	—	835	3,051
1999-2000	6,456	5,155	3,888	3,434	615	—	—	2,057	—	—	615	3,262
2000-01	6,989	5,282	3,929	3,566	569	—	—	1,858	356	—	647	3,413
2001-02	7,335	5,636	4,041	3,749	680	—	—	1,656	734	—	566	3,596
2002-03	7,985	5,915	4,437	4,098	705	—	—	1,563	1,110	—	563	3,975
2003-04	8,445	5,842	4,466	4,224	694	—	—	1,578	1,262	—	555	4,076
2004-05	9,803	6,375	4,347	4,104	706	—	—	1,354	1,445	—	604	4,074
2005-06	10,834	6,521	5,177	4,731	821	—	—	1,556	1,495	—	679	4,551

Notes :

Figures of total saleable steel are adjusted for :

(a) From 1985-86 and onwards - steel transferred to and produced at the Company's Tubes Division.

(b) Total saleable steel for 2003-04 includes production of the erstwhile Tata SSL Ltd., pursuant to its merger with the Company.

Financial Statistics

(Rupees Crores)

Year	CAPITAL ACCOUNTS						REVENUE ACCOUNTS							
	Capital	Reserves and Surplus	Borrowings	Gross Block	Net Block	Investments	Gross Revenue	Expenditure	Depreciation	Profit before Taxes	Taxes	Profit after Taxes	Net Transfer to Reserves	Dividends
1945-46	10.47	7.50	2.45	35.25	15.50	2.15	22.36	14.75	1.25	6.36	3.75	2.61	0.70	1.82
1950-51	10.47	11.73	2.50	42.76	15.15	2.80	30.23	23.49	2.15	4.59	2.10	2.49	1.00	1.50
1955-56	17.34	15.23	11.98	69.39	32.44	5.99	41.93	30.27	2.40	9.26	3.45	5.81	4.07	1.76
1956-57	25.94	20.20	21.53	93.45	54.79	5.38	44.14	32.69	2.47	8.98	3.42	5.56	3.70	1.93
1957-58	30.66	24.50	60.19	147.06	105.04	5.41	48.26	38.47	3.91	5.88	0.90	4.98	2.92	2.41
1958-59	30.72	26.15	83.78	171.79	124.78	5.94	56.12	47.72	5.53	2.87	0.17	2.70	0.57	2.47
1959-60	38.97	27.09	77.07	177.92	122.95	8.84	76.46	62.31	8.47	5.68	—	5.68	1.92	3.76
1960-61	38.97	27.67	69.04	185.52	116.76	8.85	87.08	68.07	13.92	5.09	—	5.09	0.52	4.65
1961-62	38.97	27.97	64.08	190.23	109.06	8.87	92.48	73.24	13.15	6.09	—	6.09	1.44	4.65
1962-63	38.97	40.27*	54.62	195.88	103.32	8.85	103.44	81.22	11.66	10.56	0.80	9.76	4.86	4.89
1963-64	38.97	47.41*	47.27	200.38	100.15	9.86	115.20	90.76	7.97	16.47	4.75	11.72	6.45	5.25
1964-65	38.97	50.94*	43.74	204.45	94.52	10.62	126.91	102.06	10.14	14.71	6.15	8.56	3.30	5.25
1965-66	38.97	56.35*	34.87	211.87	92.27	11.66	134.00	106.86	10.40	16.74	7.10	9.64	4.40	5.25
1966-67	50.00	48.44*	51.47	238.03	107.36	11.26	130.78	107.32	11.49	11.97	4.40	7.57	2.32	5.27
1967-68	50.00	50.23*	50.23	251.56	109.07	11.29	137.67	117.21	12.12	8.34	2.45	5.89	0.62	5.27
1968-69	50.00	51.82*	44.05	258.08	103.62	12.28	142.87	120.11	12.94	9.82	3.60	6.22	0.95	5.27
1969-70	50.00	52.71*	37.73	268.31	101.51	12.22	151.21	126.69	13.19	11.33	5.20	6.13	0.86	5.27
1970-71	50.00	55.58*	36.10	287.86	106.02	12.21	158.51	128.29	16.10	14.12	6.70	7.42	2.15	5.27
1971-72	50.00	56.92*	43.80	305.78	109.98	12.22	171.95	143.91	16.07	11.97	5.80	6.17	0.90	5.27
1972-73	50.00	58.46*	48.03	329.74	118.36	12.24	210.22	187.19	17.51	5.52	—	5.52	0.25	5.27
1973-74	50.00	63.16*	49.49	346.18	121.31	12.17	197.95	167.10	16.63	14.32	4.45	9.77	6.48	3.29**
1974-75	50.00	75.55*	63.45	366.57	127.30	11.01	279.72	236.63	15.11	27.98	12.80	15.18	10.07	5.11**
1975-76	50.00	77.97	88.30	395.84	142.34	11.09	287.63	258.76	16.20	12.67	3.25	9.42	4.59	4.83
1976-77	62.86	71.17	94.36	417.99	149.57	11.14	332.84	297.51	17.28	18.05	6.00	12.05	6.06	5.99
1977-78	62.86	73.60	87.68	438.51	156.02	11.17	361.30	335.18	18.25	7.87	0.10	7.77	1.27	6.50
1978-79	62.86	80.26	77.74	464.30	165.11	11.45	380.85	335.83	20.12	24.90	7.35	17.55	10.53	7.02
1979-80	62.86	88.11	84.82	499.70	184.51	12.05	454.94	407.04	22.97	24.93	9.00	15.93	8.14	7.79
1980-81	62.86	106.01	104.65	550.48	216.76	14.01	520.86	445.10	23.70	52.06	25.60	26.46	17.90	8.56
1981-82	83.44	120.60	233.74	650.14	304.05	14.04	704.69	599.83	27.21	77.65	30.00	47.65	34.56	13.09†
1982-83	83.44	152.80	310.34	789.76	420.31	20.04	798.16	729.52	23.77	44.87	—	44.87	31.78	13.09
1983-84	72.02+	160.61	380.62	843.64	453.46	20.22	889.54	826.39	43.14	20.01	—	20.01	7.77	12.24
1984-85	72.02	230.24	398.52	911.55	451.55	103.12	1105.02	938.33	69.95®	96.74	12.00	84.74	69.62	15.12
1985-86	82.74	334.19	447.43	1115.76	577.41	144.54	1285.51	1078.55	49.28	157.68	50.00	107.68	90.88	20.60
1986-87	82.63	401.05	517.83	1299.84	708.09	130.12	1416.39	1259.27	57.60	99.52	12.00	87.52	66.86	20.66
1987-88	136.01	476.33	576.65	1525.46	861.88	163.52	1526.78	1340.65	73.98	112.15	20.00	92.15	62.81	29.34
1988-89	156.09	645.53	611.64	1753.13	998.71	234.44	1861.77	1587.74	93.69	180.34	26.00	154.34	108.17	46.17
1989-90	229.43	1103.11	954.11	2062.76	1200.09	795.32	2135.57	1840.95	118.79	175.83	27.30	148.53	97.94	50.59
1990-91	229.89	1194.22	1183.75	2703.29	1713.79	571.86	2330.83	1955.67	137.03	238.13	78.00	160.13	88.79	71.34
1991-92	230.12	1315.36	2051.30	4026.16	2878.19	248.77	2869.70	2426.65	164.89	278.16	64.00	214.16	133.61	80.55
1992-93	278.45	1707.94	3039.55	5463.13	4107.64	170.06	3423.33	3094.84	215.37	127.12	—	127.12	62.30	64.82
1993-94	335.21	2189.53	3428.59	6439.94	4924.39	261.62	3822.64	3464.10	177.70	180.84	—	180.84	84.29	96.55
1994-95	336.87	2351.17	3561.24	6962.89	5213.48	220.65	4649.06	4120.01	247.93	281.12	—	281.12	162.88	118.24
1995-96	367.23	3375.17	3842.14	7408.46	5393.56	410.94	5879.96	5016.56	297.61	565.79	—	565.79	408.82	156.97
1996-97	367.38	3606.64	4082.65	7850.82	5526.40	664.90	6409.43	5540.39	326.83	542.21	73.00	469.21	286.98	182.23#
1997-98	367.56	3697.32	4579.14	8948.52	6300.04	623.45	6516.58	5810.02	343.23	363.33	41.25	322.08	160.10	161.98#
1998-99	367.97	3796.45	4938.93	10032.17	7058.58	585.44	6335.60	5638.19	382.18	315.23	33.00	282.23	118.94	163.29#
1999-2000	517.97	4040.43	4907.23	10668.33	7426.38	803.10	6943.33	6040.20	426.54	476.59	54.00	422.59	250.69	171.90#
2000-01	507.97	4380.46	4672.22	11258.17	7538.09	846.92	7810.05	6715.36	492.25	602.44	49.00	553.44	335.83	217.61#
2001-02	367.97	3077.99	4705.48	11742.44	7543.70	912.74	7682.70	6906.95	524.75	251.00	46.10	204.90	55.51	149.39#
2002-03	369.18	2816.84	4225.61	12393.79	7543.80	1194.55	9843.66	8025.68	555.48	1262.50	250.19	1012.31	679.30	333.01#
2003-04	369.18	4146.68	3382.21	13269.47	7857.85	2194.12	12069.62	8778.55	625.11	2665.96	919.74	1746.22	1329.97	416.25#
2004-05	553.67	6506.25	2739.70	14957.73	9112.24	2432.65	16053.48	10137.42	618.78	5297.28	1823.12	3474.16	2652.79	821.37#
2005-06	553.67	9201.63	2516.15	16470.71	9865.05	4069.96	17398.98	11383.92	775.10	5239.96	1733.58	3506.38	2685.95	820.43#

* Inclusive of Dividends subsequently paid from Reserves and Surplus.

** Payable as per the Companies (Temporary Restrictions on Dividends) Act, 1974.

† Including an additional Jubilee Dividend of Rs. 2 per share.

+ Excluding Preference Shares which have been cancelled with effect from 1-4-1983 and Non-Convertible Bonds issued in lieu thereof.

® Including Rs. 15.05 crores additional depreciation for 1983-84.

Including tax on dividends.

Dividend Statistics

Year	First Preference (Rs. 150) ^a		Second Preference (Rs. 100) ^a		Ordinary (Rs. 75 upto 1975-76 Rs. 100 from 1976-77 ^b and Rs. 10 from 1989-90) ^h		Deferred (Rs. 30) ^c		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rs. lakhs
	Rs. a.p.	Rs. lakhs	Rs. a.p.	Rs. lakhs	Rs. a.p.	Rs. lakhs	Rs. a.p.	Rs. lakhs	
1940-41	9.0.0	4.50	7.8.0	52.04	29.0.0	101.50	172.10.0	84.15	242.19
1945-46	9.0.0	4.50	7.8.0	52.04	23.0.0	80.50	129.8.9	63.15	200.19
1950-51	9.0.0	4.50	7.8.0	52.04	18.0.0	63.00	93.10.5	45.65	165.19
1955-56	9.0.0	4.50	7.8.0	52.04	10.8.0 ^d	134.92	—	—	191.46
1960-61	9.00	4.50	7.50	79.89	10.36	380.65	—	—	465.04
1961-62	9.00	4.50	7.50	79.89	10.36	380.66	—	—	465.05
1962-63	9.00	4.50	7.50	79.89	11.00	404.17	—	—	488.56
1963-64	9.00	4.50	7.50	79.89	12.00	440.92	—	—	525.31
1964-65	9.00	4.50	7.50	79.89	12.00	440.92	—	—	525.31
1965-66	9.00	4.50	7.50	79.89	12.00	440.92	—	—	525.31
1966-67	9.00	4.50	7.50	79.89	8.60 ^e	442.39	—	—	526.78
1967-68	9.00	4.50	7.50	79.89	8.60	442.39	—	—	526.78
1968-69	9.00	4.50	7.50	79.89	8.60	442.39	—	—	526.78
1969-70	9.00	4.50	7.50	79.89	8.60	442.39	—	—	526.78
1970-71	9.00	4.50	7.50	79.89	8.60	442.39	—	—	526.78
1971-72	9.00	4.50	7.50	79.89	8.60	442.39	—	—	526.78
1972-73	9.00	4.50	7.50	79.89	8.60	442.39	—	—	526.78
1973-74	9.00	4.50	7.50	79.89	4.75	244.34	—	—	328.73
1974-75	9.00	4.50	7.50	79.89	8.30	426.95	—	—	511.34
1975-76	9.00	4.50	7.50	79.89	7.75	398.66	—	—	483.05
1976-77	9.00	4.50	7.50	79.89	10.00	514.40	—	—	598.79
1977-78	9.00	4.50	7.50	79.89	11.00	565.84	—	—	650.23
1978-79	9.00	4.50	7.50	79.89	12.00	617.28	—	—	701.67
1979-80	9.00	4.50	7.50	79.89	13.50	694.44	—	—	778.83
1980-81	9.00	4.50	7.50	79.89	15.00	771.60	—	—	855.99
1981-82	9.00	4.50	7.50	79.89	17.00 ^{ef}	1224.28	—	—	1308.67
1982-83	9.00	4.50	7.50	79.89	17.00	1224.28	—	—	1308.67
1983-84	—	—	—	—	17.00	1224.28	—	—	1224.28
1984-85	—	—	—	—	21.00	1512.34	—	—	1512.34
1985-86	—	—	—	—	25.00	2059.43	—	—	2059.43
1986-87	—	—	—	—	25.00	2065.72	—	—	2065.72
1987-88	—	—	—	—	25.00 ^g	2934.29	—	—	2934.29
1988-89	—	—	—	—	30.00 ^g	4616.74	—	—	4616.74
1989-90	—	—	—	—	3.00 ^{hi}	5059.30	—	—	5059.30
1990-91	—	—	—	—	3.10	7134.23	—	—	7134.23
1991-92	—	—	—	—	3.50	8054.78	—	—	8054.78
1992-93	—	—	—	—	2.50 ⁱ	6482.21	—	—	6482.21
1993-94	—	—	—	—	3.00 ^k	9655.44	—	—	9655.44
1994-95	—	—	—	—	3.50 ^j	11823.94	—	—	11823.94
1995-96	—	—	—	—	4.50 ^m	15697.11	—	—	15697.11
1996-97	—	—	—	—	4.50	18222.25 ⁿ	—	—	18222.25 ⁿ
1997-98	—	—	—	—	4.00	16198.05 ^o	—	—	16198.05 ^o
1998-99	—	—	—	—	4.00	16329.05 ^p	—	—	16329.05 ^p
1999-2000	—	—	—	—	4.00	17189.87 ^{q,r}	—	—	17189.87 ^{q,r}
2000-01	—	—	—	—	5.00	21760.67 ^{s,t,u}	—	—	21760.67 ^{s,t,u}
2001-02	—	—	—	—	4.00	14939.21 ^v	—	—	14939.21 ^v
2002-03	—	—	—	—	8.00	33299.88 ^w	—	—	33299.88 ^w
2003-04	—	—	—	—	10.00	41625.77 ^x	—	—	41625.77 ^x
2004-05	—	—	—	—	13.00	82137.22 ^y	—	—	82137.22 ^y
2005-06	—	—	—	—	13.00	82042.66 ^z	—	—	82042.66 ^z

^a Subject to deduction of Company's Income-tax from Preference Dividends upto 1958-59.

^b Free of tax upto 1958-59 and gross (i.e. inclusive of tax deducted at source) from 1959-60.

^c Out of 48,750 Deferred Shares, 26,250 Deferred Shares were issued in 1917 at a premium of Rs. 370 per share.

^d On increased number of Ordinary Shares from 1953-54 onwards after conversion of Deferred Shares into Ordinary Shares and issue of Bonus Shares.

^e Including on Bonus Shares issued during the year.

^f Including an additional Jubilee Dividend of Rs. 2 per share.

^g On the Capital as increased by Rights Issue of Ordinary Shares during 1987-88.

^h The Ordinary Shares of Rs. 100 each have been sub-divided into Ordinary Shares of Rs. 10 each during 1989-90 and the rate of Dividend is per Ordinary Share of Rs. 10 each.

ⁱ On the Capital as increased by shares allotted on Conversion of Convertible Debentures.

^j On the Capital as increased by Rights Issue of Ordinary Shares during 1992-93.

^k On the Capital as increased by Ordinary Shares issued during 1993-94 against Detachable Warrants.

^l On the Capital as increased by Ordinary Shares issued during 1994-95 against Detachable Warrants and Foreign Currency Convertible Bonds.

^m On the Capital as increased by Ordinary Shares issued during 1995-96 against Detachable Warrants, Foreign Currency Convertible Bonds and Naked Warrants.

ⁿ Includes 10% tax of Rs. 1656.57 lakhs on dividends.

^o Includes 10% tax of Rs. 1472.55 lakhs on dividends.

^p Includes 11% tax of Rs. 1618.19 lakhs on dividends.

^q Includes 11% tax of Rs. 1703.50 lakhs on dividends.

^r Includes Dividend of Rs. 775.50 lakhs on 9.25% Cumulative Redeemable Preference Shares.

^s Includes tax of Rs. 2151.38 lakhs on dividends.

^t Includes Dividend of Rs. 22.30 lakhs on 9.25% Cumulative Redeemable Preference Shares for the period 1st April, 2000 to 27th June, 2000.

^u Includes Dividend of Rs. 1193.40 lakhs on 8.42% Cumulative Redeemable Preference Shares for the period 1st June, 2000 to 31st March, 2001.

^v Includes Dividend of Rs. 207.20 lakhs on 8.42% Cumulative Redeemable Preference Shares and tax of Rs. 21.13 lakhs on Preference Dividends.

^w Includes tax of Rs. 3781.33 lakhs on Dividends.

^x Includes tax of Rs. 4727.59 lakhs on Dividends.

^y Includes tax of Rs. 10185.74 lakhs on Dividends.

^z Includes tax of Rs. 10092.00 lakhs on Dividends.

Financial Ratios

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
1. EBITDA/Turnover	40.19%	42.48%	33.61%	26.82%	20.23%	24.28%	23.12%	19.81%	18.62%	21.39%
2. PBT/Turnover	34.04%	36.17%	24.59%	14.39%	3.70%	8.74%	7.75%	5.60%	6.27%	9.49%
3. Return on Average Capital Employed	40.76%	49.69%	28.10%	16.29%	6.51%	10.33%	9.05%	6.97%	7.50%	10.61%
4. Return on Average Network	42.90%	62.01%	46.28%	35.88%	6.38%	14.38%	11.51%	7.65%	8.63%	12.91%
5. Asset Turnover	107.98%	110.15%	100.71%	78.16%	63.28%	63.59%	58.47%	54.31%	59.02%	61.75%
6. Average Inventory to Turnover	9.49%	7.70%	7.37%	7.72%	8.95%	9.01%	10.73%	12.39%	12.12%	12.67%
7. Average Debtors to Turnover	3.27%	3.88%	6.75%	10.38%	15.48%	15.86%	17.81%	20.14%	20.14%	19.52%
8. Gross Block to Net Block	1.68	1.65	1.69	1.64	1.56	1.49	1.44	1.42	1.42	1.42
9. Debt to Total Equity	22:78	35:65	49:51	65:35	74:26	57:43	59:41	59:41	54:46	53:47
10. Debt to Equity	0.29	0.54	0.95	1.84	2.78	1.31	1.45	1.45	1.19	1.11
11. Current Ratio	1.11	1.10	1.03	1.36	1.54	1.55	1.65	1.79	1.99	2.07
12. Interest Cover Ratio	45.24	29.36	22.82	5.14	1.68	2.60	2.32	2.05	2.40	2.98
13. Networth per share	171.68	123.68	118.16	86.35	66.81	128.10	118.74	98.17	102.35	100.39
14. Earnings per share	63.35	62.77	31.55	27.43	5.51	14.64	11.26	7.67	8.75	12.75
15. Dividend Payout	23.40%	23.61%	23.89%	32.90%	72.91%	39.32%	40.68%	57.86%	50.29%	38.84%
16. P/E Ratio	8.47%	6.39	12.16	4.88	17.72	8.36	10.30	13.51	17.05	13.95

1. EBIDTA/Turnover: Earnings Before Interest Depreciation Tax and Amortisation/Turnover (Turnover: Net Sales + Other Income).
2. PBT/Turnover: Profit Before Tax/Turnover.
3. Return on Average Capital Employed: Earnings Before Interest and Tax/Average Capital Employed. (Capital Employed: Total Funds Employed – Miscellaneous Expenses to the extent not written off or adjusted).
4. Return on Average Net Worth: Profit After Tax/Average Net Worth. (Net Worth: Share Capital + Reserves & Surplus – Miscellaneous Expenses to the extent not written off or adjusted).
5. Asset Turnover: (Net Sales + Other Income – Investment Income)/(Net Fixed Assets + Current Assets + Loans and Advances).
6. Average Inventory to Turnover: Average Inventory/Gross Sales.
7. Average Debtors to Turnover: Average Debtors/Gross Sales.
8. Gross Block to Net Block: Gross Block/Net Block
9. Debt to Total Equity: Debt/(Debt + Equity). (Debt: Total Loans + Provision for ESS + Deferred Tax Liability + Long-term Guarantees – Current Investments – Cash & Bank Balances) (Equity = Net Worth).
10. Debt to Equity: Debt/Equity.
11. Current Ratio: Current Assets/Current Liabilities.
12. Interest Cover Ratio: Earnings Before Interest and Tax/Interest.
13. Net Worth per Share: Net Worth/Number of Shares.
14. Earnings per Share: Profit attributable to Ordinary Shareholders/Weighted average number of ordinary shares.
15. Dividend Payout: Dividend/Profit after Tax.
16. P/E Ratio: Market Price/Earnings per Share.

