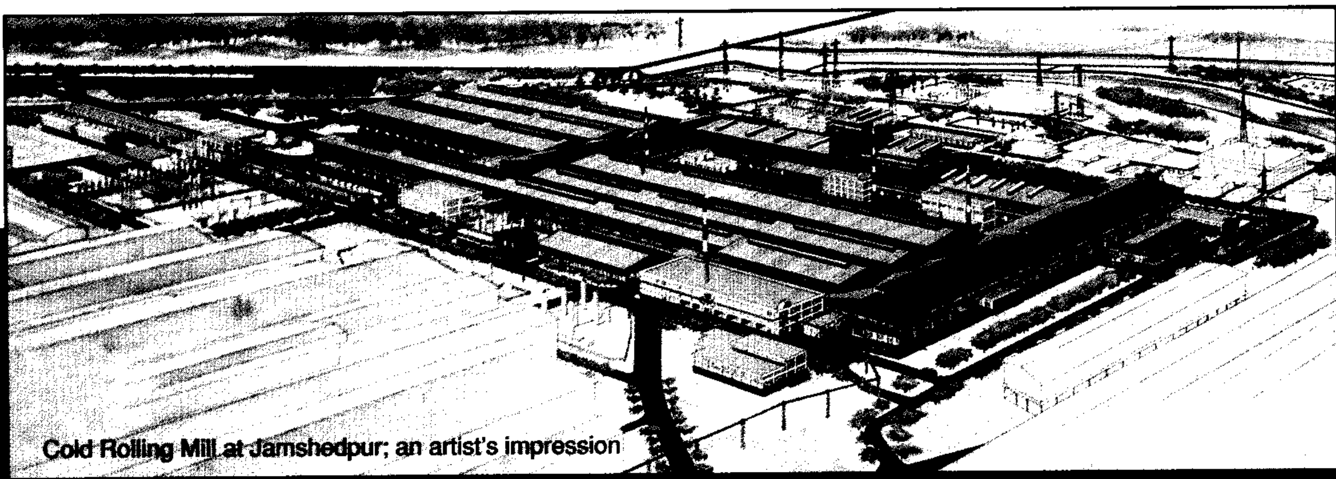
TATA

TATA STEEL

92nd Annual Report
1998-99

TATA STEEL



Cold Rolling Mill at Jamshedpur; an artist's impression

NEW AGE STEEL for THE NEW MILLENNIUM

Cold rolled sheets and coils are widely used in automobiles, appliances, construction, furniture, packaging and a variety of industrial and household appliances. As processing requirements become increasingly sophisticated, quality requirements for cold rolled sheets and coils become highly exacting and customer specific.

Recognising the increasingly exact requirements of customers for quality and service, Tata Steel is installing a 1.2 million tonne per annum Cold Rolling Mill Complex at Jamshedpur, equipped with the most advanced manufacturing systems to produce a wide range of cold rolled and coated steel products. This Complex will be commissioned by June 2000.

Nippon Steel Corporation, Japan, are the technology and operations consultants. Posdata of South Korea are consultants for designing the customer order management and delivery systems.

Equipment and facilities, the best available in the world, have been chosen to ensure product and service quality to global standards. The facilities comprise :

5 Stand, 6Hi UCM Tandem Mill	:	Hitachi, Japan
Hydrogen (100%) Annealing Furnance	:	LOI, Germany
4 Hi Skin Pass Mill	:	IHI, Japan
Continuous Galvanising Lines	:	CMI, Belgium FPE, India
Recoiling Lines	:	DBI, USA
Stretch Film Packaging	:	Indomag, Germany ITW Signode, India

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Accounts of the Subsidiary Companies

Annual General Meeting on Thursday 29th July, 1999 at Birla Matushri Sabhagar at 3.30 p.m.
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
Shareholders are requested to kindly bring their copies to the meeting.