Corporate Governance Report for the year 2005-06

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

1. The Company's Corporate Governance Philosophy

The Company believes in adopting the best practices in the areas of Corporate Governance. Even in a fiercely competitive business environment, the Management and Employees of the Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to the Tata Group.

During the year, the Company has fine-tuned its corporate practices so as to bring them in line with the revised Clause 49 of the listing agreements. The Company adopted the Tata Code of Conduct for Non-Executive Directors and the Whistle Blower Policy as prescribed in the revised Clause.

The Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholders' wealth and at the same time protect the interests of all its shareholders.

2. Board of Directors

The Company has a Non-Executive Chairman and the number of Independent Directors is more than one-third of the total number of 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 on 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 :

Name	Category	No. of Board Meetings attended during 2005-06	Whether attended AGM held on 27th July, 2005	No. of Directorships in other public companies		No. of Committee positions held in other public companies**	
				Chairman	Member	Chairman	Member
Mr. R.N. Tata (Chairman)	Promoter Not Independent Non-Executive	7	Yes	11	2	—	—
Mr. Keshub Mahindra (Ceased to be a Director w.e.f. 21.3.2006)	Independent Non-Executive	3	Yes	3	4	1	—
Mr. Nusli N. Wadia	-do-	5	Yes	5	4	—	—
Mr. S.M. Palia	-do-	7	No	1	4	4	1
Mr. P.K. Kaul Financial Institutions' Nominee *	-do-	5	Yes	1	9	2	3
Mr. Suresh Krishna	-do-	5	No	5	2	2	2
Mr. Kumar Mangalam Birla	-do-	1	No	8	4	—	1
Mr. Ishaat Hussain	Promoter Not Independent Non-Executive	6	Yes	2	10	2	3

Name	Category	No. of Board Meetings attended during 2005-06	Whether attended AGM held on 27th July, 2005	No. of Directorships in other public companies		No. of Committee positions held in other public companies**	
				Chairman	Member	Chairman	Member
Dr. J.J. Irani	Promoter Not Independent Non-Executive	7	Yes	4	7	—	3
Mr. B. Jitender Financial Institutions' Nominee* (Ceased to be a Director w.e.f. 22.3.2006)	Independent Non-Executive	4	No	1	4	—	2
Mr. B. Muthuraman Managing Director	Not Independent Executive	7	Yes	3	3	—	—
Dr. T. Mukherjee Dy. Managing Director (Steel)	-do-	6	No	2	4	—	1
Mr. A.N. Singh Dy. Managing Director (Corporate Services)	-do-	7	Yes	2	—	1	—

* Appointed by IDBI Bank Ltd. as the lead institution.

** Represents Chairmanships/Memberships of Audit Committee and Shareholders'/Investors' Grievance Committee.

Seven Board Meetings were held during the year 2005-06 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held were as follows :

19th May 2005, 27th July 2005, 23rd August 2005, 26th October 2005, 24th November 2005, 23rd January 2006 and 23rd March 2006.

Dates for the Board Meetings in the ensuing year are decided well in advance and communicated to the Directors. Board Meetings are held at the Registered Office of the Company. The Agenda along with the explanatory notes are sent in advance to the Directors. Additional meetings of the Board are held when deemed necessary by the Board.

The information as required under Annexure IA to Clause 49 is being made available to the Board.

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

During 2005-06, the Company did not have any material pecuniary relationship or transactions with Non-Executive Directors, other than Dr. J. J. Irani, to whom the Company paid retiring benefits aggregating to Rs. 30.67 lakhs. The Company, with the approval of the Department of Company Affairs has also paid Rs. 67.92 lakhs as transportation charges to M/s. Dimnar & Co., a firm, whose proprietor is related to Dr. J. J. Irani.

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 the Executive Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review. It has also adopted the Tata Code of Conduct for 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, 2006. Both the Codes are posted on the website of the Company.

3. Audit Committee

The Company had constituted an Audit Committee in the year 1986. The scope of the activities of the Audit Committee is as set out in Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly as follows :

- a) To review compliance with internal control systems;
- b) To review the findings of the Internal Auditor relating to various functions of the Company;
- c) To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors;
- d) To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- e) To make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory & Internal Audit Reports;
- f) Recommending the appointment of statutory auditors and branch auditors and fixation of their remuneration.

Mr. P.K. Kaul, Chairman of the Audit Committee was present at the Annual General Meeting held on 27th July, 2005.

The composition of the Audit Committee is in line with the provisions of Clause 49 of the Listing Agreement and the details of meetings attended by the Directors are given below :

Names of Members	Category	No. of Meetings attended during the year 2005-06
Mr. P.K. Kaul, Chairman	Independent, Non-Executive	4
Mr. Ishaat Hussain, Member Chartered Accountant	Promoter Not Independent, Non-Executive	5
Mr. S.M. Palia, Member	Independent, Non-Executive	6
Mr. B. Jitender*	Independent, Non-Executive	1

* Member of Audit Committee from 17.1.2006 to 22.3.2006.

Audit Committee meetings are attended by the Vice-President (Finance), Chief (Corporate Audit) and Chief Financial Controller (Corporate) and Representatives of Statutory Auditors. The Company Secretary acts as the Secretary of the Audit Committee.

Six Audit Committee Meetings were held during 2005-06. The dates on which the said meetings were held were as follows :

18th May 2005, 26th July 2005, 22nd August 2005, 25th October 2005, 23rd December 2005 and 20th January 2006.

The necessary quorum was present at the meetings.

Whistle Blower Policy

The Audit Committee at its meeting held on 25th October, 2005, approved framing of 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 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 of the Company has an assured access to the Ethics Counsellor/Chairman of the Audit Committee.

4. Remuneration Committee

The Company had constituted a Remuneration Committee in the year 1993. The broad terms of reference of the Remuneration Committee are as follows :

- a) Review the performance of the Managing Director and the Whole-time Directors, after considering the Company's performance.
- b) Recommend to the Board remuneration including salary, perquisites and commission to be paid to the Company's Managing Director and Whole-time Directors.
- c) Finalise the perquisites package of the Managing Director and Whole-time Directors within the overall ceiling fixed by the Board.
- d) Recommend to the Board, retirement benefits to be paid to the Managing Director and Whole-time Directors under the Retirement Benefit Guidelines adopted by the Board.

The Remuneration Committee also functions as the Compensation Committee as per SEBI guidelines on the Employees' Stock Option Scheme. The Company, however, has not yet introduced the Employees' Stock Option Scheme.

The composition of the Remuneration Committee and the details of meetings attended by the Directors are given below :

Names of Members	Category	No. of Meetings attended during the year 2005-06
Mr. Keshub Mahindra, Chairman*	Independent, Non-Executive	—
Mr. R. N. Tata, Member	Promoter Not Independent, Non-Executive	1
Mr. S. M. Palia, Member	Independent, Non-Executive	1

* Ceased to be Chairman of Remuneration Committee w.e.f. 21st March, 2006.

One meeting of the Remuneration Committee was held on 19th May, 2005.

The Chairman of the Remuneration Committee, Mr. Keshub Mahindra was present at the Annual General Meeting held on 27th July, 2005.

The Company has complied with the non-mandatory requirement of Clause 49 regarding the Remuneration Committee.

Remuneration Policy

The Company while deciding the remuneration package of the senior management members takes into consideration the following items :

- a) employment scenario
- b) remuneration package of the industry and
- c) remuneration package of the managerial talent of other industries.

The annual variable pay of senior managers is linked to the performance of the Company in general and their individual performance for the relevant year measured against specific Key Result Areas, which are aligned to the Company's objectives.

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval obtained at the AGM held on 19th July, 2001, the Commission is paid 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 on the basis of their attendance and contribution at the Board and certain Committee Meetings as well as time spent on operational matters other than at the meetings.

The Company pays sitting fees of Rs. 10,000 per meeting to the NEDs for attending the meetings of the Board, Committee of the Board and Audit Committee. For other meetings, the Company continues to pay to the NEDs sitting fees of Rs. 5,000 per meeting.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to Managing and Whole-time Directors. Salary is paid within the range approved by the Shareholders. Annual increments effective 1st April each year, as recommended by the Remuneration Committee, are 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 perquisites package is approved 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 for 2005-06

Non-Wholetime Directors

(Rs. lakhs)

Name of the Director	Commission*	Sitting Fees
1. Mr. R. N. Tata	30.80	1.35
2. Mr. Keshub Mahindra	2.80	0.30
3. Mr. Nusli N. Wadia	11.70	0.90
4. Mr. S.M. Palia	26.90	2.05
5. Mr. P.K. Kaul	9.70 **	0.90
6. Mr. Suresh Krishna	4.75	0.60
7. Mr. Kumar Mangalam Birla	0.90	0.10
8. Mr. Ishaat Hussain	28.20	1.50
9. Dr. J.J.Irani	29.50 @	1.50
10. Mr. B. Jitender	4.75 **	0.50 ***
Total	150.00	9.70

* Payable in 2006-07.

** Amount payable to IDBI Bank Ltd.

*** Amount paid to IDBI Bank Ltd.

@ Excluding retirement benefits of Rs. 30.67 lakhs.

Managing and Whole-time Directors

Name	Salary Rs. lakhs	Perquisites & Allowances Rs. lakhs	Commission@ Rs. lakhs	Stock Options
Mr. B. Muthuraman Managing Director	62.78	37.36	120.00	Nil
Dr. T. Mukherjee Dy. Managing Director (Steel)	54.71	30.19	90.00	Nil
Mr. A.N. Singh Dy. Managing Director (Corporate Services)	45.61	23.49	65.00	Nil

@ Payable in 2006-07.

Service Contracts, Severance Fees and Notice Period

Period of Contract of MD	: 5 Years from 22.7.2001.	The Contract 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.
Period of Contract of Dy. MD (Steel)	: 1.8.2005 to 31.10.2007.	The Contract 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.
Period of Contract of Dy. MD (Corporate Services)	: 5 years from 1.8.2005.	The Contract 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.

During the year, there was a revision, subject to the approval of the shareholders, in the terms of remuneration of the Managing Director/Dy. Managing Directors, details of which have been provided in the Explanatory Statement to the Notice.

Shareholding of the Directors in the Company as on 31st March, 2006.

Director	No. of Ordinary Shares of Rs. 10/- each held singly and/or jointly
Mr. R.N. Tata (Chairman)	16680
Mr. Nusli N. Wadia	Nil
Mr. S.M. Palia	450
Mr. P.K. Kaul	Nil
Mr. Suresh Krishna	Nil
Mr. Kumar Mangalam Birla	Nil
Mr. Ishaat Hussian	1614
Dr. J.J. Irani	5431
Mr. B. Muthuraman	2186
Dr. T. Mukherjee	Nil
Mr. A.N. Singh	Nil
Total	26361

5. Shareholders' Committee

An Investors' Grievance Committee was constituted on 23rd March, 2000 to specifically look into the redressal of Investors' complaints like transfer of shares, non-receipt of balance sheet and non-receipt of declared dividend, etc.

One meeting of the Investors' Grievance Committee was held on 23rd March, 2006.

The composition of the Investors' Grievance Committee and details of the meeting attended by the Directors are given below :

Names of Members	Category	No. of Meetings attended during the year 2005-06
Mr. Ishaat Hussain, Chairman	Promoter	1
	Not Independent Non-Executive	
Mr. Suresh Krishna, Member	Independent	1
	Non-Executive	

Name, designation & address of Compliance Officer :

Mr. J.C. Bham
 Company Secretary
 Bombay House,
 24, Homi Mody Street,
 Fort, Mumbai 400 001.
Phone : (022) 6665 8282 Extn. 7279
Fax : (022) 6665 7724
E-mail : cosectisco@tata.com

Name, designation & address of Investor Relations Officer :

Mr. Sanjay Khattry
 Head (Financial Planning & Investor Relations)
 Bombay House,
 24, Homi Mody Street,
 Fort, Mumbai 400 001.
Phone : (022) 6665 8282 Extn. 7289
Fax : (022) 6665 8113 / 18
E-mail : skhattry@tata.com

Shareholder/Investor Complaints

Complaints pending as on 1st April, 2005	: 6
During the period 1st April, 2005 to 31st March, 2006, complaints identified and reported under Clause 41 of the Listing Agreements	: 1789
Complaints disposed off during the year ended 31st March, 2006	: 1788
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2006	: 7
No. of pending share transfers as on 31st March, 2006	: 266*

* Transfers lodged in the last two weeks of March 2006 and hence pending as on 31st March, 2006.

Sr. No.	Description	Nos. Received	Total Replied	Total Pending
A	Complaints			
	Letters received from Statutory/Regulatory bodies			
1.	SEBI	69	63	6
2.	DOCA	—	—	—
3.	STOCK EXCHANGES	23	23	—
4.	NSDL/CDSL	17	17	—
	Total Nos.	109	103	6
B	Legal Matters			
	Court/Consumer Forum Matters	—	—	—
	Total Nos.	—	—	—
C	Dividends			
1.	Non-receipt of Dividend warrants (pending recon. at the time of receipt of letters)	1679	1679	—
2.	Fraudulent Encashment of dividend warrants	1	—	1
	Total Nos.	1680	1679	1
D	Letters in the nature of reminders/complaints	—	—	—
	Total Correspondence Statistics	1789	1782	7

Note :

The Correspondence identified as investor complaints are letters received through Statutory/Regulatory bodies and those related to Court/Consumer forum matters, (where the Company/Registrar is involved and is accused of deficiency in service) fraudulent encashment and non-receipt of dividend amounts where reconciliation of the payment is in progress/completed after the end of the quarter.

Committees

In addition to the above Committees, the Board has constituted 3 more Committees, viz. Committee of the Board, Committee of Directors and the Ethics and Compliance Committee.

The terms of reference of the **Committee of the Board (COB)** are to approve capital expenditure schemes and donations within the stipulated limits and to recommend to the Board, capital budgets and other major capital schemes, to consider new businesses, acquisitions, divestments, changes in organisational structure and also to periodically review the Company's business plans and future strategies.

The composition of the COB and details of the meetings attended by the Directors are given below :

Names of Members	No. of Meetings attended during the year 2005-06
Mr. R. N. Tata, Chairman	6
Mr. Nusli N. Wadia, Member	4
Mr. S.M. Palia, Member	7
Mr. Ishaat Hussain, Member*	3
Dr. J.J. Irani, Member	8
Mr. B. Muthuraman, Member	8

* Appointed as the Member of the Committee of Board w.e.f. 26.10.2005.

Eight COB Meetings were held during the year 2005-06. The dates on which the said meetings were held were as follows :

17th May 2005, 25th July 2005, 22nd August 2005, 24th October 2005, 22nd November 2005, 19th January 2006, 10th February 2006 and 21st March 2006.

The **Committee of Directors** has been constituted to approve of certain routine matters such as Opening and Closing of Bank Accounts of the Company, to grant limited Powers of Attorney to the Officers of the Company, to appoint proxies to attend general meetings on behalf of the Company etc. The Members of this Committee are – Mr. R.N. Tata (Chairman), Mr. Ishaat Hussain and Dr. J.J. Irani. The business of the Committee is transacted by passing Circular Resolutions which are placed before the Board at its next meeting.

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 Tata Code of Conduct for Prevention of Insider Trading and 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, Officers and Employees of a Tata 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.

In terms of the said Code, a Committee has been constituted on 30th May, 2002, called Ethics and Compliance Committee.

The composition of the Ethics and Compliance Committee is given below :

Names of Members	Category	No. of Meetings attended during the year 2005-06
Mr. Ishaat Hussain, Chairman	Promoter, Not Independent, Non-Executive	1
Mr. Suresh Krishna, Member	Independent, Non-Executive	1

The Board has also appointed the Vice President (Finance) as the Compliance Officer to ensure compliance and effective implementation of the Regulations and also the Code across the Company.

One meeting of the Ethics and Compliance Committee was held on 23rd March, 2006.

During the year under review, the Compliance Officer submitted Monthly Committee Report of the Tata Code of Conduct for Prevention of Insider Trading to the Board of Directors.

6. General Body Meetings

a) Location and time, where last three Annual General Meetings (AGMs) were held :

Financial Year	Details of Location	Date & Time
2004-05	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020	27th July, 2005 at 3.30 p.m
2003-04		22nd July, 2004 at 3.30 p.m.
2002-03		23rd July, 2003 at 3.30 p.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 3 Annual General Meetings:

At the last Annual General Meeting of the Company held on 27th July, 2005, Special Resolution was passed for the Change of Name of the Company from “The Tata Iron and Steel Company Limited” to “Tata Steel Limited”. The resolution was passed unanimously.

At the Annual General Meeting held on 22nd July, 2004, the Company passed Special Resolutions for a) Increase in the Authorised Share Capital b) Alteration of the Articles of Association of the Company c) Issue of Bonus Shares d) Appointment of Auditors and e) Appointment of Branch Auditors. The resolutions at items a), b) and c) were passed unanimously and the resolutions at items d) and e) were passed by requisite majority.

At the Annual General Meeting held on 23rd July, 2003, Special Resolutions were passed for a) Voluntary Delisting of the Company’s Ordinary Shares from certain Stock Exchanges b) Appointment of Auditors and c) Appointment of Branch Auditors. The resolutions at items a) and c) were passed unanimously and at item b) by requisite majority.

7. Disclosures

i) The Board has received disclosures from key managerial personnel relating to material, 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.

ii) 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 the Stock Exchange, SEBI or other statutory authorities relating to the above.

iii) The Company has adopted a Whistle Blower Policy and has established the necessary mechanism in line with clause 7 of the Annexure I D to Clause 49 of the Listing Agreement with the Stock Exchanges, for employees to report concerns about unethical behaviour. No personnel has been denied access to the Ethics Counsellor/Chairman of the Audit Committee.

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

a) The Company has set up a Remuneration Committee. Please see para 4 for details.

b) A half-yearly declaration of financial performance including a summary of the significant events in the six-months period was sent to every shareholder.

c) The Company has moved towards a regime of unqualified financial statements.

Secretarial Audit

A qualified practicing Company Secretary carried out a 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 dematerialized shares held with NSDL and CDSL.

8. Means of Communication

Half-yearly report sent to each household of shareholders –

In addition to the results of the Company being published in the newspapers and posted on the website of the Company, half-yearly reports are sent to each household of the shareholders.

Results –

The quarterly and annual results along with the Segmental Report are generally published in Indian Express, Nava Shakti, Free Press Journal and also displayed on the website of the Company www.tatasteel.com shortly after its submission to the Stock Exchanges.

Presentation to Institutional Investors or to analysts –

Official news releases and presentations made to Institutional Investors and analysts are posted on the Company's website.

Management Discussion & Analysis Report –

The MD & A Report forms a part of the Directors' Report. All matters pertaining to industry structure and developments, opportunities and threats, segment/product wise performance, outlook, risks and concerns, internal control and systems, etc. are discussed in the said report.

Company's Corporate Website –

The Company's website is a comprehensive reference on Tata Steel's management, vision, mission, policies, corporate governance, corporate sustainability, investor relations, sales network, updates and news. The section on 'Investor Relations' serves to inform the shareholders, by giving complete financial details, shareholding patterns, corporate benefits, information relating to stock exchanges, registrars, share transfer agents and frequently asked questions. Investors can also submit their queries and get feedback through online interactive forms. The section on 'Newsrooms' includes all major press reports and releases, awards, campaigns.

9. General Shareholder Information

AGM : Date, time and venue – 5.7.2006 at 11.00 a.m
Birla Matushri Sabhagar,
19, Sir Vithaldas Thackersey Marg,
Mumbai 400 020.

As required under Clause 49 IV(G)(i), particulars of Directors seeking reappointment are given in the Explanatory Statement to the Notice of the Annual General Meeting to be held on 5th July, 2006.

Financial Calendar –	Year ending	March 31
	AGM	July
	Dividend Payment	Generally in July

Date of Book Closure – 30.5.2006 to 19.6.2006 (both days inclusive)

Dividend Payment Date – The dividend warrants will be posted on or after 5.7.2006.

Unclaimed Dividend –

- All unclaimed/unpaid dividend amounts upto the financial year ended 31.3.1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrant(s) for the said period are requested to forward their claims in prescribed Form No. II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to :-
 Office of Registrar of Companies
 Central Government Office Bldg., 'A' Wing,
 2nd floor, Next to Reserve Bank of India,
 CBD, Belapur 400 614.
- All unclaimed/unpaid dividend amounts for the financial years 1995-96 to 1997-98 have been transferred to Investor Education & Protection Fund and no claims will lie against the Company or the Fund in respect of the unclaimed amounts so transferred.
- All unclaimed/unpaid dividend amounts for the financial year ended 31.3.99 are due for transfer to the Investor Education & Protection Fund on 8th September, 2006. Members are requested to make their claims accordingly.

Listing on Stock Exchanges –

The Company's securities are listed on the following 3 Stock Exchanges in India :

Bombay Stock Exchange Limited
 Phiroze Jeejeebhoy Towers,
 Dalal Street,
 Mumbai 400 001.

National Stock Exchange of India Ltd.
 Exchange Plaza,
 Bandra-Kurla Complex,
 Bandra East,
 Mumbai 400 051.

The Calcutta Stock Exchange Assn. Ltd.
 7, Lyons Range,
 Kolkata 700 001.

(The application for delisting from The Calcutta Stock Exchange Assn. Ltd. is still pending)

Global Depository Receipts (GDRs) issued by the Company in the International Market have been listed on the Luxembourg Stock Exchange.

The Company has paid annual listing fees to each of the above Stock Exchanges for the financial year 2005-06.

Stock Codes/Symbols –

Bombay Stock Exchange Limited -			
Ordinary Shares (demat form)	500470
National Stock Exchange of India Ltd.	TATA STEEL

Privately Placed Debentures

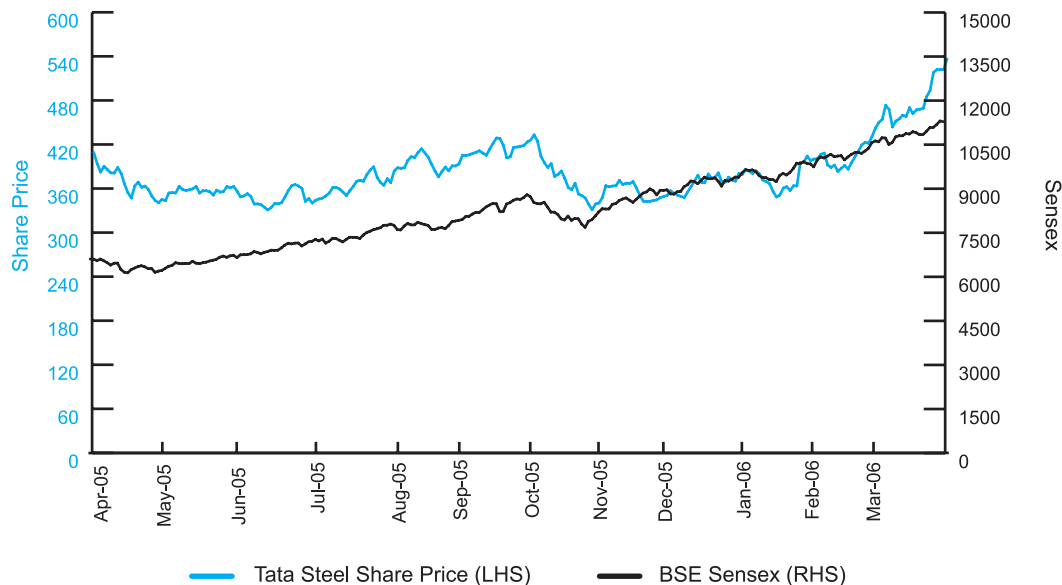
Privately Placed Debentures issued by the Company are listed on the Whole-Sale Debt Market Segment of the National Stock Exchange of India Ltd.

Market Information –

Market Price Data : High, Low (based on the closing prices) and average volume, average number of trades and average value of shares traded during each month in last financial year.

Month	High (Rs.)	Low (Rs.)	Avg. Volume per day (No. of Shares)	Avg. No. of Trades per day	Avg. Value per day (Rs. lakhs)
April 2005	409.25	340.80	2245013	16002	8307
May 2005	363.15	343.45	1827526	13524	6508
June 2005	365.45	330.80	1778747	11767	6238
July 2005	389.60	343.95	1946801	11656	7092
August 2005	414.10	364.45	1555181	11839	6062
September 2005	428.85	393.45	1214495	9442	5018
October 2005	433.15	330.95	2033267	15569	7696
November 2005	371.30	340.20	1857256	15621	6602
December 2005	381.35	347.70	1517654	14007	5583
January 2006	404.25	348.45	1378507	12263	5179
February 2006	430.70	383.40	1520466	14224	6157
March 2006	536.40	442.30	1668376	17363	7982

Performance of Tata Steel Share price in comparison to BSE Sensex



Registrar and Transfer Agents :

The name of Tata Share Registry Limited is changed to TSR Darashaw Limited w.e.f. 12th January, 2006.

Address for correspondence is as below :

TSR Darashaw Limited
Army & Navy Bldg.,
148, Mahatma Gandhi Road,
Fort, Mumbai 400 001.

Tel : (022) 6656 8484

Fax : (022) 6656 8494 / 66568496

E-mail : csq-unit@tsrdarashaw.com

website : <http://www.tsrdarashaw.com>

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 :

Branches of TSR Darashaw Limited

- | | |
|---|--|
| 1. TSR Darashaw Limited
503, Barton Centre, 5th floor,
84, Mahatma Gandhi Road,
Bangalore 560 001.
Tel : 080 - 25320321
Fax : 080 - 25580019
E-mail: tsrlbang@tsrdarashaw.com | 2. TSR Darashaw Limited
Bungalow No.1, 'E' Road,
Northern Town, Bistupur,
Jamshedpur 831 001.
Tel : 0657 - 2426616
Fax : 0657 - 2426937
E-mail : tsrljsr@tsrdarashaw.com |
| 3. TSR Darashaw Limited
Tata Centre, 1st floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071.
Tel : 033 - 22883087
Fax : 033 - 22883062
E-mail : tsrlcal@tsrdarashaw.com | 4. TSR Darashaw Limited
Plot No. 2/42, Sant Vihar,
Ansari Road, Darya Ganj,
New Delhi 110 002.
Tel : 011 - 23271805
Fax : 011 - 23271802
E-mail : tsrldel@tsrdarashaw.com |

Agent of TSR Darashaw Limited

Shah Consultancy Services Limited
1, Sumatinath Complex, 2nd Dhal,
Pritamnagar, Ellisbridge,
Ahmedabad 380 006.
Telefax : 079 - 26576038
E-mail : shahconsultancy@hotmail.com

Share Transfer System : Share Transfers in physical form can be lodged with TSR Darashaw Limited at the above mentioned addresses. The Transfers are normally processed within 10-12 days from the date of receipt if the documents are complete in all respects. Certain Directors and the Company Secretary are severally empowered to approve transfers.

Distribution of Shareholding

Number of Ordinary shares held	Number of Shareholders	
	31-3-2006 %	31-3-2005 %
1 to 100	52.30	50.22
101 to 500	38.14	39.79
501 to 1000	5.18	5.34
1001 to 10000	4.13	4.35
Over 10000	0.25	0.30
	100.00	100.00

Categories of Shareholders

Category	Number of Shareholders		Voting strength %		Number of Ordinary Shares held	
	31-3-2006	31-3-2005	31-3-2006	31-3-2005	31-3-2006	31-3-2005
Individuals	5,34,053	5,67,214	25.19	28.30	139,441,726	156,627,404
Unit Trust of India	1	1	0.01	0.35	41,333	1,912,384
Life Insurance Corporation of India	1	1	11.88	11.59	65,753,593	64,139,375
Govt. & Other Public Financial Institutions	14	63	5.65	6.39	31,297,858	35,401,473
Tata Group Companies	15	14	*26.81	*26.56	148,391,636	147,009,416
Companies	5711	6535	4.84	6.48	26,796,068	35,881,412
Nationalised Banks, Mutual Funds and Trusts	377	331	3.17	4.97	17,518,404	27,503,656
Foreign Institutional Investors	264	210	22.45	15.36	124,232,238	84,997,736
TOTAL	5,40,436	5,74,369	100.00	100.00	553,472,856	553,472,856

* This includes 6,71,455 (as on 31st March, 2005 - 14,04,055) shares allotted to Kalimati Investment Company Limited pursuant to the Bombay High Court Order dated 3rd April, 2003, approving the Scheme of Amalgamation of Tata SSL Limited with the Company. These shares do not carry any voting rights.

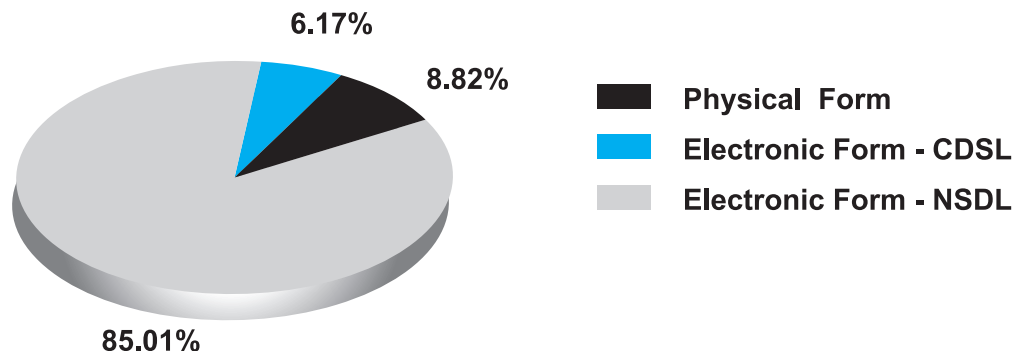
Top Ten Shareholders of the Company as on 31st March, 2006

Sr. No.	Name of the Shareholder	No. of shares held	% of holding
1.	Tata Sons Limited	110893040	20.04
2.	Life Insurance Corporation of India	65753593	11.88
3.	Tata Motors Limited	25806729	4.66
4.	HSBC Global Investment Funds A/c HSBC Global Investment Funds Mauritius Limited	18872545	3.41
5.	Janus Overseas Fund	12191285	2.20
6.	Genesis Indian Investment Company Limited A/c General Sub Fund	11191500	2.02
7.	The New India Assurance Company Limited	10166937	1.84
8.	Janus Contrarian Fund	7661452	1.38
9.	National Insurance Company Limited	7253450	1.31
10.	The Oriental Insurance Company Limited	6463967	1.17

Dematerialisation of shares as on 31st March, 2006 and Liquidity

The Company’s shares are compulsorily traded in dematerialised form and are available for trading on both the Depositories in India – National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL). 50,46,84,254 Ordinary Shares of the Company representing 91.18% of the Company’s share capital is dematerialised as on 31st March, 2006.

The Company’s shares are regularly traded on Bombay Stock Exchange Limited, Mumbai, as is seen from the volume of shares indicated in the Table containing Market Information.



Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company’s shares is INE 081A01012.

Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity : 3867 GDRs (each GDR representing 1 Ordinary share of the Company)
 The Company had issued detachable warrants (alongwith Secured Premium Notes) for subscribing to 1 Ordinary Share of Rs. 10 each at a premium of Rs. 70 per share. In respect of approximately 12,446 detachable warrants applicable to matters which are in dispute, the option to get the shares is kept alive for the time being.

Plant Locations : Company’s Steel Works and

Tubes Division	..	Jamshedpur (Jharkhand)
Bearings Division	..	Kharagpur (West Bengal)
Ferro Manganese Plant	..	Joda (Orissa)
Charge Chrome Plant	..	Bamnipal (Orissa)
Cold Rolling Complex	..	Tarapur (Maharashtra)
	..	Sisodra (Gujarat)
Mines, Collieries & Quarries	..	States of Jharkhand, Orissa, and Karnataka
Wire Division	..	Borivli (Mumbai)
	..	Tarapur (Maharashtra)
	..	Bangalore (Karnataka)

Address for correspondence : Tata Steel Limited
 Bombay House, 24, Homi Mody Street,
 Fort, Mumbai 400 001.
Phone : (022) 6665 8282
Fax : (022) 6665 8113 / 6665 7725
E-mail : cosectisco@tata.com
Website : www.tatasteel.com

10. Other information to the shareholders

Dividend History for the Last 10 years

Financial Year	Dividend Date	Rate
2004-05	27.7.05	130%
2003-04	23.7.04	100%
2002-03	24.7.03	80%
2001-02	12.6.02	40%
2000-01	20.7.01	50%
1999-00	23.5.00	40%
1998-99	30.7.99	40%
1997-98	24.7.98	40%
1996-97	01.8.97	45%
1995-96	26.7.96	45%

Bank Details

Shareholders holding in the physical form are requested to notify/send the following to TSR Darashaw Limited to facilitate better servicing :-

- i) any change in their address/mandate/bank details, and
- ii) particulars of the bank account in which they wish their dividend to be credited, in case have not been furnished earlier.

Shareholders are advised that respective bank details and address as furnished by them or by NSDL/CDSL to the Company, for shares held in the physical form and in the dematerialised form respectively, will be printed on their dividend warrants as a measure of protection against fraudulent encashment.

Nomination Facility

Shareholders who hold shares in the physical form and wish to make/change a nomination in respect of their shares in the Company, as permitted under Section 109A of the Companies Act, 1956, may submit to TSR Darashaw Limited the prescribed Form 2B. The Form can be downloaded from the Company's website www.tatasteel.com under the section 'Investor Relations'.

Shares held in electronic form

Shareholders holding shares in electronic form may please note that :

- Instructions regarding bank details which they wish to have incorporated in future dividend warrants must be submitted to their Depository Participants (DP). As per the regulations of NSDL and CDSL, the Company is obliged to print bank details on the dividend warrants, as furnished by these depositories to the Company.
- Instructions already given by them for shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form.
- Instructions regarding change of address, nomination and power of attorney should be given directly to the DP.

Electronic Clearing Service (ECS) Facility

The Company, with respect to payment of dividend to shareholders, provides the facility of ECS at the following cities :

Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Coimbatore, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Lucknow, Mumbai, Nagpur, Patna, Pune, Surat, Thiruvananthapuram and Vadodara.

Shareholders holding shares in the physical form, who wish to avail the ECS facility, may send their ECS mandate in the prescribed form to the Company, in the event they have not done so earlier. The ECS mandate form can be downloaded from the Company's website www.tatasteel.com under the section 'Investor Relations'.

Depository Services

Shareholders may write to the respective Depository or to TSR Darashaw Limited for guidance on depository services. Address for correspondence with Depository are as follows :-

National Securities Depository Limited
Trade World, 4th floor,
Kamala Mills Compound,
Senapati Bapat Marg, Lower Parel,
Mumbai 400 013.
Telephone : 022-2499 4200
Facsimile : 022-2497 2993/2497 6351
E-mail : info@nsdl.co.in
website : www.nsdl.co.in

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers,
16th floor,
Dalal Street,
Mumbai 400 023
Telephone : 022-2272 3333
Facsimile : 022-2272 3199/2272 2072
E-mail : investor@cdslindia.com
website : www.cdslindia.com

Odd Lot Facility

Having regard to the difficulties experienced by shareholders in disposing of the shares held by them in physical form, TSR Darashaw Limited, Registrars of the Company has framed a Scheme for the purchase of such shares. Interested shareholders may contact TSR Darashaw Limited for further details.

- Shareholders holding shares in the dematerialised form should address their correspondence to their respective DPs, other than for dividend, which should be addressed to TSR Darashaw Limited.
- Shareholders are requested to provide their e-mail address, telephone/fax numbers and quote their account numbers/DP ID and Client ID numbers in all correspondence with TSR Darashaw Limited to facilitate prompt response.

Certificate

**To the Members of
TATA STEEL LIMITED**

We have examined the compliance of conditions of Corporate Governance by Tata Steel Limited, for the year ended on 31st March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For **A.F. FERGUSON & CO.**
Chartered Accountants

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

A.K. MAHINDRA
Partner
Membership No : 10296

UDAYAN SEN
Partner
Membership No : 31220

Mumbai : 18th May, 2006

Statement pursuant to Section 212 of the Companies Act, 1956, related to Subsidiary Companies

Name of the Subsidiary	Tata Refractories Limited	The Tata Pigments Limited	Kalimati Investment Company Limited	Tata Korf Engineering Services Limited	Tata Incorporated	TM International Logistics Limited	International Utilities Services Co. Limited	The Indian Steel and Wire Products Limited	Lanka Special Steels Limited	NetSteel Asia Pte. Limited	Hooghly Met Coke and Power Limited	Sila Eastern Limited	Bangla Steel and Mining Company Limited
Financial year of the subsidiary ended on	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06	31st March, 06
1. Shares of the subsidiary held by the Company on the above date :													
(a) Number	14,688,360(c)	75,000	16,367,469	240,366(e)	1,500	91,80,000	3,50,000(c)	54,74,000	25,00,000	252,000,000(c)	98,046,955(c)	9,600	9,598 (e)
Face value	Ordinary Shares of Rs. 100 each	Ordinary Shares of Rs. 100 each	Equity Shares of Rs. 10 each	Equity Shares of Rs. 10 each	US\$1000	Shares of Rs. 10 each	Equity Shares of Rs. 10 each	Ordinary Shares of Rs. 10 each	Equity Shares of LKR 10 each	Equity Shares of \$5 each	Equity Shares of THB 100 each	Equity Shares of THB 100 each	Equity Shares of Taka 100 each
(b) Extent of holding	71.28%(c)	100%	100%	60.10%(e)	100%	51%	100%(c)	91.36%	100%	100%(c)	98%(d)	48%	99.98%(e)
	61.48%(c)	100%	100%	60.10%(e)	100%	51%	99.98%(c)	91.36%	100%	100%(c)	97.99%(d)	48%	0%(e)
2. Net aggregate amount of profits/(losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the Company :													
(a) dealt with in the accounts of the Company for the year ended 31st March, 2006 (Rs. lakhs)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) not dealt with in the accounts of the Company for the year ended 31st March, 2006 (Rs. lakhs)	2522.89	190.68	3063.71	(5.44)	US\$ 793,480	1051.16	416.79	525.14	LKR 27.32	SS 391.60	Nil	THB 42.67	Nil
	1766.34	163.05	4603.71	(27.39)	Rs. 494.19 lakhs(d)	1056.82	556.39	221.04	Rs. 10,20 lakhs(d)	Rs. 12,840.34 lakhs(d)	Nil	Rs. 48,18 lakhs(d)	Nil
					US\$ 1,617.205				LKR 32.85	SS 58.93	Nil	THB 13	Nil
					Rs. 742.32 lakhs(d)				Rs. 2.3 lakhs(d)	Rs. 749.36 lakhs(d)	Nil	Rs. 14.17 lakhs(d)	Nil
3. Net aggregate amount of profits/(losses) for previous years of the subsidiary, since it became a subsidiary so far as they concern members of the Company :													
(a) dealt with in the accounts of the Company for the year ended 31st March, 2006 (Rs. lakhs)	338.12	45.00	327.75	Nil	Nil	91.80	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) not dealt with in the accounts of the Company for the year ended 31st March, 2006 (Rs. lakhs)	168.30	45.00	163.87	Nil	Nil	68.85	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	4016.84	1030.93	10615.79	(469.57)	US\$ 7,352,712	1622.74	540.38	1151.76	LKR 11.51	SS 58.93	Nil	THB 13.00	Nil
	2622.54	912.88	6339.83	(442.19)	Rs. 3,242.55 lakhs(d)	657.72	(16.01)	930.72	Rs. 7.35 lakhs(d)	Rs. 749.36 lakhs(d)	Nil	Rs. 14.17 lakhs(d)	Nil
					US\$ 5,735.607				LKR 21.24	Nil	Nil	Nil	Nil
					Rs. 2,486.34 lakhs(d)				Rs. 3.65 lakhs(d)				

(a) 240,366 Shares of Rs. 10 each, 159,600 Shares of Rs. 10 each in Tata Korf Engineering Services Limited are held by the Company and Kalimati Investment Company Limited, subsidiary of the Company, respectively. The combined holdings of the Company and its subsidiary amount to 99.99% of the nominal value of the equity share capital of Tata Korf Engineering Services Limited.