The Tata Iron and Steel Company Limited

Board of Directors

(As on 20th May, 1999)

Mr. R. N. Tata (Chairman)
Mr. Keshub Mahindra
Mr. N. A. Palkhivala
Mr. S. A. Sabavala
Mr. Mantosh Sondhi
Mr. Nusli N. Wadia
Mr. S. M. Palia
Mr. P. K. Kaul (Financial Institutions' Nominee)
Mr. Suresh Krishna
Mr. S.K. Chakrabarti (Financial Institutions' Nominee)
Mr. Kumar Mangalam Birla
Dr. Jamshed J. Irani (Managing Director)
Mr. Ishaat Hussain (Whole-time Director)

Management

(As on 20th May, 1999)

Dr. Jamshed J. Irani .... Managing Director
Mr. Ishaat Hussain .... Sr. VP & ED (Finance)
Dr. T. Mukherjee .... VP (Operations)
Mr. N. P. Sinha .... VP (Engineering & Raw Materials)
Mr. B. Muthuraman .... VP (Project Gopalpur & Cold Rolling Mill)
Mr. A. N. Singh .... VP (Town, Medical & Social Services)
Mr. S. Pandey .... VP (Human Resources Management)
Mr. F. A. Vandrevala .... VP (Marketing & Sales)

Mrs. S.S. Kudtarkar .... Company Secretary

REGISTERED OFFICE	Bombay House, 24 Homi Mody Street, Fort, Mumbai 400 001.
BANKERS	State Bank of India
LEGAL ADVISORS	S. R. Vakil, Messrs Mulla & Mulla and Cragie Blunt & Caroe
AUDITORS	Messrs A. F. Ferguson & Company Chartered Accountants Messrs S. B. Billimoria & Company Chartered Accountants
SHARE REGISTRARS	Tata Share Registry Limited, Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001.

TATA

Chairman's Statement

The economic slow-down continued through 1998-99 resulting in sluggish demand for basic industrial products. Industrial production grew by only 3.8% during the year, as compared to 6.6% in the previous year. There was no growth in the apparent domestic consumption of steel during the year, which in fact reduced by 1%. Several large infrastructural projects in sectors such as power, irrigation, transportation and telecom have not yet been implemented due to a variety of reasons. The sizable contraction in demand for automobiles and commercial vehicles has also had a very great adverse effect on the demand for steel - in particular, flat products. These difficult market conditions have been exacerbated by new investments in additional steel capacity of the order of 3.3 million tonnes in 1998-99 made in the private sector. Low-priced steel imports from East Asia and from the CIS countries have also had an adverse impact, since domestic producers have had to match the prices offered from these low-cost overseas producers, putting margins under great pressure.

Despite this scenario, Tata Steel was able to operate at full capacity, increased its sales by 4% in tonnage terms and increased its market share in several significant product sectors. However, the Company saw an erosion in its margins, given the market conditions described earlier. The Company's exports also suffered a severe reduction in margins, in the face of increased competitiveness of Asian steel producers, brought about by devaluation in their respective currencies.

The economic slow-down experienced over the last thirty months, finally appears to be bottoming out, and there are some signs of prices firming up as also some slight increase in demand. Tata Steel has invested extensively in doubling its hot rolled steel capacity and installing cold rolling and finishing facilities, aimed mainly at serving the white goods and automotive sectors. This would enrich the Company's product mix, and enhance product value. Although the growth rate in the white goods sector has been lacklustre, and the auto industry is facing an unprecedented slump in demand, it is expected that both these sectors will revive substantially when the Indian economy revives.

The next few years will be challenging for Tata Steel and will call for the exercise of hard options to ensure competitiveness, and in fact, long-term survivability. Several measures are under consideration and specific actions in the areas of cost reduction and increased productivity have already been initiated. Tata Steel has set itself the goal of being one of the most cost-effective steel producers in high value-added products in the world. Towards this goal, the Company has been endeavouring to exit from its non-core businesses, and is in the process of divesting its interests in the Cement Division, and has sold its holdings in Tata Timken Limited. Greater emphasis will be made in the coming years to focus new investments in well-defined present and future core areas, which would result in ensuring the enhancement of shareholder value.

The political uncertainty, the economic crisis in various Asian countries, the weak economy in Europe and global excess capacity in steel have all contributed in making this period an extremely difficult one for Tata Steel. In such circumstances, the commitment of the Company's people towards achieving their objectives while not surrendering the underlying values of the Company, has been very noteworthy.