(b) The amounts shown under 3(b) and 4(b) above represent the net aggregate amounts of profits/(losses) of the subsidiary attributable to the direct holding of the Company.

(c) 9,600,000 equity shares of Rs. 10 each in Hooghly Met Coke and Power Company Ltd., 20,000,000 equity shares of SS 1 each in NetSteel Asia Pte. Ltd., 91,36,000 equity shares of Rs. 10 each in Tata Refractories Ltd. and 60 equity shares of Rs. 10 each in Jamshepur Utilities and Services Co. Ltd. were subscribed by the Company during the year.

(d) Converted at the average rate of exchange of US\$ = Rs. 44.10 and LKR = Rs. 26.86 and THB = Rs. 1.12 as on 31.03.2006 (As on 31.03.2005 US\$ = Rs. 43.55 and LKR = Rs. 0.44, SS = Rs. 26.38 and THB = Rs. 1.09).

(e) 9,998 Shares of Tata 100 each in Bangla Steel and Mining Company Limited are held by Kalimati Investment Company Limited, subsidiary of the Company.

(f) Figures in italics are in respect of the previous year.

For and on behalf of the Board

RATAN TATA
 NUSLI N WADIA
 S M PALIA
 SURESH KRISHNA
 ISHAAT HUSSAIN
 JAMSHED J IRANI
 B MUTHURAMAN
 T MUKHERJEE
 A N SINGH

Chairman
 Directors
 Executive Directors

J C BHAM
 Company Secretary

Mumbai, 18th May, 2006.

Summary of Financial Information of Subsidiary Companies

Rs. Crores

Name of Subsidiary	Tata Refractories Limited @	The Tata Pigments Limited	Kalimati Investment Company Limited	Tata Korf Engineering Services Limited	Tata Incorporated	TM International Logistics Limited @	Jamshedpur Utilities and Services Company Limited	The Indian Steel and Wire Products Limited	Lanka Special Steels Limited	NatSteel Asia Pte. Limited @	Hooghly Met Coke and Power Company Limited	Sila Eastern Limited	Bangla Steel and Mining Company Limited
Funds Employed :													
A. Capital	20.90 11.00	0.75 0.75	16.39 16.39	0.40 0.40	6.69 6.54	18.00 18.00	0.35 0.35	5.99 5.99	1.07 1.07	695.02 135.88	100.05 3.50	0.23 0.22	0.06 —
B. Reserves	161.65 61.47	11.19 9.80	196.53 169.43	(8.15) (8.06)	34.71 30.32	58.44 35.79	9.58 5.41	(31.34) 49.94	0.24 0.13	110.97 16.20	—	1.25 0.24	—
C. Liabilities													
Secured Loans	80.34 37.16	0.08 0.20	—	—	68.86 40.30	13.88 15.93	—	11.48 12.97	6.67 7.62	24.54 48.61	50.00	—	—
Unsecured Loans	8.77 12.96	—	0.75 0.75	3.08 2.69	—	—	—	43.60 52.44	—	823.48 1021.03	36.45	0.28 1.29	—
Deferred Tax Liability	13.86 12.72	0.28 0.37	—	—	0.02	2.49 1.71	(1.58) (0.97)	—	—	15.79 3.45	—	—	—
Minority Interest	—	—	—	—	—	—	—	—	—	27.61 35.68	—	—	—
Provision for Employee Separation Compensation	13.85 16.22	—	—	—	—	—	—	—	—	—	—	—	—
Total Liabilities	116.82 79.06	0.36 0.57	0.75 0.75	3.08 2.69	68.86 40.32	16.37 17.64	(1.58) (0.97)	55.08 65.41	6.67 7.62	891.42 1108.77	86.45	0.28 1.29	—
D. Total Funds Employed	299.37 151.53	12.30 11.12	213.67 186.57	(4.67) (4.97)	110.26 77.18	92.81 71.43	8.35 4.79	29.73 121.34	7.98 8.82	1697.41 1260.85	186.50 3.50	1.76 1.75	0.06 —
Application of Funds :													
E. Assets													
Net Block (including Capital WIP)	191.89 108.76	3.84 4.21	0.35 0.35	0.01 0.02	0.26 0.28	39.00 35.63	6.25 0.85	21.84 106.22	5.11 5.09	447.66 369.66	139.51 0.30	0.11 0.12	—
Investments	1.01 1.01	1.90 1.59	217.48 188.59	—	1.29 1.14	28.89 21.88	3.30 6.05	—	—	92.45 159.40	—	—	—
Purchased Goodwill	—	—	—	—	—	—	—	—	—	101.76 120.49	—	—	—
Net Current Assets	106.47 41.76	6.56 5.32	(4.16) (2.37)	(4.68) (4.99)	108.71 75.76	24.90 13.87	(1.20) (2.30)	6.98 14.13	2.87 3.73	1055.54 611.30	45.23 1.05	1.65 1.63	0.05 —
Miscellaneous Expenditure (to the extent not written off)	—	—	—	—	—	—	—	0.91 0.99	—	—	1.76 2.15	—	0.01 —
Total Assets (Net)	299.37 151.53	12.30 11.12	213.67 186.57	(4.67) (4.97)	110.26 77.18	92.81 71.43	8.35 4.79	29.73 121.34	7.98 8.82	1697.41 1260.85	186.50 3.50	1.76 1.75	0.06 —
F. Turnover	403.77 384.99	19.57 19.40	30.89 47.04	0.01 —	397.89 445.20	261.07 201.50	156.47 107.27	98.02 82.59	24.53 20.26	4052.08 543.95	—	37.08 4.80	—
G. Profit Before Tax	51.66 46.66	2.91 2.46	30.95 49.04	(0.09) (0.46)	6.88 11.92	25.54 26.27	6.71 8.81	5.66 2.42	0.10 0.02	151.81 9.61	—	1.36 0.36	—
H. Provision for Taxation	16.27 17.60	1.00 0.83	0.11 3.00	—	2.24 4.50	4.93 5.55	2.54 3.24	(0.09) —	—	23.32 2.12	—	0.38 0.07	—
I. Profit after Taxes	35.39 29.06	1.91 1.63	30.84 46.04	(0.09) (0.46)	4.64 7.42	20.61 20.72	4.17 5.57	5.75 2.42	0.10 0.02	128.49 7.49	—	0.98 0.29	—
J. Proposed Dividend	8.30 5.50	0.45 0.45	3.28 3.28	—	—	1.80 1.80	—	—	—	—	—	—	—

@ Consolidated Financial Information.



Auditors' Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF TATA STEEL LIMITED
(FORMERLY KNOWN AS THE TATA IRON AND STEEL COMPANY LIMITED)

1. We have audited the attached Consolidated Balance Sheet of TATA STEEL LIMITED ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2006, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, in which are incorporated the returns from the Singapore Branch not audited by us. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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. These 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.
 - (a) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs. 2,133.91 crores as at 31st March, 2006, total revenue of Rs. 4,976.06 crores and net cash flows amounting to Rs. 182.67 crores for the year ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
 - (b) In the case of Southern Steel Berhad, Malaysia ("SSB") which is an associate company of NatSteel Asia Pte. Ltd., ("NatSteel") a subsidiary, the auditors of NatSteel have reported that the carrying value is arrived at by NatSteel after accounting for its share of results in SSB's loss after tax and minority interest, translation gain and dividends of Rs. 14.30 crores, Rs. 2.99 crores and Rs. 7.99 crores respectively for the year ended on 31st March, 2006. The figures used for equity accounting for SSB's results for the period from 1st April, 2005 to 31st March, 2006 are based on the management's estimates and are therefore unaudited.
 - (c) In case of TRL China Limited ("TCL"), a subsidiary of Tata Refractories Limited ("TRL"), a subsidiary of the Company, the auditors in their report on the Consolidated Financial Statements of TRL, have reported that the financial statements and other financial information in respect of TCL, are based on the management's estimate and therefore unaudited (Refer Note 5 of Schedule N).
 - (d) As stated in Note 1 of Schedule N, in case of certain associates, the financial statements as on 31st March, 2006 are not available. The investments in these associates valued at Re. 1 in the Financial Statements of the Company, have not been adjusted in the Consolidated Financial Statements in the absence of their financial statements as on 31st March, 2006.
 - (e) Attention is invited to Note 13 of Schedule N regarding the investment in Millennium Steel Public Company Limited ("Millennium"), being consolidated as an 'Associate' based on legal advice. The figures used for equity accounting of Millennium's result for the period from 22nd March, 2006 to 31st March, 2006 are based on unaudited results reviewed by the auditors of Millennium.

4. Subject to the matters referred to in paragraphs 3 (b) to 3 (e) above :
- (a) We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards ("AS") 21, Consolidated Financial Statements, AS 23 Accounting for Investments in Associates in Consolidated Financial Statements and AS 27 Financial Reporting of interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
 - (b) Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2006;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For A. F. FERGUSON & CO.,
Chartered Accountants,

A. K. MAHINDRA
Partner.
Membership No. : 10296
Mumbai, 18th May, 2006

For S. B. BILLIMORIA & CO.,
Chartered Accountants,

UDAYAN SEN
Partner.
Membership No. : 31220

Consolidated Balance Sheet as at 31st March, 2006

Schedule	Page	FUNDS EMPLOYED :	Rupees crores	As at 31-3-2005 Rupees crores
A	134	1. SHARE CAPITAL	553.00	554.37
B	134	2. RESERVES AND SURPLUS	9728.84	6782.79
		3. TOTAL SHAREHOLDERS' FUNDS	10281.84	7337.16
		4. MINORITY INTEREST	123.57	93.52
		5. LOANS		
C	134	a Secured	2502.74	2668.11
D	135	b Unsecured	874.69	647.52
		c Total Loans	3377.43	3315.63
		6. DEFERRED TAX LIABILITY (NET) (See Note 25, Page 152)	992.18	851.29
		7. PROVISION FOR EMPLOYEE SEPARATION COMPENSATION	1402.56	1530.48
		8. TOTAL FUNDS EMPLOYED	16177.58	13128.08
		APPLICATION OF FUNDS :		
E	135	9. FIXED ASSETS		
		a Gross Block	17988.09	15991.05
		b Less — Assets Impaired	94.19	97.52
		c Less — Depreciation	7105.80	6206.39
		d Net Block	10788.10	9687.14
F	136	10. INVESTMENTS	3478.90	2594.18
		11. GOODWILL ON CONSOLIDATION	12.24	11.29
		12. PURCHASED GOODWILL	101.76	120.49
		13. A. CURRENT ASSETS		
G	136	a Stores and spare parts	496.85	400.74
H	136	b Stock-in-trade	2276.46	2089.16
		c Sundry debtors	1218.72	1324.07
		d Interest accrued on investments	1.10	0.66
I	137	e Cash and Bank balances	776.75	465.73
			4769.88	4280.36
J	137	B. LOANS AND ADVANCES	1138.18	791.61
			5908.06	5071.97
		14. Less :CURRENT LIABILITIES AND PROVISIONS		
K	137	A. Current Liabilities	3292.51	3488.29
L	138	B. Provisions	1074.98	1086.94
			4367.49	4575.23
		15. NET CURRENT ASSETS	1540.57	496.74
M	138	16. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	256.01	218.24
		17. TOTAL ASSETS (Net)	16177.58	13128.08
N	139	Contingent Liabilities (See Note 3, Page 142) NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT		

As per our report attached
For A F FERGUSON & CO.,
Chartered Accountants,
A K MAHINDRA
Partner.

For S B BILLIMORIA & CO.,
Chartered Accountants,
UDAYAN SEN
Partner.

Mumbai, 18th May, 2006

J C BHAM
Company Secretary

For and on behalf of the Board

RATAN N TATA
NUSLI N WADIA
S M PALIA
SURESH KRISHNA
ISHAAT HUSSAIN
JAMSHED J IRANI
B MUTHURAMAN
T MUKHERJEE
A N SINGH

Chairman

Directors

Executive
Directors

Consolidated Profit and Loss Account for the year ended 31st March, 2006

Schedule	Page	INCOME :	Rupees crores	Previous Year Rupees crores
1	132	1. SALE OF PRODUCTS & SERVICES	22272.14	17414.52
		Less — EXCISE DUTY	2027.71	1415.91
			20244.43	15998.61
2	132	2. OTHER INCOME	246.61	182.44
			20491.04	16181.05
		EXPENDITURE :		
4	133	3. MANUFACTURING AND OTHER EXPENSES	14095.75	10031.83
		4. DEPRECIATION	860.37	645.46
			14956.12	10677.29
		5. Less — EXPENDITURE (OTHER THAN INTEREST) TRANSFERRED TO CAPITAL AND OTHER ACCOUNTS	189.66	234.49
			14766.46	10442.80
3	132	6. INTEREST	155.53	198.13
		7. TOTAL EXPENDITURE	14921.99	10640.93
		PROFIT BEFORE TAXES AND EXCEPTIONAL ITEMS	5569.05	5540.12
		8. EMPLOYEE SEPARATION COMPENSATION	(54.20)	(120.57)
		9. PROVISION FOR CONTINGENCIES	—	(0.80)
		10. PROFIT/(LOSS) ON DIVESTMENT	0.13	23.69
		PROFIT BEFORE TAXES	5514.98	5442.44
		11. TAXES		
		(a) CURRENT TAX	1619.97	1875.09
		(b) DEFERRED TAX	144.95	(3.85)
		(c) FRINGE BENEFITS TAX	28.99	—
			1793.91	1871.24
		PROFIT AFTER TAXES	3721.07	3571.20
		12. Less — MINORITY INTEREST	18.64	25.96
		13. Add — SHARE OF PROFITS OF ASSOCIATES	32.19	58.02
			13.55	32.06
		PROFITS AFTER MINORITY INTEREST AND SHARE OF PROFIT OF ASSOCIATES	3734.62	3603.26
		14. BALANCE BROUGHT FORWARD		
		(a) FROM LAST YEAR	1920.31	672.47
		(b) BALANCE OF SILA EASTERN LTD. WHICH BECAME A SUBSIDIARY DURING THAT YEAR ..	—	(0.02)
			1920.31	672.45
		AMOUNT AVAILABLE FOR APPROPRIATIONS	5654.93	4275.71
		15. APPROPRIATIONS :		
		(a) PROPOSED DIVIDENDS	718.64	717.69
		(b) TAX ON DIVIDENDS	103.36	103.73
			822.00	821.42
		(c) SPECIAL RESERVE	6.17	9.21
		(d) GENERAL RESERVE	1528.70	1524.77
			2356.87	2355.40
		BALANCE CARRIED TO BALANCE SHEET	3298.06	1920.31
		Basic and Diluted Earnings per Share (Rs.) (Refer Note 24, Page 152)	67.62	65.27
N	141	NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT		

As per our report attached
to the Balance Sheet
For A F FERGUSON & CO.,
Chartered Accountants,
A K MAHINDRA
Partner.
For S B BILLIMORIA & CO.,
Chartered Accountants,
UDAYAN SEN
Partner.

J C BHAM
Company Secretary

For and on behalf of the Board
RATAN N TATA
NUSLI N WADIA
S M PALIA
SURESH KRISHNA
ISHAAT HUSSAIN
JAMSHED J IRANI
B MUTHURAMAN
T MUKHERJEE
A N SINGH

Chairman

Directors

Executive
Directors

Consolidated Cash Flow Statement for the year ended 31st March, 2006

	Year Ended 31-3-2006 Rs. crores	Year Ended 31-3-2005 Rs. crores
A. Cash Flow from Operating Activities :		
Profit before taxes, minority interest & share of profits of associates	5514.98	5442.44
Adjustments for :		
Depreciation	860.37	645.46
Income from investments	(156.21)	(105.95)
(Profit)/Loss on sale of current investments	(10.53)	(40.36)
(Profit)/Loss on sale of long term investments	(0.13)	(23.69)
(Profit)/Loss on sale of assets/discarded assets written off	(42.14)	(36.11)
Reversal of impairment loss	(3.33)	—
Interest income	(45.96)	(40.47)
Interest charged to Profit and Loss Account	201.49	238.60
Amount received on cancellation of forward covers/options	(37.73)	—
Provision for diminution in value of investments	0.02	0.02
Employee Separation Compensation	54.20	120.57
Provision for warranties	—	0.46
Provision for contingencies	(2.64)	0.80
Foreign exchange gain/(loss) on consolidation	(21.66)	—
Provision for Wealth Tax	1.08	0.72
Amortisation of Goodwill	25.33	2.79
Amortisation of long term expenses	5.31	3.58
	<u>827.47</u>	<u>766.42</u>
Operating Profit before Working Capital Changes	6342.45	6208.86
Adjustments for :		
Trade and Other Receivables	(113.22)	117.40
Inventories	(237.25)	(634.53)
Trade Payables and Other Liabilities	(223.93)	(416.18)
	<u>(574.40)</u>	<u>(933.31)</u>
Cash Generated from Operations	5768.05	5275.55
Direct Taxes paid	(1819.83)	(1866.71)
	<u>(1819.83)</u>	<u>(1866.71)</u>
Cash Flow before Exceptional Items	3948.22	3408.84
Employee Separation Compensation paid	(220.13)	(234.04)
Net Cash from Operating Activities	<u>3728.09</u>	<u>3174.80</u>
B. Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(1932.75)	(2062.14)
Sale of Fixed Assets	51.11	29.65
Pre-operative expenses	(1.75)	—
Purchase of Investments	(8200.72)	(7238.80)
Sale of Investments	7355.95	7133.75
Purchase of Goodwill (net)	(0.56)	(125.21)
Intercorporate Deposits	—	113.00
Interest received	73.27	12.35
Dividend received	156.21	105.95
	<u>(2499.24)</u>	<u>(2031.45)</u>
Exceptional Items :		
Sale of long term investments	0.13	30.62
Net Cash from Investing Activities	<u>(2499.11)</u>	<u>(2000.83)</u>

Consolidated Cash Flow Statement for the year ended 31st March, 2006

	Year Ended 31-3-2006 Rs. crores	Year Ended 31-3-2005 Rs. crores
C. Cash Flow from Financing Activities :		
Issue of Equity Capital	0.73	—
Capital contribution received	—	1.22
Proceeds from borrowings	821.20	201.33
Repayment of borrowings	(776.21)	(695.35)
Amount received on cancellation of forward covers/options	43.76	—
Long term loan expenses	(58.68)	—
Interest paid	(257.95)	(217.91)
Dividend paid	(711.66)	(397.88)
Net Cash from Financing Activities	(938.81)	(1108.59)
Net increase/(decrease) in Cash and Cash equivalents (A+B+C)	290.17	65.38
Cash and Cash equivalents as at 1st April (as per Schedule I, Page No. 137)	(iv) 486.58	400.35
Cash and Cash equivalents as at 31st March (as per Schedule I, Page No. 137)	776.75	465.73

- Notes :** (i) Figures in brackets represent outflows.
- (ii) Interest paid is exclusive of, and purchase of Fixed Assets is inclusive of, interest capitalised **Rs. 4.92** crores (2004-2005 : Rs. Nil).
- (iii) Proceeds from borrowing includes translation gain on foreign currency loans **Rs. 15.27** crores (31.03.2005 : Gain of Rs. 5.61 crores) which has been included in purchase of Fixed Assets.
- (iv) Includes **Rs. 20.85** crores of opening Cash and Cash equivalents in the books of The Dhamra Port Company Limited (Rs. 0.04 crore), Southern NatSteel (Xiamen) Ltd. (Rs. 19.73 crores) and NatSteel Vina Co. Ltd. (Rs. 1.08 crores) which became joint ventures of the group during the period.
- (v) Previous year figures have been recast/restated wherever necessary.

As per our report attached
to the Balance Sheet
For A F FERGUSON & CO.,
Chartered Accountants,
A K MAHINDRA
Partner.
For S B BILLIMORIA & CO.,
Chartered Accountants,
UDAYAN SEN
Partner.
Mumbai, 18th May, 2006

J C BHAM
Company Secretary

For and on behalf of the Board

RATAN N TATA		Chairman
NUSLI N WADIA	}	Directors
S M PALIA		
SURESH KRISHNA		
ISHAAT HUSSAIN		
JAMSHED J IRANI		
B MUTHURAMAN	}	Executive Directors
T MUKHERJEE		
A N SINGH		

Schedules forming part of the Consolidated profit and loss account

SCHEDULE 1 : SALE OF PRODUCTS AND SERVICES :—
(Item No. 1, Page 129)

	Rupees crores	<i>Previous Year Rupees crores</i>
(a) Sale of products	21474.03	16719.37
(b) Sale of power and water	380.96	332.08
(c) Income from services, sale of miscellaneous goods and stores, rent etc.	417.15	363.07
	<u>22272.14</u>	<u>17414.52</u>

SCHEDULE 2 : OTHER INCOME :—
(Item No. 2, Page 129)

	Rupees crores	<i>Previous Year Rupees crores</i>
(a) Income from Investments	156.21	105.95
(b) Profit on sale/redemption of current investments	10.53	40.36
(c) Profit on sale of capital assets (net of loss on assets sold/scrapped/written off)	42.14	36.11
(d) Gain on swaps and cancellation of forward covers/options	37.73	0.02
	<u>246.61</u>	<u>182.44</u>

SCHEDULE 3 : INTEREST :—
(Item No. 6, Page 129)

	Rupees crores	<i>Previous Year Rupees crores</i>
1. Interest on		
(i) Debentures and Fixed Loans	163.80	216.30#
(ii) Others	42.61	22.30
	<u>206.41</u>	<u>238.60</u>
Less — Interest capitalised	4.92	—
	<u>201.49</u>	<u>238.60</u>
2. Less :		
Interest received on sundry advances, deposits, customers' balances etc.	45.96	40.47
	<u>155.53</u>	<u>198.13</u>

Includes provision of Rs. 29.35 crores in respect of earlier years.

Schedule forming part of the Consolidated profit and loss account

SCHEDULE 4 : MANUFACTURING AND OTHER EXPENSES :— (Item No. 3, Page 129)

	Rupees crores	Previous Year Rupees crores
1. PURCHASE OF FINISHED, SEMI-FINISHED STEEL AND OTHER PRODUCTS	4210.36	2327.08
2. RAW MATERIALS CONSUMED :		
(a) Opening Stock	646.78	328.90
(b) Add — (i) Purchases	1972.99	1424.83
(ii) Cost of raw materials produced	615.76	737.07
	3235.53	2490.80
(c) Less — Closing Stock	740.13	646.78
	2495.40	1844.02
3. PAYMENTS TO AND PROVISION FOR EMPLOYEES :		
(a) Wages and salaries, including bonus	1473.91	1166.70
(b) Company's contributions to provident and other funds	198.55	247.72
	1672.46	1414.42
4. OPERATION AND OTHER EXPENSES :		
(a) Stores consumed	755.17	617.63
(b) Fuel oil consumed	160.87	110.96
(c) Repairs to buildings	45.59	38.29
(d) Repairs to machinery	677.87	655.81
(e) Relining expenses	48.68	27.93
(f) Conversion charges	556.78	567.12
(g) Purchase of power	972.83	731.70
(h) Rent	46.54	28.17
(i) Royalty	172.79	152.37
(j) Rates and taxes	62.69	91.37
(k) Insurance charges	30.25	15.49
(l) Commission, discounts and rebates	80.74	86.61
(m) Provision for wealth tax	1.08	0.72
(n) Adjustments relating to previous years (net)	(56.28)	(82.04)
(o) Other expenses [including provision for diminution in the value of investments Rs. 0.02 crore (previous year Rs. 0.02 crore) and goodwill written off Rs. 25.33 crores (previous year Rs. 2.79 crores)]	968.72	682.49
	4524.32	3724.62
5. FREIGHT AND HANDLING CHARGES	1225.43	992.20
6. PROVISION FOR DOUBTFUL DEBTS AND ADVANCES	14.78	18.51
	14142.75	10320.85
7. ACCRETION/(REDUCTION) IN STOCKS OF FINISHED AND SEMI-FINISHED PRODUCTS AND WORK-IN-PROGRESS ADDED/(DEDUCTED) :		
(a) Opening Stock	1489.33#	1153.36@
(b) Less — Closing Stock	1536.33	1442.38
	(47.00)	(289.02)
	14095.75	10031.83

Includes Rs. 46.95 crores for NatSteel Vina Co. Ltd. and Southern NatSteel (Xiamen) Ltd. that has become Joint Venture during the year.

@ Includes Rs. 434.00 crores for NatSteel Asia Pte. Ltd. and its subsidiaries that have become subsidiaries with effect from 15th February, 2005.

Schedules forming part of the Consolidated balance sheet

SCHEDULE A : SHARE CAPITAL :—

(Item No. 1, Page 128)

Authorised :	
600,000,000	Ordinary Shares of Rs. 10 each
25,000,000	Cumulative Redeemable Preference Shares of Rs. 100 each
Issued :	
553,403,477@	Ordinary Shares of Rs. 10 each (31.03.2005 : 552,670,877 Ordinary shares of Rs. 10 each)
Subscribed :	
552,801,401@	Ordinary Shares of Rs. 10 each fully paid up (31.03.2005 : 552,068,801 Ordinary shares of Rs. 10 each) Add — Amount paid up on 389,516 (31.03.2005 : 389,516) Ordinary Shares forfeited
	Advance against Share Capital in a Subsidiary/Joint Venture

@ Excludes 671,455 (31.03.2005 : 1,404,055) Ordinary Shares held by a Subsidiary.

Rupees crores	As at 31-3-2005 Rupees crores
600.00	600.00
250.00	250.00
<u>850.00</u>	<u>850.00</u>
<u>553.40</u>	<u>552.67</u>
552.80	552.07
0.20	0.20
—	2.10
<u>553.00</u>	<u>554.37</u>

SCHEDULE B : RESERVES AND SURPLUS :—

(Item No. 2, Page 128)

(a) Securities Premium Account	829.20	829.44
(b) Amalgamation Reserve	1.12	1.12
(c) Debenture Redemption Reserve	646.00	646.00
(d) Capital Redemption Reserve	20.78	20.78
(e) Capital Reserve	15.96	0.90
(f) Capital Reserve (arising on Consolidation)	11.03	9.12
(g) General Reserve	4737.46	3197.80
(h) Investment Allowance (Utilised) Reserve	0.23	0.39
(i) Export Profits Reserve	1.25	1.25
(j) Foreign Currency Translation Reserve	11.01	5.11
(k) Contributions for Capital Expenditure	37.06	37.06
(l) Contingency Reserve	100.00	100.00
(m) Debenture Forfeiture Account	0.04	0.04
(n) Special Reserve	19.64	13.47
(o) Profit and Loss Account	3298.06	1920.31
	<u>9728.84</u>	<u>6782.79</u>

SCHEDULE C : SECURED LOANS :—

(Item No. 5(a), Page 128)

(a) Banks and Financial Institutions	63.47	294.99
(b) Joint Plant Committee-Steel Development Fund [including funded interest Rs. 222.32 crores (As at 31.03.2005 : Rs. 200.03 crores)]	1609.25	1497.67
(c) Privately Placed Non-Convertible Debentures	462.50	550.00
(d) Working Capital Demand Loan/Term Loans from Banks	295.28	158.54
(e) Cash credits/Packing credits from Banks	72.21	166.80
(f) Government of India	0.02	0.02
(g) Assets under lease	0.01	0.09
	<u>2502.74</u>	<u>2668.11</u>

Schedules forming part of the Consolidated balance sheet

SCHEDULE D : UNSECURED LOANS :— (Item No. 5(b), Page 128)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Fixed Deposits (including interest accrued and due)	36.94	59.00
(b) Housing Development Finance Corporation Ltd.	12.35	15.68
(c) Government of Orissa	—	3.56
(d) Banks and Financial Institutions	810.17	566.27
(e) Interest Free Loans Under Sales Tax Deferral Scheme	0.57	1.77
(f) Others	14.66	1.24
	874.69	647.52

SCHEDULE E : FIXED ASSETS :— (Item No. 9, Page 128)

	Rupees crores									
Fixed Assets	Gross Block as at 1.4.2005	Assets of new Companies (1)	Additions (2),(7)&(8)	Deductions (3)	Gross Block as at 31.3.2006	Impairment Loss (10)	Accumulated depreciation of the new Companies	Depreciation for 2005-2006	Total Depreciation to 31.3.2006 (7)	Net Block as at 31.3.2006
1. Land and Roads (4)	192.63	—	10.60	0.43	202.80	92.94	—	1.90	15.54	94.32
	172.76	18.53	4.66	3.32	192.63	92.94	3.81	1.36	13.42	86.27
2. Buildings (5) & (11)	987.16	20.52	42.40	0.82	1,049.26	1.25	7.46	31.22	313.31	734.70
	852.01	125.38	13.64	3.87	987.16	1.25	39.65	23.35	271.60	714.31
3. Leaseholds (13)	10.86	8.29	132.90	0.61	151.44	—	—	1.06	3.15	148.29
	4.78	6.18	(0.06)	0.04	10.86	—	0.84	0.15	1.85	9.01
4. Railway Sidings	94.71	—	20.18	0.39	114.50	—	—	4.47	54.41	60.09
	94.70	—	0.01	—	94.71	—	—	4.07	50.32	44.39
5. Plant and Machinery (6)	12,334.92	52.51	1,980.86	16.45	14,351.84	—	33.39	717.27	6,428.35	7,923.49
	11,430.42	362.34	731.76	189.60	12,334.92	—	109.06	587.67	5,682.54	6,652.38
6. Furniture, Fixtures and Office Equipment (12)	123.79	6.83	21.82	1.72	150.72	—	5.68	11.14	86.11	64.61
	100.43	13.98	11.69	2.31	123.79	—	7.17	6.69	69.14	54.65
7. Development of Property (9) & (14)	100.88	—	225.21	—	326.09	—	—	72.52	104.47	221.62
	33.49	—	67.39	—	100.88	—	—	6.19	31.96	68.92
8. Livestock and Vehicles	199.04	1.88	9.67	11.18	199.41	—	1.54	14.06	69.86	129.55
	103.89	13.85	86.51	5.21	199.04	—	8.33	9.97	61.70	137.34
9. Intangible Assets (15)	47.69	—	36.93	—	84.62	—	—	6.73	30.60	54.02
	44.34	—	3.35	—	47.69	—	—	6.01	23.86	23.83
	14,091.68	90.03	2,480.57	31.60	16,630.68	94.19	48.07	860.37	7,105.80	9,430.69
	12,836.82	540.26	918.95	204.35	14,091.68	94.19	168.86	645.46	6,206.39	7,791.10
10. Buildings, Plant & Machinery etc. under erection (including advances for capital expenditure Rs.325.93 crores As at 31.03.2005 : <i>Rs.221.87</i> crores)					1,357.41	—	—	—	—	1,357.41
					1,899.37	3.33	—	—	—	1,896.04
					17,988.09	94.19	168.86	645.46	7,105.80	10,788.10
					15,991.05	97.52	—	—	6,206.39	9,687.14

- (1) Represents assets and accumulated depreciation of TKM Overseas Transport (Europe) GmbH, which became Subsidiary and Southern NatSteel (Xiamen) Ltd. and NatSteel Vina Co. Ltd. which became Joint Ventures of the Company. Previous years figures represents assets and accumulated depreciation of TKM Transport Management Services (Pvt.) Ltd., Hooghly Met Coke and Power Company Limited, Sila Eastern Limited and NatSteel Asia Pte. Ltd. and its subsidiaries which became subsidiaries of the Company during that year.
- (2) Additions include adjustments for *inter se* transfers.
- (3) Deductions include cost of assets scrapped/ sold/ surrendered during the year.
- (4) Includes Land at Gopalpur for which registration of conveyance is under process.
- (5) Buildings include **Rs. 2.32** crores (31.3.2005 : *Rs. 2.32* crores) being cost of shares in Co-operative Housing Societies & Limited Companies.
- (6) Plant & Machinery includes wagons given on lease to Railways under Own Your Wagon Scheme **Rs. 20.20** crores (31.3.2005 : *Rs. 20.20* crores)
- (7) Additions and depreciation includes **Rs. 33.17** crores and **Rs. 13.60** crores respectively for adjustment on account of Foreign Subsidiary Currency Realignment.
- (8) Please see Note 17, Page 144 for realignment of the value of foreign currency loans on fixed assets.
- (9) Development of Property represents expenditure incurred on development of mines/ collieries.
- (10) Impairment during the current period is **Rs. Nil** (31.3.2005 : *Rs. 97.52* crores).
- (11) Additions in the current period includes reversal of **Rs. 3.33** crores (31.3.2005 : *Rs. Nil*) impaired during 2004-05 and credited to Sale of Products and other services in the current period.
- (12) Additions include **Rs. 0.03** crore (31.3.2005 : *Rs. Nil*) regrouped under Furniture and Fixture from Plant and Machinery.
- (13) Additions includes land acquired in Jajpur District, Orissa for a lease period of 84 years.
- (14) Additions include **Rs. 212.52** crores towards various charges relating to mining leases in accordance with the guidelines dated 23rd December, 2002 and subsequent directives issued by the Ministry of Environment and Forests under the Forest (Conservation) Act, 1980. The depreciation for the current year includes **Rs. 63.27** crores on account of amortisation of the same including **Rs. 41.14** crores for earlier years.
- (15) Intangible assets include computer software, regrouped from Plant & Machinery and Furnitures, Fixtures.

Schedules forming part of the Consolidated balance sheet

SCHEDULE F : INVESTMENTS :—
(Item No. 10, Page 128)

A. LONG TERM INVESTMENTS

(At Cost less provision for diminution in value)

1. In Associates

Cost of investment 448.16
(including **Rs. 54.85** crores (As at 31.03.2005 : Rs. 9.87 crores) of Goodwill net of Capital Reserve arising on consolidation)

Add – Share of post acquisition profit/loss (net) 106.82

**Rupees
crores**

As at
31-3-2005
Rupees
crores

224.21

90.79

315.00

2. OTHERS

(a) Shares (Quoted) 327.20

(b) Shares (Unquoted) 472.45

554.98

327.20

472.45

260.69

451.19

B. CURRENT INVESTMENTS (at lower of cost and fair value)

(Quoted)

3. Units in Unit Trust of India 10.21

4. Others 23.79

10.21

23.79

10.21

23.68

34.00

33.89

(Unquoted)

5. Investment in Mutual Funds 2090.27

2090.27

1533.41

3478.90

2594.18

SCHEDULE G : STOCK-IN-TRADE :—

(Item No. 13A(b), Page 128)

(a) Finished and semi-finished products produced and purchased by the Company, at lower of cost and net realisable value (including purchased goods-in-transit at cost) 1509.22

(b) Work-in-progress (at lower of cost and net realisable value) 27.11

(c) Coal, iron ore and other raw materials produced and purchased by the Company, at lower of cost and net realisable value (including purchased raw materials-in-transit at cost) 740.13

**Rupees
crores**

As at
31-3-2005
Rupees
crores

1407.10

35.28

1442.38

740.13

646.78

2276.46

2089.16

SCHEDULE H : SUNDRY DEBTORS :—

(Item No. 13A(c), Page 128)

(a) Over six months old 157.29

(b) Others 1135.52

**Rupees
crores**

As at
31-3-2005
Rupees
crores

156.75

1246.19

1402.94

Less — Provision for doubtful debts 74.09

74.09

78.87

1218.72

1324.07

Sundry debts, secured and considered good 0.29

Sundry debts, unsecured and considered good 1218.43

Sundry debts, considered doubtful 74.09

**Rupees
crores**

As at
31-3-2005
Rupees
crores

0.31

1323.76

78.87

1292.81

1402.94

Schedules forming part of the Consolidated balance sheet

SCHEDULE I : CASH AND BANK BALANCES :— (Item No. 13A(e), Page 128)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Cash in hand (including cheques in hand Rs. 95.35 crores As at 31.03.2005 : Rs. 114.01 crores)	100.50	117.77
(b) Remittance in transit	57.80	45.94
(c) With Scheduled Banks	246.48	138.86
(d) With Other Banks	371.97	163.16
	<u>776.75</u>	<u>465.73</u>

SCHEDULE J : LOANS AND ADVANCES :— (Item No. 13B, Page 128)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Advances with public bodies	378.63	306.19
(b) Other advances	685.15	473.68
(c) Advance payment against taxes	158.52	94.75
	<u>1222.30</u>	<u>874.62</u>
Less — Provision for doubtful advances	84.12	83.01
	<u>1138.18</u>	<u>791.61</u>

	Rupees crores	As at 31-3-2005 Rupees crores
Loans and Advances, secured and considered good	0.04	0.03
Loans and Advances, unsecured and considered good	1138.14	791.58
Loans and Advances, considered doubtful	84.12	83.01
	<u>1222.30</u>	<u>874.62</u>

SCHEDULE K : CURRENT LIABILITIES :— (Item No. 14A, Page 128)

	Rupees crores	As at 31-3-2005 Rupees crores
(a) Acceptances	0.96	8.42
(b) Sundry creditors :		
(i) For goods supplied	1107.66	1070.32
(ii) For accrued wages and salaries	672.92	555.03
(iii) For other liabilities	1246.28	1516.34
	<u>3026.86</u>	<u>3141.69</u>
(c) Interest accrued but not due	28.89	85.48
(d) Advances received from customers	205.57	225.46
(e) Liability towards Investors Education and Protection Fund under Section 205C of the Companies Act, 1956		
Due as on 31.03.2006		
(i) Unpaid Dividends	—	—
(ii) Application Money Pending Refund	—	—
(iii) Unclaimed Matured Deposits	0.01	0.04
(iv) Unclaimed Matured Debentures	—	—
(v) Interest Accrued on (i) to (iv) above	0.06	0.03
	<u>0.07</u>	<u>0.07</u>
Not Due as on 31.03.2006		
(i) Unpaid Dividends	21.55	15.52
(ii) Application Money Pending Refund	0.01	—
(iii) Unclaimed Matured Deposits	3.80	4.55
(iv) Unclaimed Matured Debentures	3.96	6.36
(v) Interest Accrued on (i) to (iv) above	0.84	0.74
	<u>30.16</u>	<u>27.17</u>
	<u>3292.51</u>	<u>3488.29</u>

Schedules forming part of the Consolidated balance sheet

SCHEDULE L : PROVISIONS :—
(Item No. 14B, Page 128)

	Rupees crores	<i>As at 31-3-2005 Rupees crores</i>
(a) Provision for retiring gratuities	13.23	20.84
(b) Provision for taxation	336.93	343.49
(c) Provision for Fringe Benefits Tax	3.90	—
(d) Proposed dividends	718.64	717.69
(e) Provision for contingencies	2.28	4.92
	<u>1074.98</u>	<u>1086.94</u>

SCHEDULE M : MISCELLANEOUS EXPENDITURE (to the extent not written off) :—
(Item No. 16, Page 128)

	Rupees crores	<i>As at 31-3-2005 Rupees crores</i>
(a) Employee Separation Compensation	254.18	218.24
(b) Preliminary Expenditure	1.83	—
	<u>256.01</u>	<u>218.24</u>

Mumbai, 18th May, 2006

J C BHAM
Company Secretary

Signatures to Schedules 1 to 4 and
A to M and Notes on pages 139 to 152

For and on behalf of the Board

RATAN N TATA	}	Chairman
NUSLI N WADIA		}
S M PALIA		
SURESH KRISHNA		
ISHAAT HUSSAIN		
JAMSHED J IRANI	}	Executive Directors
B MUTHURAMAN		
T MUKHERJEE		
A N SINGH		

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06

1. Principles of Consolidation :

The Consolidated Financial Statements relate to Tata Steel Limited ("the Company") and its subsidiary companies. The Consolidated Financial Statements have been prepared on the following basis :

- The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 21 – Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.
- In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at the rates prevailing at the end of the year. Exchange gains/(losses) arising on conversion are recognised under Foreign Currency Translation Reserve.
- Investments in Associate Companies have been accounted under the equity method as per Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.
- Interests in Joint Ventures have been accounted by using the proportionate consolidation method as per Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures issued by The Institute of Chartered Accountants of India.
- The financial statements of the subsidiaries, associates and joint ventures used in the consolidation are drawn up to the same reporting date as that of the Company i.e. 31st March, 2006, except for certain associates (as indicated # below) for which financial statements as on reporting date are not available. These have been consolidated based on last available financial statements.
- The excess of cost to the Company, of its investment in the subsidiary company and Joint Venture over the Company's portion of equity is recognised in the financial statement as Goodwill.
- The excess of the Company's portion of equity of the subsidiary and joint venture on the acquisition date over its cost of investment is treated as Capital Reserve.
- Minority interest in the net assets of consolidated subsidiaries consists of :
 - a) The amount of equity attributable to minorities at the date on which investment in a subsidiary is made; and
 - b) The minorities' share of movements in equity since the date the parent subsidiary relationship came into existence.
- Minority interest's share of net profit for the year of consolidated subsidiaries is identified and adjusted against the profit after tax of the group.
- Intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated.