While the present times have been difficult, there is good reason to believe that there will be growth in the steel industry in India.

The per capita consumption of steel continues to be extremely low and there is every expectation that this will grow substantially in keeping with India's growing economic prosperity.

Tata Steel and its people have over the past nine decades served the nation and participated in its industrialisation. Tata Steel will continue to play its role in the further development of India's economy. The Company must and will be a significant player in its major product segments in the Indian steel industry in the coming years.

Ratan N. Tata

Chairman

Mumbai, 11th June, 1999

The Tata Iron and Steel Company Limited

Directors' Report

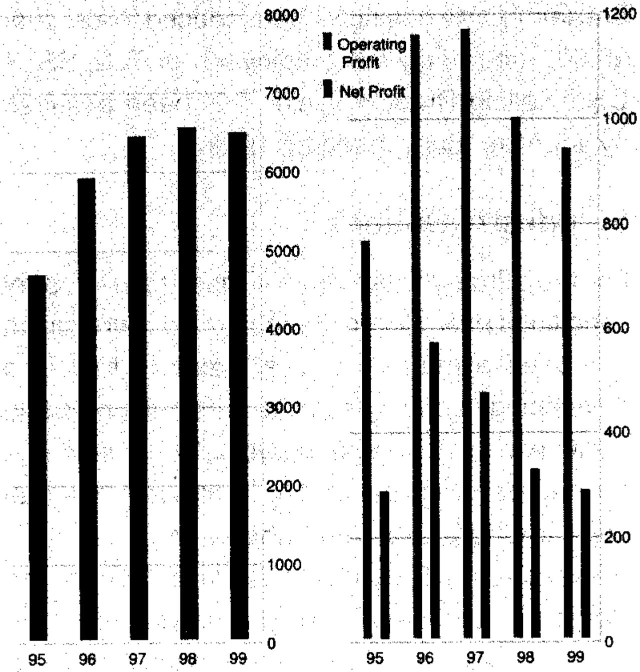
TO THE MEMBERS,
The Directors hereby present their Ninety-second annual report on the business and operations of the Company and the financial accounts for the year ended 31st March, 1999.

1. Financial Results

	Rupees Crores	*Previous Year Rupees Crores*
(a) Operating Profit	**936.65**	*995.34*
(b) *Add :* Dividend and Other Income	**177.78**	*83.09*
(c) Profit before Interest, Depreciation, Employee Separation Compensation and Taxes	**1114.43**	*1078.43*
(d) *Less :* Interest	**301.56**	*259.68*
(e) Profit before Depreciation, Employee Separation Compensation and Taxes	**812.87**	*818.75*
(f) *Less :* Depreciation	**382.18**	*343.23*
(g) Profit before Taxes and Employee Separation Compensation	**430.69**	*475.52*
(h) *Less :* Employee Separation Compensation	**115.46**	*112.19*
(i) Profit before Taxes	**315.23**	*363.33*
(j) *Less :* Provision for Taxes	**33.00**	*41.25*
(k) Profit after Taxes	**282.23**	*322.08*
(l) *Less :* Transfer to Debenture Redemption Reserve	**40.00**	*100.00*
(m) *Add :* Transfer from Investment Allowance (Utilised) Reserve	**0.04**	*29.00*
	242.27	*251.08*
(n) *Add :* Balance brought forward from the previous year	**81.52**	*82.42*
(o) Balance	**323.79**	*333.50*
which the Directors have appropriated as under, to :		
(i) Proposed Dividend on Ordinary Shares	**147.11**	*147.25*
(ii) Tax on Dividend	**16.18**	*14.73*
(iii) General Reserve	**70.00**	*90.00*
TOTAL	**233.29**	*251.98*
leaving a balance of to be carried forward	**90.50**	*81.52*

2. Turnover and Profits

Total Income, during the year under review, was slightly lower at Rs. 6,452.42 crores as against Rs. 6,516.58 crores last year (a marginal reduction of 1%). Due to adverse market conditions, the realisation for the Company's products were lower and the profit margin per tonne was squeezed by Rs. 566 per tonne compared to last year, inspite of a richer product mix. The profit on steel was therefore depressed, and was partially made up by better operating profits in the other Profit Centres, most notably in Cement and in Tubes. It may be worth mentioning that the gross profit was actually higher at Rs. 1,114.43 crores as compared to Rs. 1,078.43 crores last year (an increase of Rs. 36.00 crores). However, because of increased interest, depreciation arising from capitalisation of fixed assets of Rs. 1,345 crores during the year, the profit before taxes was down from Rs. 363.33 crores to Rs. 315.23 crores (a reduction of 13.23%), and profit after taxes was down to Rs. 282.23 crores from last year's Rs. 322.08 crores, a reduction of 12.37%.