The list of subsidiary companies and joint ventures which are included in the consolidation and the Company's holdings therein are as under :

Name of the Company	Ownership in % either directly or through Subsidiaries		Country of incorporation
	2005-06	2004-05	
Subsidiaries			
Kalimati Investment Company Limited	100.00	100.00	India
Tata Refractories Limited	71.28	61.48	India
The Tata Pigments Limited	100.00	100.00	India
Tata Korf Engineering Services Limited	99.99	99.99	India
Tata Incorporated	100.00	100.00	USA
TM International Logistics Limited	51.00	51.00	India
The Indian Steel and Wire Products Limited	91.36	91.36	India
Lanka Special Steels Limited	100.00	100.00	Sri Lanka
Jamshedpur Utilities and Services Company Limited	100.00	99.98	India
Sila Eastern Limited	49.00	49.00	Thailand
Hooghly Met Coke and Power Co. Ltd.	97.99	97.99	India
NatSteel Asia Pte. Ltd.	100.00	100.00	Singapore
NatSteel Asia (S) Pte. Ltd.	100.00	100.00	Singapore
Burwill Trading Pte. Ltd.	100.00	100.00	Singapore
NatFerrous Pte. Ltd.	100.00	100.00	Singapore
NatSteel Trade International Pte. Ltd.	60.00	60.00	Singapore
Siam Industrial Wire Company Ltd.	100.00	100.00	Thailand
Wuxi Jinyang Metal Products Co. Ltd.	95.00	65.00	China
Best Bar Pty. Ltd.	71.00	71.00	Australia
Eastern Steel Services Pte. Ltd.	100.00	100.00	Singapore
Eastern Wire Pte. Ltd.	100.00	100.00	Singapore
EW Reinforcement Pty. Ltd.	100.00	100.00	Australia
NatSteel Equity IV Pte. Ltd.	100.00	100.00	Singapore
Easteel Construction Services Pte. Ltd.	100.00	100.00	Singapore
Materials Recycling Pte. Ltd.	100.00	100.00	Singapore
NatSteel Trade International (Shanghai) Company Ltd.	60.00	60.00	China
Best Bar (VIC) Pte. Ltd.	71.00	71.00	Australia
Easteel Services (M) Sdn. Bhd.	100.00	100.00	Malaysia
PT Materials Recycling Indonesia	100.00	100.00	Indonesia
Eastern Steel Fabricators Philippines, Inc.	67.00	67.00	Philippines
Kalimati Coal Company Pty. Ltd.	100.00	—	Australia
International Shipping Logistics Fze	100.00	100.00	Dubai
TKM Transport Management Services Ltd.	100.00	100.00	India
TKM Overseas Transport (Europe) GmbH	100.00	—	Germany
TRL Asia Private Limited	100.00	—	Singapore
TRL China Limited	100.00	—	China
Bangla Steel & Mining Co. Ltd.	100.00	—	Bangladesh
Joint Ventures			
Metaljunction Services Limited	50.00	50.00	India
Tata Ryerson Limited	50.00	50.00	India
The Dhamra Port Company Limited	50.00	—	India
Southern NatSteel (Xiamen) Ltd.⁵	50.00	—	China
NatSteel Vina Co. Ltd.⁵	33.90	—	Vietnam

(a) 2,40,386 Shares (31.03.2005 : 2,40,386 Shares) and 1,59,600 Shares (31.03.2005 : 1,59,600 Shares) of Rs.10/- each in Tata Korf Engineering Services Limited are held by the Company and by Kalimati Investment Company Limited, respectively.

@ Subsidiary on account of management control.

\$ Earlier an Associate Company, became a Joint Venture during the year.

**SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR 2005-06 :- continued**

The Associates of the Company and the ownership interest are as follows :

Name of the Company	% Share held	Original Cost of Investment	Goodwill/(Capital Reserve)	Accumulated Profit/(Loss) as at 31.03.06	Carrying amount of Investments as at 31.03.06
		Rs. crores	Rs. crores	Rs. crores	Rs. crores
Adityapur Toll Bridge Company Limited (Re.1/-)(a)#	49.18 49.18	0.35 0.35	—	(0.35) (0.35)	—
Almora Magnesite Limited	39.00 39.00	0.78 0.78	—	(0.06) (0.50)	0.72 0.28
Indian Steel Rolling Mills Limited (Re.1/-)(a)#	20.56 20.56	—	—	—	—
Jamshedpur Injection Powder Limited	30.00 30.00	3.38 3.38	0.01 0.01	7.40 6.69	10.78 10.07
Kalinga Aquatics Limited (Re.1/-)(a)#	30.00 30.00	—	—	—	—
Kumardhubi Fireclay & Silica Works Limited (Re.1/-)(a)#	27.78 27.78	—	—	—	—
Kumardhubi Metal Casting & Engineering Limited (Re.1/-)(a)#	49.31 49.31	—	—	—	—
Metal Corporation of India Limited (Re.1/-)(a)#	42.05 42.05	—	—	—	—
Millennium Steel Public Company Limited (b)	24.99 —	279.68 —	44.98 —	(1.16) —	278.52 —
NatSteel Vina Co. Ltd.*	33.90 33.90	—	—	—	—
Nicco Jubilee Park Limited (Re.1/-)(a)#	21.60 21.60	0.35 0.35	—	(0.35) (0.35)	12.19 —
Nilachal Refractories Limited (c)	— 49.63	—	—	—	—
Rujuvalika Investments Limited	24.12 24.12	0.60 0.60	(0.29) (0.29)	1.00 0.71	1.60 1.31
Southern NatSteel (Xiamen) Ltd.*	50.00 40.68	— 43.73	—	— ** 1.01	— 44.74
Southern Steel Berhad	27.03 27.03	100.13 100.13	—	** (11.84) **2.30	88.29 102.43
Srutech Tubes (India) Private Limited	20.00 20.00	—	—	0.06 0.05	0.06 0.05
Steel Asia Development and Management Corporation	40.00 40.00	—	—	—	—
Steel Asia Industries, Inc.	50.00 50.00	—	—	—	—
Steel Asia Manufacturing Corporation	40.00 40.00	—	—	—	—
Tata Construction & Projects Limited (Re.1/-)(a)#	29.66 29.66	—	—	—	—
Tata Metaliks Limited	47.65 47.65	16.15 16.15	3.29 3.29	55.62 39.00	71.77 55.15
Tata Sponge Iron Limited	39.74 39.74	7.20 7.20	6.29 6.29	59.99 54.98	67.19 62.18
Tayo Rolls Limited	36.53 36.53	3.36 3.36	0.03 0.03	10.03 7.42	13.39 10.78
The Tinplate Company of India Limited	31.89 31.89	30.09 30.09	—	(25.32) (30.09)	4.77 —
TKM Overseas Limited	49.00 49.00	1.13 1.13	—	** 0.15 —	1.28 1.13
TRF Limited	36.32 36.32	4.96 4.96	0.54 0.54	11.65 9.73	16.61 14.69
Total		448.16 224.21	54.85 9.87	106.82 90.79	554.98 315.00

* Earlier an Associate Company, became a Joint Venture during the year.

 ** Includes **Rs. 8.38** crores gain (2004-05 : *Rs. 1.85 crores loss*) on account of foreign currency translation.

- The investments in these associates have been reported at Nil value as the Company's share of losses exceeds the carrying amount of investment.
- Part of the year.
- Ceased to be an Associate during the year.

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

2. Accounting Policies :

- (i) **General** : The financial statements are prepared under the historical cost convention on an accrual basis and in conformity with accounting standards issued by The Institute of Chartered Accountants of India.
- (ii) **Sale of Products and Services** : Sales comprise sale of goods and services, net of trade discounts and include exchange differences arising on sales transactions. Export incentive under Duty Entitlement Pass Book Scheme has been recognised on the basis of credits afforded in the pass book.
- (iii) **Gratuity** : Provision for gratuity liability to employees is made on the basis of actuarial valuation.
- (iv) **Leave Salaries** : Provision is made for value of unutilised leave due to employees at the end of the year.
- (v) **Relining Expenses** : Relining expenses other than expenses on Blast Furnace relining are charged as an expense in the year in which they are incurred.
- (vi) **Research and Development** : Research and Development costs (other than the cost of fixed assets acquired) are charged as an expense in the year in which they are incurred.
- (vii) **Depreciation** :

- (I) Capital assets whose ownership does not vest in the Company have been depreciated on a straight line basis over the estimated period of their utility or five years, whichever is less.
- (II) In respect of other assets, depreciation is provided on a straight line basis applying the rates specified in Schedule XIV to the Companies Act, 1956 as under :
 - a) In respect of plant and machinery, railway siding, building and vehicles acquired before 01.04.1993 the specified period has been recalculated by applying the revised rates in force in terms of the notification dated 16.12.1993 and the unamortised value of the asset has been allocated equally over the remaining part of the specified period and on assets acquired after 31.03.1993 at the revised rates.
For the purposes of determining the appropriate depreciation rates plant and machinery falling in the category of continuous process plants has been identified on the basis of technical opinion obtained by the Company. Extra shift depreciation, wherever applicable is calculated on actual shift basis in respect of each mill/shop/unit.
 - b) In respect of furniture, fixtures and office equipment acquired before 01.04.1993 at the rates in force prior to the above mentioned notification and at the revised rates for assets acquired thereafter.
 - c) Development of property and mining rights are depreciated over the useful life of the mine or lease period whichever is shorter.
 - d) Blast Furnace relining is depreciated over a period of 10 years (average expected life).
 - e) Freehold land is not depreciated.
 - f) Leasehold land is amortised over the life of the lease.

In some subsidiaries, joint ventures and associates depreciation is calculated on written down value basis and intangible assets are amortised over the period for which the rights are obtained. The depreciation charge in respect of these units is not significant in the context of the consolidated financial statements.

In case of certain foreign subsidiaries, the assets are depreciated on a straight line basis over the estimated useful lives of the assets.

- (viii) **Foreign Exchange Transactions** : Foreign Currency Transactions (FCT) and forward exchange contracts used to hedge FCT (including firm commitments and forecast transactions) are initially recognised at the spot rate on the date of the transaction/contract.

Monetary assets and liabilities relating to foreign currency transactions and forward exchange contracts remaining unsettled at the end of the year are translated at year end rates.

The differences in translation and realised gains and losses on foreign exchange transactions (including option contracts), other than those relating to fixed assets are recognised in the Profit and Loss Account. Further in respect of transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss account over the period of the contract. Exchange difference relating to monetary items that are in substance forming part of the Company's net investment in non integral foreign operations are accumulated in Foreign Currency Translation Reserve Account.

Exchange differences (including arising out of forward exchange contracts) in respect of liabilities incurred to acquire fixed assets prior to 1st April, 2004, are adjusted to the carrying amount of such fixed assets.

- (ix) **Fixed Assets** : All fixed assets are valued at cost less depreciation. Pre-operation expenses including trial run expenses (net of revenue) are capitalised. Interest on borrowings and financing costs during the period of construction is added to the cost of fixed assets. Blast Furnace relining is capitalised. The written down value of the asset consisting of lining/relining expenditure embedded in the cost of the furnace is written off in the year of fresh relining. For assets identified for replacement during future relining, the written down value is depreciated proportionately over the period to the planned relining date.

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

- (x) **Investments** : Long-term investments are carried at cost less provision for permanent diminution in value of such investments. Current investments are carried at lower of cost and fair value. Stock in trade has been valued at cost or at available market quotation whichever is lower scripwise. When investment is made in partly convertible debentures with a view to retain only the convertible portion of the debentures, the excess of the face value of the non-convertible portion over the realisation on sale of such portion is treated as part of the cost of acquisition of the convertible portion of the debenture.
- (xi) In one subsidiary, the income from services are recognised upon completion of the relevant shipping activities and related services. Income and expenses relating to incomplete voyages are carried forward as voyages-in-progress. Despatch earnings are accounted for on receipt basis.
Sales from Port related services and Freight income amounted to **Rs. 259.37** crores (2004-05 : Rs. 200.20 crores).
- (xii) **Inventories** : Finished and semi-finished products produced and purchased are carried at lower of cost and net realisable value. Purchased goods-in-transit are carried at cost.
Work-in-progress is carried at lower of cost and net realisable value.
Coal, iron ore and other raw materials produced and purchased by the Company are carried at lower of cost and net realisable value. Purchased raw materials-in-transit are carried at cost.
Stores and spare parts are carried at or below cost.
Cost of inventories is generally ascertained on the 'weighted average' basis. Work-in-progress and finished and semi-finished products are valued on full absorption cost basis.
- (xiii) **Miscellaneous Expenditure** : In respect of the schemes of Early Separation Compensation, net present value of the future liability for pension payable is amortised equally over five years.
The increase in the net present value of the future liability for pension payable to employees who have opted for retirement under the Early Separation Scheme (ESS) of the Company is charged to the Profit and Loss account.
- (xiv) Compensation under the Employees Family Benefit Scheme of the Company is calculated on the basis of the net present value of the future monthly payments and charged to Profit and Loss Account.
- (xv) **Deferred Tax** : Is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

3. Contingent Liabilities :
(a) Guarantees :-

The Company has given guarantees aggregating **Rs. 219.56** crores (31.03.2005 : Rs. 385.01 crores) to banks and financial institutions on behalf of others. As at 31st March, 2006 the contingent liabilities under these guarantees amounted to **Rs. 219.56** crores (31.03.2005 : Rs. 385.01 crores).

(b) Claims not acknowledged by the Company relating to the following areas :

	Financial year 2005-06 Rs. Crores	<i>Financial year 2004-05 Rs. Crores</i>
(i) Excise	204.91	<i>53.09</i>
(ii) Customs	21.16	<i>25.23</i>
(iii) Sales Tax	299.56	<i>351.79</i>
(iv) State Levies	107.12	<i>92.50</i>
(v) Suppliers and Service Contract	110.59	<i>116.03</i>
(vi) Labour Related	32.01	<i>30.12</i>
(vii) Income Tax	75.49	<i>85.53</i>
(viii) Others	90.40	<i>27.99</i>

- (c) Claim by a party arising out of conversion arrangement - **Rs. 195.82** crores (31.03.2005 : Rs. 195.82 crores). The Company has not acknowledged this claim and has instead filed a claim of **Rs. 139.65** crores (31.03.2005: Rs. 139.65 crores) on the party. The matter is pending before the Calcutta High Court.
- (d) The Excise Department has raised a demand of **Rs. 235.48** crores (31.03.2005 : Rs. Nil) denying the benefit of Notification No. 13/2000 which provides for exemption to the integrated steel plant from payment of excise duty on the freight amount incurred for transporting material from plant to stock yard and consignment agents. The Company has filed an appeal with CESTAT Kolkata.
- (e) The State Government of Orissa introduced "Orissa Rural Infrastructure and Socio Economic Development Act 2004" with effect from February 2005 levying tax on mineral bearing land computed on the basis of value of minerals produced from the mineral bearing land. The Company filed a Writ Petition in the High Court of Orissa, challenging the validity of the Act. Orissa High Court held in November 2005 that State does not have authority to levy tax on minerals. State Government of Orissa moved Supreme Court against the order of Orissa High Court and the case is pending with Supreme Court. The liability, if it materialises, as on 31.03.2006 would be **Rs.157.36** crores.
- (f) The Industrial Tribunal, Ranchi has passed an award on 20.10.1998 with reference to an industrial dispute regarding permanent absorption of contract labourers engaged by the Company prior to 1981, directing the Company to absorb 658 erstwhile contract labourers w.e.f. 22.8.1990. A single bench of the Patna High Court has upheld this award. The Company challenged this award before the division bench of the Jharkhand High Court which has set aside the orders of the single bench of Patna High Court as well as the Tribunal and remanded back the case to the tribunal for fresh hearing on all issues in accordance with law. The liability, if it materialises, would be to the tune of **Rs. 106.61** crores (31.03.2005 : Rs. 94.78 crores).
- (g) Uncalled liability on partly paid shares and debentures **Rs. 0.01** crore (31.03.2005 : Rs. 0.01 crore).
- (h) Bills discounted **Rs. 387.36** crores (31.03.2005 : Rs. 384.00 crores).
- (i) Cheques discounted : Amount indeterminate.

4. Excise duty is inclusive of excise duty on captive consumption.

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

5. TRL Asia Private Limited, TRL China Limited, TKM Overseas Transport (Europe) GmbH, Kalimati Coal Company Pty. Ltd. and Bangla Steel & Mining Co. Ltd. became subsidiaries of the Company during the year. The financial position and results of these subsidiaries are given below :

Rs. crores

	TRL Asia Private Limited	TRL China Limited	TKM Overseas Transport (Europe) GmbH	Kalimati Coal Company Pty. Ltd.	Bangla Steel & Mining Co. Ltd.
FUNDS EMPLOYED					
Share Capital	0.01	5.82	0.27	—	0.06
Reserves & Surplus	—	—	5.65	—	—
Unsecured Loans	6.10	—	—	42.33	—
Deferred Tax Liability	—	—	0.03	—	—
Current Liabilities	—	0.13	7.49	2.20	0.01
Provisions	—	—	1.26	—	—
APPLICATION OF FUNDS					
Fixed Assets	—	4.38	0.46	42.00	—
Investments	5.93	—	—	—	—
Current Assets	0.17	1.54	14.20	2.53	0.06
Loans & Advances	—	0.03	0.04	—	—
Miscellaneous Expenditure (to the extent not written off)	—	—	—	—	0.01
Profit & Loss Account	0.01	—	—	—	—
INCOME					
Other Income	—	—	15.78	—	—
EXPENSES					
Manufacturing and Other expenses	0.01	—	14.16	—	—
Depreciation	—	—	0.01	—	—
PROFIT / (LOSS) FOR THE YEAR	(0.01)	—	1.61	—	—

6. **Undertakings :**

- The Company and its Subsidiaries have given undertakings to lending banks and institutions in respect of its investments in : (a) Tinplate Company of India Limited, (b) The Indian Steel Rolling Mills Limited (ISRM). The ISRM is under liquidation, (c) Wellman Incandescent Limited, (d) Standard Chrome Limited, (e) Taj Air Limited, (f) Hooghly Met Coke and Power Co. Ltd., not to dispose of its investments in the said companies without the prior consent of the respective financial institutions/banks so long as any part of the loans/facilities sanctioned by the institutions/banks to these six companies remains outstanding. The Company has also furnished a Security Bond in respect of its immovable property to the extent of **Rs. 20.00** crores (31.03.2005 : Rs. 20.00 crores) in favour of the Registrar of the Delhi High Court and has given an undertaking not to sell or otherwise dispose of the said property.
7. The Company has, on 20th August, 2005, signed an agreement with the Government of Jharkhand to participate in a special health insurance scheme to be formulated by the Government of Jharkhand for the purpose of providing medical facilities to the families of the people below poverty line. The State Government would develop a suitable scheme and the Company has agreed to contribute to such scheme, when operational, a sum of Rs. 25.00 crores annually for a period of 30 years or upto the year of operation of the scheme, whichever is less. The scheme is yet to be formed and no contribution has been made till 31st March, 2006.
8. The Company has, on 20th August, 2005 signed an agreement with the Government of Jharkhand to partner with the State for developing sports infrastructure for the National Games 2007 to be held in Jharkhand. The Company has, on request from the Government of Jharkhand, paid **Rs. 150.00** crores as advance towards the same. The actual expenditure upto **Rs. 150.00** crores would be incurred during the financial years 2006-07 and 2007-08 and the expenses would be recognised in the books of the Company based on the periodical expenditure statements received from the State Government. The Government of Jharkhand has not given any statement of expenditure till 31st March, 2006.
9. The Company's management and the Rashtriya Colliery Mazdoor Sangh representing the employees at Jamadoba and West Bokaro collieries, on 18th September, 2005 signed an agreement to implement a revised wage structure at the collieries. The agreement is for the period from 1st July, 2001 to 30th June, 2008. The provisions of the agreement have been substantively implemented and no further provision is considered necessary.
10. Estimated amount of contracts remaining to be executed on Capital Account and not provided for : **Rs. 2,616.49** crores (31.03.2005 : Rs. 1,175.74 crores).
11. The Company has taken on lease Plant and Machinery, having an aggregate cost of **Rs. 4.51** crores (31.03.2005 : Rs. 45.25 crores). The element of the lease rental applicable to the cost of the assets has been charged to the Profit and Loss Account over the estimated life of the asset and financing cost has been allocated over the life of the lease on an appropriate basis. The total charge to the Profit and Loss Account for the year is **Rs. 1.19** crores (2004-2005 : Rs. 11.83 crores). The breakup of total minimal lease payments due as on 31st March, 2006 and their corresponding present value are as follows :

Rs. crores

Period	2005-2006		2004-2005	
	Minimum Lease Payments	Present Value	Minimum Lease Payments	Present Value
Not later than one year	0.61	0.57	1.31	1.25
Later than one year but not later than five years	2.09	1.54	2.56	1.84
Later than five years	—	—	0.36	0.20
Total	2.70	2.11	4.23	3.29

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

In NatSteel Asia Pte. Ltd., a subsidiary, the future minimum lease payments under non-cancellable operating lease are (i) Not later than one year **Rs. 19.70** crores (31.03.2005 : Rs. 15.58 crores); (ii) Later than one year but not later than five years **Rs. 48.58** crores (31.03.2005 : Rs. 41.12 crores); (iii) Later than five years **Rs. 174.53** crores (31.03.2005 : Rs. 167.11 crores). The total charge to the Profit and Loss Account for the period is **Rs. 17.10** crores (2004-2005 : Rs. 1.40 crores). The future minimum lease payments under finance lease for later than one year but not later than five years is **Rs. 0.66** crore (31.03.2005 : Rs.Nil).

12. (a) Provision for employee separation compensation has been calculated on the basis of net present value of the future monthly payments of pension and lump sum benefits under the scheme including **Rs. 144.15** crores (31.03.2005 : Rs. 122.30 crores) in respect of schemes introduced during the year.
- (b) In accordance with the guidelines of Accounting Standard on Employee Benefits AS-15 (revised 2005), the rate used to discount provision for employee separation compensation (ESS) has been determined with reference to market yields on government bonds as on 31st March, 2006. Consequently, the provision for employee separation compensation and miscellaneous expenditure are lower by **Rs. 119.00** crores and **Rs. 24.00** crores respectively and the profit before taxes is higher by **Rs. 95.00** crores.
- (c) The amounts payable within one year under the ESS aggregate to **Rs. 245.97** crores (31.03.2005 : Rs. 207.57 crores).
- (d) The amounts shown under miscellaneous expenditure on ESS account represents the balance amount to be amortised over the future years.
13. The Company has, on 22nd March, 2006, acquired 24.99% of equity stake in the Millennium Steel Public Company Limited, Thailand (Millennium Steel) by way of preferential allotment. The Company also announced a tender offer to the balance shareholders of the Company subject to the aggregate equity holding of the Company in Millennium Steel would be over 51%. The tender offer closed on 31st March, 2006 and the Company received offers equivalent to 42.12% of the paid up capital of Millennium Steel. An announcement of the results of the tender offer was filed with the Stock Exchange of Thailand on 4th April, 2006. The consideration for the said shares was paid by NatSteel Asia Pte. Ltd. on 3rd April, 2006 and received by the participating shareholders on 4th April, 2006. The Company has been legally advised that Millennium Steel is not a subsidiary as on 31st March, 2006 and, consequently, the investment in Millennium Steel has been accounted as an Associate in accordance with Accounting Standard AS-23, issued by The Institute of Chartered Accountants of India.
14. NatSteel Asia Pte. Ltd. and its subsidiaries (The NSA Group) has a quoted equity investment, including Irredeemable Convertible Unsecured Loan Stocks in an associated company, Southern Steel Berhad ("SSB") which is incorporated in the financial statements at a carrying value of S\$32,014,000. The carrying value is arrived at after accounting for its share of results in SSB's loss after tax and minority interest, translation gain and dividends of S\$5,325,000, S\$1,112,000 and S\$2,974,000 respectively for the financial year ended 31st March, 2006. The figures used for equity accounting of SSB's results for the financial year from 1st April, 2005 to 31st March, 2006 used for the purpose of consolidation are unaudited and are prepared under the Financial Reporting Standards in Malaysia.
15. In NatSteel Asia Pte. Ltd., a subsidiary, Goodwill arising on acquisition is amortised over a period of 60 months.
16. The notes to the accounts of Tata Korf Engineering Services Limited (TKES), a subsidiary, state that : The accumulated losses of the Company as at 31st March, 2006 exceed its paid up Share Capital. The Company has practically closed its operations. Pending the preparation of a scheme, the financial statements have been prepared on a "going concern" basis. The report of the auditors to the members of TKES contains an audit qualification on this account.
Tata Korf Engineering Services Ltd. has a negative net worth as on 31.03.2006 of **Rs. 7.75** crores (31.03.2005 : Rs. 7.66 crores).
17. Consequent on the realignment of the value of foreign currency loans, the rupee liability of the Company in respect of such loans has decreased by a net amount of **Rs. 15.27** crores (2004-05 : decrease by Rs. 5.61 crores). This decrease has been adjusted in the carrying cost of the fixed assets to the extent of **Rs. 15.27** crores (2004-05 : Rs. 5.61 crores).
18. In one subsidiary, in terms of the Licence Agreement dated 29.01.2002 with Board of Trustees for the Port of Kolkata, the subsidiary is required to invest in equipment and infrastructure as follows :

Sl. No.	Purpose of Investment	Phasing of Investment (Rs. crores)			
		Within 18 months	Within 24 months	Within 36 months	Total
1.	For Procurement of Equipment for ship to shore handling & vice versa and horizontal transfer of cargo	23.06	2.85	—	25.91
2.	Storage of cargo	—	1.74	1.20	2.94
3.	Office building, workshop etc.	—	0.75	0.25	1.00
4.	Utility Services	—	0.22	—	0.22
	Total	23.06	5.56	1.45	30.07

As at 31st March, 2006 the subsidiary's investments in equipments and infrastructure aggregate to Rs. 25.73 crores. The management of the subsidiary company has requested the Port Trust Authorities for suitable modification to the investment obligation in view of the changes in the business and economic scenario.

19. The Indian Steel and Wire Products Limited, a subsidiary, was declared a sick industrial company within the meaning of Section 3(i)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (hereinafter referred to as 'SICA'). The Board for Industrial and Financial Reconstruction (BIFR) sanctioned a scheme vide its Order dated 22nd October, 2003, 21st November, 2003 and 18th December, 2003 for rehabilitation of the Company by takeover of its management by Tata Steel Limited.

The significant notes appearing in the accounts of The Indian Steel and Wire Products Limited are given below :

As per clause 6.12 (xiii) of BIFR order dated 21st November, 2003, all liabilities not disclosed in the audited balance sheet for the year ended 31st March, 2002 including notes on the accounts would be the personal responsibility of the erstwhile promoters to discharge. In view of the above, the following liabilities which were not disclosed in the said balance sheet including the notes on the accounts have not been provided for or recognised in the accounts.

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

Particulars	Rs. crores
Show cause notices/Demand raised by Central Excise Authorities (Under Appeal) The Sales Tax Assessment is pending from the year 1998-99 onwards. Additional liability, if any, for pending assessment has not been ascertained (Under Appeal)	3.15
Employee State Insurance demand (Under Appeal)	4.68
Gratuity for ex-employees	1.49
Leave liability for ex-employees	0.73
Labour court cases	0.33
Income tax demand (Under Appeal)	0.01
Railway dues	2.25
Power dues	0.04
Promoter of flats at Alipore, Kolkata (excluding demand for Kolkata Municipal Charges Rs. 0.20 crore)	6.21
Liability for loan for Learjet Aircraft purchase	2.60
Wealth tax	1.49
	3.90

The items indicated above are not exhaustive and any other liability, which may come to the notice of the present management also would be the personal liability of the erstwhile promoters.

20. The Company has the following joint ventures as on 31st March, 2006 and its percentage holding is given below :

Name of the Joint Venture	% holding
Tata Ryerson Limited	50.00%
Metaljunction Services Limited	50.00%
The Dhamra Port Company Limited	50.00%
Southern NatSteel (Xiamen) Limited	50.00%
NatSteel Vina Company Limited	33.90%

The proportionate share of assets, liabilities, income and expenditure of the above joint venture companies included in these consolidated financial statements are given below :

	2005-06 Rs. crores	2004-05 Rs. crores
ASSETS		
Net Block (including Capital WIP)	111.33	39.71
Investments	24.08	17.40
Current Assets	197.01	67.76
Loans & Advances	28.58	9.49
Miscellaneous Expenditure	0.08	—
	361.08	134.36
LIABILITIES		
Reserves & Surplus	38.19	27.18
Secured Loans	55.15	37.14
Unsecured Loans	13.35	—
Deferred Tax Liability	4.34	4.57
Current Liabilities	90.11	24.89
Provisions	3.99	5.28
	205.13	99.06
INCOME		
Sale of products and services	660.72	293.02
Other Income	0.82	0.39
	661.54	293.41
EXPENSES		
Manufacturing and Other expenses	626.52	261.56
Depreciation	5.52	5.20
Provision for contingencies	—	0.17
Expenditure transferred to capital and other accounts	(0.56)	—
Interest	4.00	1.68
Taxes – Current Taxes	9.61	9.24
– Deferred Taxes	(0.23)	1.30
– Fringe Benefit Taxes	0.28	—
	645.14	279.15

Name of the Joint Venture Company	Contingent Liabilities Rs. crores	Capital Commitment Rs. crores
Tata Ryerson Ltd. (incorporated in India)	33.09	2.71
	3.88	0.12
Metaljunction Services Ltd. (incorporated in India)	—	0.11
	—	—

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

21. Information about Primary Business Segments :

Particulars	Business Segments			Unallocable Rs. crores	Eliminations Rs. crores	Total Rs. crores
	Steel Rs. crores	Ferro Alloys and Minerals Rs. crores	Others Rs. crores			
Revenue :						
Total External Sales	17,037.60	1,310.77	1,896.06	—	—	20,244.43
	12,951.28	1,308.79	1,738.54	—	—	15,998.61
Add : Inter segment sales	971.83	113.71	398.52	—	—	1,484.06
	967.98	140.85	342.64	—	—	1,451.47
Total Revenue	18,009.43	1,424.48	2,294.58	—	—	21,728.49
	13,919.26	1,449.64	2,081.18	—	—	17,450.08
Less : Inter segment sales	971.83	113.71	398.52	—	—	1,484.06
	967.98	140.85	342.64	—	—	1,451.47
Total Sales	17,037.60	1,310.77	1,896.06	—	—	20,244.43
	12,951.28	1,308.79	1,738.54	—	—	15,998.61
Segment result before interest, exceptional items and tax	4,828.54	572.52	193.58	168.01	(38.07)	5,724.58
	4,802.84	700.89	194.90	72.27	(32.65)	5,738.25
Less : Interest (See Schedule 3, Page 132)						155.53
						198.13
Profit before Exceptional items and tax						5,569.05
						5,540.12
Exceptional items						
Less : Employee Separation Compensation (See Note 12, Page 144)						54.20
						120.57
Less : Provision for Contingencies						—
						0.80
Add : Profit/(Loss) on divestment						0.13
						23.69
Profit before Tax						5,514.98
						5,442.44
Taxes						1,793.91
						1,871.24
Profit after Taxes						3,721.07
						3,571.20
Segment Assets	14,860.95	328.88	1,510.96	673.01	(460.16)	16,913.64
	13,692.62	312.53	969.30	915.10	(841.22)	15,048.33
Segment Liabilities	2,798.97	139.53	363.01	1,186.34	(120.36)	4,367.49
	3,036.26	111.73	296.67	1,223.38	(92.81)	4,575.23
Total Cost incurred during the year to acquire Segment assets	1,635.07	11.84	285.77	—	5.93	1,938.61
	1,944.72	29.21	84.51	—	(9.59)	2,048.85
Segment Depreciation	823.71	14.07	22.59	—	—	860.37
	616.21	10.27	18.98	—	—	645.46
Non-Cash Expenses other than depreciation	42.74	(0.61)	2.83	4.98	—	49.94
	23.90	(0.22)	4.18	3.64	—	31.50

**SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR 2005-06 :- continued**

Information about Secondary Segments : Geographical

	2005-06	<i>2004-05</i>
	Rs. crores	<i>Rs. crores</i>
Revenue by Geographical Market		
India	13,637.38	<i>12,637.54</i>
Outside India	6,607.05	<i>3,361.07</i>
	20,244.43	<i>15,998.61</i>
Additions to Fixed Assets and Intangible Assets		
India	1,817.77	<i>2,046.83</i>
Outside India	120.84	<i>2.02</i>
	1,938.61	<i>2,048.85</i>
Carrying Amount of Segment Assets		
India	14,686.26	<i>13,189.11</i>
Outside India	2,227.38	<i>1,859.22</i>
	16,913.64	<i>15,048.33</i>

Notes :

- (i) The Company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the nature of the products, the differing risks and returns, the organisational structure and internal reporting system. The Company's operations predominantly relate to manufacture of Steel and Ferro Alloys and Minerals Division. Other business segments comprise Tubes, Bearings and Refractories, Pigments, Port operations, Municipal services and investment activities.
- (ii) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly relatable to the business segment, are shown as unallocated corporate cost. Assets and liabilities that cannot be allocated between the segments are shown as unallocated corporate assets and liabilities respectively.

	2005-06	<i>2004-05</i>
	Rs. crores	<i>Rs. crores</i>
(iii) Unallocable assets exclude :		
Investments	3,261.43	<i>2,425.45</i>
Miscellaneous Expenditure	256.01	<i>218.24</i>
Goodwill on consolidation	12.24	<i>11.29</i>
Purchased Goodwill	101.76	<i>120.49</i>
	3,631.44	<i>2,775.47</i>
Total Unallocable Liabilities exclude :		
Secured Loans	2,502.74	<i>2,668.11</i>
Unsecured Loans	874.69	<i>647.52</i>
Provision for Employee Separation Compensation	1,402.56	<i>1,530.48</i>
Deferred Tax Liability (Net)	992.18	<i>851.29</i>
Minority Interest	123.57	<i>93.52</i>
	5,895.74	<i>5,790.92</i>

- (iv) Transactions between segments are primarily for materials which are transferred at market determined prices and common costs are apportioned on a reasonable basis.

**SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR 2005-06 :- continued**

22. Related Party Disclosures :

(a) List of Related Parties and Relationships

Party	Relationship
A. Adityapur Toll Bridge Limited Almora Magnesite Limited Indian Steel Rolling Mills Limited Jamshedpur Injection Powder Limited Kalinga Aquatics Limited Kumardhubi Fireclay & Silica Works Limited Kumardhubi Metal Casting & Engineering Limited Metal Corporation of India Limited Millennium Steel Public Company Limited@ Nicco Jubilee Park Limited Nilachal Refractories Limited * Rujivalika Investments Limited Southern Steel Berhad Srutech Tubes (India) Pvt. Ltd. Steel Asia Development and Management Corporation Steel Asia Industries Inc. Steel Asia Manufacturing Corporation Tata Construction & Projects Limited Tata Metaliks Limited Tata Sponge Iron Limited Tayo Rolls Limited Tinplate Company of India Limited TKM Overseas Limited TRF Limited	Associate - Shareholding of the Company on its own or along with Subsidiaries is 20% or more.
B. Metaljunction Services Limited Tata Ryerson Limited The Dhamra Port Company Limited @ Southern NatSteel (Xiamen) Limited ** NatSteel Vina Co. Ltd. **	Joint Ventures
C. Tata Sons Limited	Promoter holding together with its Subsidiaries is more than 20%
D. Key Management Personnel Mr. B. Muthuraman Dr. T. Mukherjee Mr. A.N. Singh Mr. Sanjiv Paul Mr. Carlos Alberto Campos Mr. D. Bose Mr. S.C. Saxena Mr. Bharat Wakhlu Dr. A.K. Chattopadhyay Mr. C.D. Kamath Mr. N.K. Punwani Mr. B.P.S. Panwar Mr. Amar Patanaik Mr. B.K. Singh Dr. B.P. Sabberwal #	Whole Time Directors
E. Relatives of Key Management Personnel Ms. Sumathi Muthuraman Ms. Shuvra Mukherjee Ms. Ipshita Kamra Ms. Pallavi Arun # Ms. G.D. Kamath	Relatives of Whole Time Directors

@ Part of the year.

* Ceased to be an Associate Company w.e.f. 13th March, 2006.

** Earlier an Associate Company, became a Joint Venture during the year.

During the previous year.

**SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR 2005-06 :- continued**

22. (b) Related Party Transactions

Rs. crores

Transactions	Associates & JVs #	Key Management Personnel	Relatives of Key Management Personnel	Promoter	Total
Purchase of Goods					
Jamshedpur Injection Powder Limited	37.92	—	—	—	37.92
	37.50	—	—	—	37.50
Southern Steel Berhad	72.74	—	—	—	72.74
	—	—	—	—	—
TRF Limited	42.96	—	—	—	42.96
	47.43	—	—	—	47.43
Tayo Rolls Limited	22.36	—	—	—	22.36
	21.88	—	—	—	21.88
Others	14.10	—	—	—	14.10
	103.32	—	—	—	103.32
	190.08	—	—	—	190.08
	210.13	—	—	—	210.13
Sale of Goods					
Tata Ryerson Limited	475.38	—	—	—	475.38
	385.07	—	—	—	385.07
Southern Steel Berhad	584.64	—	—	—	584.64
	64.58	—	—	—	64.58
Others	274.80	—	—	—	274.80
	172.68	—	—	—	172.68
	1,334.82	—	—	—	1,334.82
	622.33	—	—	—	622.33
Purchase of Fixed Assets					
TRF Limited	2.33	—	—	—	2.33
	15.40	—	—	—	15.40
	2.33	—	—	—	2.33
	15.40	—	—	—	15.40
Rendering of Services					
The Tinplate Company of India Limited	34.58	—	—	—	34.58
	31.91	—	—	—	31.91
Others	13.00	—	—	0.06	13.06
	12.11	—	—	0.06	12.17
	47.58	—	—	0.06	47.64
	44.02	—	—	0.06	44.08
Receiving of Services					
Tata Ryerson Limited	75.95	—	—	—	75.95
	62.38	—	—	—	62.38
The Tinplate Company of India Limited	166.15	—	—	—	166.15
	188.81	—	—	—	188.81
Others	9.60	0.02	0.02	0.28	9.92
	24.83	0.02	0.02	0.73	25.60
	251.70	0.02	0.02	0.28	252.02
	276.02	0.02	0.02	0.73	276.79
Leasing or Hire purchase arrangements					
Tata Ryerson Limited	0.08	—	—	—	0.08
	—	—	—	—	—
Others	—	—	—	—	—
	0.63	—	—	—	0.63
	0.08	—	—	—	0.08
	0.63	—	—	—	0.63
Finance provided (including loans and equity contributions in cash or in kind)					
Millennium Steel Public Company Limited	278.01	—	—	—	278.01
	—	—	—	—	—
The Dhamra Port Company Limited	53.74	—	—	—	53.74
	—	—	—	—	—
Others	4.88	—	—	0.65	5.53
	12.80	—	—	25.00	37.80
	336.63	—	—	0.65	337.28
	12.80	—	—	25.00	37.80
Interest income during the year					
The Tinplate Company of India Limited	1.00	—	—	—	1.00
	1.53	—	—	—	1.53
Others	0.02	—	—	—	0.02
	1.65	—	—	0.05	1.70
	1.02	—	—	—	1.02
	3.18	—	—	0.05	3.23
Finance received (including loans and equity contributions in cash or in kind)					
Ms G D Kamath	—	—	—	—	—
	—	—	0.01	—	0.01
	—	—	—	—	—
	—	—	0.01	—	0.01

**SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR 2005-06 :- continued**

22. (b) Related Party Transactions

					Rs. crores
Transactions	Associates & JVs #	Key Management Personnel	Relatives of Key Management Personnel	Promoter	Total
Interest Paid during the year					
Ms G D Kamath	—	—	0.01	—	0.01
	—	—	0.01	—	0.01
	—	—	0.01	—	0.01
	—	—	0.01	—	0.01
Guarantees and collaterals given during the year					
The Tinplate Company of India Limited	—	—	—	—	—
	25.00	—	—	—	25.00
	—	—	—	—	—
	25.00	—	—	—	25.00
Management contracts including deputation of employees					
Tata Sons Limited	—	—	—	32.62	32.62
	—	—	—	31.15	31.15
	—	—	—	32.62	32.62
	—	—	—	31.15	31.15
Dividend income					
Jamshedpur Injection Powder Limited	3.02	—	—	—	3.02
	2.03	—	—	—	2.03
Metaljunction Services Limited	2.20	—	—	—	2.20
	1.93	—	—	—	1.93
Tata Metaliks Limited	7.08	—	—	—	7.08
	4.13	—	—	—	4.13
Tata Sponge Iron Limited	4.28	—	—	—	4.28
	3.06	—	—	—	3.06
Others	1.60	—	—	—	1.60
	1.05	—	—	—	1.05
	18.18	—	—	—	18.18
	12.20	—	—	—	12.20
Provision for receivables made during the year					
Kumardhubi Fireclay & Silica Works Limited	0.01	—	—	—	0.01
	—	—	—	—	—
TRF Limited	0.01	—	—	—	0.01
	—	—	—	—	—
Tata Sponge Iron Limited	0.02	—	—	—	0.02
	—	—	—	—	—
Tata Metaliks Limited	0.01	—	—	—	0.01
	0.25	—	—	—	0.25
Others	—	—	—	—	—
	2.74	—	—	—	2.74
	0.05	—	—	—	0.05
	2.99	—	—	—	2.99
Issue of Bonus Shares — Face value of Rs.10/- each					
Tata Sons Limited	—	—	—	—	—
	—	—	—	36.52	36.52
Others	—	—	—	—	—
	0.39	\$	@	—	0.39
	—	—	—	—	—
	0.39	—	—	36.52	36.91
Dividend and Fraction Bonus amount paid to shareholders					
Tata Sons Limited	—	—	—	142.44	142.44
	—	—	—	73.05	73.05
Others	1.52	***	****	—	1.52
	0.78	*	**	—	0.78
	1.52	—	—	142.44	143.96
	0.78	—	—	73.05	73.83
Unsecured advances/ deposits accepted					
Tata Sons Limited	—	—	—	1.03	1.03
	—	—	—	—	—
Others	0.09	—	—	—	0.09
	5.82	—	—	—	5.82
	0.09	—	—	1.03	1.12
	5.82	—	—	—	5.82

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued

22. (b) Related Party Transactions

Rs. crores

Transactions	Associates & JVs #	Key Management Personnel	Relatives of Key Management Personnel	Promoter	Total
Remuneration Paid					
Mr. B. Muthuraman	—	2.20	—	—	2.20
	—	1.94	—	—	1.94
Dr. T. Mukherjee	—	1.75	—	—	1.75
	—	1.48	—	—	1.48
Mr. A.N. Singh	—	1.34	—	—	1.34
	—	1.21	—	—	1.21
Mr. Bharat Wakhlu	—	1.12	—	—	1.12
	—	0.83	—	—	0.83
Mr. Amar Patanaik	—	1.14	—	—	1.14
	—	—	—	—	—
Others	—	2.86	—	—	2.86
	—	2.17	0.01	—	2.18
	—	10.41	0.01	—	10.41
	—	7.63	0.01	—	7.64
Bad debts written off					
Tayo Rolls Limited	0.14	—	—	—	0.14
Tata Sponge Iron Limited	0.02	—	—	—	0.02
Others	0.02	—	—	—	0.02
	0.02	—	—	—	0.02
	0.18	—	—	—	0.18
	0.02	—	—	—	0.02
Bad debts written back					
Nilachal Refractories Limited	5.42	—	—	—	5.42
	—	—	—	—	—
	5.42	—	—	—	5.42
	—	—	—	—	—
Provision of diminution in value of investments made during the year					
Nicco Jubilee Park Limited	—	—	—	—	—
	0.34	—	—	—	0.34
	—	—	—	—	—
	0.34	—	—	—	0.34
Guarantees outstanding as on 31.03.2006					
The Tinplate Company of India Limited	95.00	—	—	—	95.00
	95.00	—	—	—	95.00
Others	1.44	—	—	—	1.44
	1.44	—	—	—	1.44
	96.44	—	—	—	96.44
	96.44	—	—	—	96.44
Debit balances outstanding as on 31.03.2006					
Outstanding receivables					
NatSteel Vina Co. Limited	15.85	—	—	—	15.85
	25.24	—	—	—	25.24
Tata Ryerson Limited	18.28	—	—	—	18.28
	—	—	—	—	—
The Tinplate Company of India Limited	16.31	—	—	—	16.31
	18.87	—	—	—	18.87
Southern NatSteel (Xiamen) Limited	8.30	—	—	—	8.30
	28.19	—	—	—	28.19
Tata Metaliks Limited	8.16	—	—	—	8.16
	10.76	—	—	—	10.76
Others	13.51	0.01	0.01	2.60	16.13
	115.23	0.01	0.01	1.55	116.80
	80.41	0.01	0.01	2.60	83.03
	198.29	0.01	0.01	1.55	199.86
Provision for outstanding receivables					
TRF Limited	1.10	—	—	—	1.10
	0.56	—	—	—	0.56
Tayo Rolls Limited	0.58	—	—	—	0.58
	0.61	—	—	—	0.61
Others	0.58	—	—	—	0.58
	4.49	—	—	—	4.49
	2.26	—	—	—	2.26
	5.66	—	—	—	5.66
Credit balances outstanding as on 31.03.2006					
Outstanding Payables					
Tata Ryerson Limited	16.76	—	—	—	16.76
	14.37	—	—	—	14.37
Tata Sons Limited	—	—	—	36.70	36.70
	—	—	—	34.50	34.50
TRF Limited	6.86	—	—	—	6.86
	6.93	—	—	—	6.93
Others	10.10	—	0.05	—	10.15
	16.65	—	0.10	—	16.75
	33.72	—	0.05	36.70	70.47
	37.95	—	0.10	34.50	72.55

\$ Rs. 7,280 @ Rs. 4,230 * Rs. 14,829 ** Rs. 8,600 *** Rs. 28,418 **** Rs. 16,770

Transactions with Joint Venturers have been disclosed at full value for the purpose of related party disclosures.

SCHEDULE N : NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR 2005-06 :- continued
23. Managerial Remuneration :

	31-3-2006	<i>31-3-2005</i>
	Rs. crores	<i>Rs. crores</i>
Salaries (including Company's Contribution to Provident and Superannuation Fund)	1.55	1.40
Commission	4.25	4.25
Perquisites	0.99	0.48
Directors' Sitting Fees	0.10	0.14
Total	6.89	<i>6.27</i>

Notes : I) In addition, the Managing Director and other Whole-time Directors are entitled to free supply of water and use of medical facilities at the Company's hospital at Jamshedpur. The above figures do not include contribution to Gratuity Fund, as separate figures are not available for the Managing Director and other Whole-time Directors and retirement benefits of **Rs. 0.15 crore** (2004-05 : *Rs. 0.15 crore*) relating to two former directors and retirement benefits of **Rs. 0.31 crore** (2004-05 : *Rs. 0.29 crore*) to a former Managing Director.

II) Limits on certain perquisites granted to the Managing Director and other Whole-time Directors have been changed with effect from 1st April, 2005 and is subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

24. Earnings per Share (EPS) :

	2005-06	<i>2004-05</i>
	Rs. crores	<i>Rs. crores</i>
(i) Profit after Tax and Minority Interest	3,734.62	<i>3,603.26</i>
Profit attributable to ordinary shareholders	3,734.62	<i>3,603.26</i>
	Nos.	<i>Nos.</i>
(ii) Weighted Average No. of Ordinary Shares for Basic EPS	552,291,844	<i>552,068,801</i>
Add : Adjustment for Options relating to 12,446 (2004-05 : 12,446)		
Detachable Warrants	10,590	<i>9,962</i>
Weighted Average No. of Ordinary Shares for Diluted EPS	552,302,434	<i>552,078,763</i>
(iii) Nominal Value of Ordinary Shares	Rs. 10.00	<i>Rs. 10.00</i>
(iv) Basic/Diluted Earnings per Ordinary Share	Rs. 67.62	<i>Rs. 65.27</i>

25. Deferred Tax Liability (net) :

	31-3-2006	<i>31-3-2005</i>
	Rs. crores	<i>Rs. crores</i>
Deferred Tax Liabilities		
Difference between book and tax depreciation	1,735.09	<i>1,646.12</i>
Prepaid expenses	20.60	<i>2.77</i>
Others	4.05	<i>2.49</i>
Sub-Total (A)	1,759.74	<i>1,651.38</i>
Deferred Tax Assets		
Employee Separation Scheme	(534.92)	<i>(600.12)</i>
Wage Provision	(10.41)	<i>(0.15)</i>
Provision for doubtful debts and advances	(30.24)	<i>(33.21)</i>
Disallowance under Section 43B	(67.51)	<i>(52.80)</i>
Provision for Leave Salary	(112.75)	<i>(95.00)</i>
Other Provisions	(0.63)	<i>(7.29)</i>
Provision for Retiring Gratuity	(0.28)	<i>(2.28)</i>
Other Deferred Tax Assets	(10.82)	<i>(2.58)</i>
Past Losses and Unabsorbed depreciation	—	<i>(6.66)</i>
Sub-Total (B)	(767.56)	<i>(800.09)</i>
Deferred Tax Liability (Net) (A+B)	992.18	<i>851.29</i>

26. Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the Company's financial statements.

27. Previous year's figures have been recast/restated wherever necessary.

28. Figures in italics are in respect of the previous year.

Aspiring for excellence

ASPIRE is the process to bring about improvements through involvement of employees.

The latest improvement initiative - **“ASPIRE Unlimited”** is based on the principles of the Theory of Constraint (TOC) propounded by Dr Eliyahu Goldratt in the form of a Viable Vision to be achieved in a four-year time frame.

Theory of Constraints (TOC):

A special awareness drive was undertaken throughout the company in form of training and the distribution of Dr Goldratt’s books to help impart and imbibe TOC fundamentals.

Through TOC, the thrust is to devise business strategies aimed at increasing sales and profitability by focusing on the market as the constraint, backed up by tactics enabling it to leverage service levels (Value Sales), increase supply chain stability (reduce waste and inventory) and economy of scale (blue print for expansion ramp up) through capitalising on the fact that the current production is as per what the market wants (in form of orders) and change it to produce what the market really needs.

ASPIRE Projects:

Since inception in 2003, 1252 Projects following the DMAIC (Define-Measure-Analyse-Improve-Control) methodology and a large number of SIPs (Self Initiated Projects) have been undertaken to ensure continuous improvements and benefits.

Knowledge Management (KM):

APQC, USA recognised Tata Steel for “Leveraging Knowledge across Value Chain” especially across key processes like Customer Value Management (CVM), Supplier Value Management (SVM) and Knowledge Manthan.

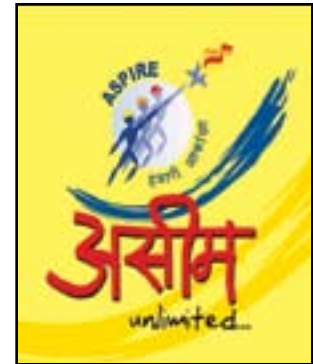
Manthan Ab Shop Floor Se (MASS) – An in-house designed process to involve shop floor employees in transferring best practices from one department to another was introduced in 2005. Since inception, three waves have been successfully completed across 11 departments.

Total Productive Maintenance (TPM):

‘TPM at your doorstep’- the Autonomous Maintenance training module placed on a mobile trailer covered 28 departments imparting practical training to operators on basic maintenance skills.

Small Group Activities:

Small Group Activity (SGA) teams - “Pathfinder” of the coke plant and “Siddhant” of OMQ - participated in the International Convention Quality Circles (ICQC – 2005) in South Korea.





World-class capabilities

Jharkhand • Orissa • Chhattisgarh • Janshedpur • Jharkhand • Orissa • Chhattisgarh • Janshedpur • Jharkhand • Orissa • Chhattisgarh • Janshedpur • Jharkhand • Orissa • Chhattisgarh • Janshedpur

Augmenting Capabilities and Competence

Tata Steel has embarked on a 1.8 MTPA expansion program at Jamshedpur which will involve setting up a 2MTPA iron ore sinter plant that will make iron ore fines suitable for use in iron making in the blast furnace.



Tata Steel has signed a Memorandum of Understanding (MoU) for setting up a 5 MTPA greenfield integrated steel plant in Chhattisgarh including the development of captive iron ore mines.



- Modernisation of the Tata Steel facilities is a continuous process. Its one million tonne expansion programme has been successfully completed. The facilities expanded are :

Upgradation of G Blast Furnace from 1.2 to 1.8 MTPA

Augmentation of Raw Material Bedding and Blending System (RMBBS) including Track Hopper

Installation of Sinter Plant 3 of 2 MTPA capacity

Augmentation of Pulverised Coal Injection in D & F Blast Furnace

Upgradation of LD Shop from 1.5 to 1.8 MTPA capacity

6th Lime Kiln of 425 tonnes per day capacity



A green field 12 MTPA steel plant project in Jharkhand has been announced.



An MOU has been signed with the Government of Orissa for the setting up of a 6MT integrated steel plant at Kalinganagar, Orissa. Tata Steel has launched a vocational training programme for the villagers of surrounding areas.



Tata Steel's joint venture with West Bengal Industrial Development Corporation – Hoogly Met Coke and Power Co. Ltd. (HMCPCL) - will produce metallurgical coke and power at Haldia. The project is intended for supplying 1.2MTPA high quality metallurgical coke to international and domestic customers.

Conversion of one curved mould caster to a vertical caster at LD shop#2

Augmentation of Hot Strip Mill to Roll 3.1 MTPA HR coils

Augmentation of plant logistics

Rationalisation of steam & power generations; Oxygen Plant of 720 TPD capacity

New Rebar Mill of 0.6 MTPA capacity

Awards & Recognition



1. "World's Best Steel Maker" for the second consecutive year and for the third time by World Steel Dynamics
2. CAPEXIL Special Award for Outstanding Chrome Concentrate Exports
3. MIS ASIA IT EXCELLENCE AWARD 2005 for Best IT Governance
4. Ranked among top five best performing companies in Asia by Business Week
5. FICCI Award to the Tata Steel Family Initiatives Foundation (TSFIF) for the third time for its population stabilisation efforts
6. ISO 14001:2004 Environmental Management System accreditation for the Bearings Division



7. "BS 15000 Part 1: 2002" certification from STQC IT Certification Services, Ministry of Communications and Information Technology, Government of India

8. The SP Jain Marketing Impact Award for the year 2006 for Tata Steel's paper on Redefining Retail of Steel in India

9. The Asset Triple A Best Deal, Singapore for 2005 awarded to Tata Iron & Steel's US\$303 million takeover of NatSteel

10. National Accreditation by the Board for Testing and Calibration Laboratories (NABL) for the Scientific Services Division. The examinations and calibrations conducted by the division will now enjoy international acceptance.

11. The Singapore HEALTH (Helping employees Achieve Life-Time Health) Award (Gold) to Natsteel Asia for the second consecutive year with an impressive figure of 96.7%.



Indian values

relief during natural calamities • environment management • economic growth • civic amenities and community services • population management • sports • healthcare • education • arts & culture

Improving the quality of life

Environment Management

Tata Steel believes that better environment management leads to superior and long lasting corporate performance. The Tata Steel Main Works and Town Services in Jamshedpur are ISO-14001 certified - the first in India.



Economic growth opportunities

Technical institutes in Jamshedpur such as the National Institute of Technology, R D Tata Technical Education Centre and Shavak Nanavati Technical Institute provide technical and job oriented training to the youth.



Civic amenities and community services

Tata Steel's civic amenities and community services are extended to almost the entire city of Jamshedpur (Population: 0.65 million). The company provides general welfare to the 'Bastee' dwellers and the underprivileged in and around Jamshedpur through the numerous community centres it runs across the city.

Health Care

The Company provides health care facilities to employees and non-employees living around its steelworks in Jamshedpur and its mines and collieries through its hospital and mobile medical units. It also runs health centres in the surrounding villages and communities.



The 10th Lifeline Express, world's first hospital on rails by Tata Steel in association with Impact India, Government of Jharkhand and Indian Railways, helped improve the quality of healthcare of the local people of the state. Various camps for Orthopaedic, ENT, Cleft Lip Surgery, Eye treatment were organised.

Population Management

The Company's family planning programme reaches out to the entire urban, tribal and rural community in and around Jamshedpur through 27 clinics.



Education and arts & culture

Jamshedpur has one of the highest literacy rates in the country. The Company runs and supports several schools. It has also entered into a collaboration with the Government of Orissa to establish an Institute of Mathematics and Applications, to provide a platform for outstanding people to explore new vistas of knowledge to the local mathematical community.



Sports and adventure

Tata Steel provides excellent sports infrastructure through its multi-discipline JRD Tata Sports Complex and the Keenan stadium for cricket. Talented youth are groomed under the aegis of the Tata Football Academy, Tata Archery Academy and Tata Athletic Academy.



Over 220 participants from 10 states participated in senior and master age group of men and women categories of the Special Olympics National Handball Competition, hosted by Tata Steel at the JRD Tata Sports Complex



Founder's Day

Tata Steel celebrates Founder's Day on March 3rd as a mark of respect to the founder - Jamsetji Tata. The celebrations showcase the growth, prosperity and progress that the unique city of Jamshedpur has experienced. This day brings out the essence of culture, creativity, social responsibility and spirit of life that the company nurtures.



Jamshedpur - a model township



The Beldih House, a bungalow in Jamshedpur



A tribute to the founder, Jamsetji Tata



The Cat Scan Centre at Meherbai Tata Memorial Cancer Hospital



Tree lined roads add to the greenery



Leisure time options like boating abound in the city



An arterial road across Jamshedpur



Childrens' parks offer a fun filled respite



Jamshedpur's beautiful life line, Lake Dimna



Unique musical laser fountains are the pride of the city



Golf enthusiasts find a green haven in Jamshedpur

TATA STEEL LIMITED

Bombay House 24 Homi Mody Street Mumbai 400 001