Total Turnover (Rs. in Crores)

Profits (Rs. in Crores)

3. Dividend

The Directors recommend a dividend for the year ended 31st March, 1999, to be paid as follows, if approved by the Shareholders at the Annual General Meeting to be held on 29th July, 1999 :

(a) On 367,771,487 Ordinary Shares at Rs. 4.00 per share *(1997-98 : On 368,137,018 Ordinary Shares at Rs. 4.00 per share).*

(b) On 25 Ordinary Shares of Rs. 10 each pro-rata *(1997-98 : On 387 Ordinary Shares of Rs. 10 each pro-rata).*

4. Right-sizing – Charging to Cost

The Company has been implementing a series of Early Separation Schemes (ESS) since 1995-96 for its surplus employees and till 31.3.99, 12,141 employees have opted for voluntary retirement under these schemes. The schemes provide for the payment of monthly pension till the age of normal retirement.

Under the present accounting practice, the provision for employee separation compensation is arrived at on the basis of the net present value of future pension payments and is amortised over a period of 5 years. Based on a review, it has been determined that the average period of benefit accruing to the Company is in excess of 10 years. Consequently, the amortisation period is being extended to 10 years.

The family size has now been reduced to just over 59,000 (including the employees of Tata SSL's Cold Rolling Division, which has been acquired by your Company in March 1999).

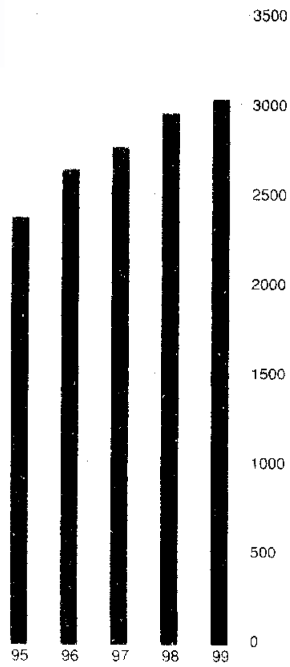
5. Industry Outlook

For the third successive year, near-recessionary conditions prevailed in the Indian steel industry. It is indeed a matter of great concern that in a developing economy such as ours, the persisting weakness in steel demand actually resulted in a further contraction of 1% in apparent steel consumption over and above the reduction witnessed in the previous year. While the Company achieved a volume growth of 5% in domestic sales at 2.514 million tonnes *(1997-98 : 2.388 million tonnes)*, prices realised were substantially lower than in the previous year. The slowdown in the steel industry was not just an 'India' phenomenon. The South-East Asia region, which is a major market for the Company, and to a lesser extent, Europe and the USA, also reflected similar trends. The global slow down of the steel industry prompted some countries to dump steel in the Indian market at ridiculously low prices. It was precisely to protect the domestic steel industry from such unfair competition that the Government of India imposed "floor prices" on imports of certain steel products from December 1998. It may be pertinent to add here that all major steel producing nations, including those from the so-called free market economies, have some sort of mechanism to protect their domestic industry from unfair import practices.

While India's total steel exports was lower by 10%, the Company's export volume dropped by only 2% to 0.426 million tonnes *(1997-98 : 0.433 million tonnes)*. Total sales grew by 4% to 2.940 million tonnes *(1997-98 : 2.821 million tonnes)*. Export turnover was lower by 12% at Rs. 636 crores, of which Steel and Engineering goods was Rs. 442 crores *(1997-98 : Rs. 504 crores)* and raw materials Rs. 186 crores *(1997-98 : Rs. 211 crores)*.

6. Operations

The production of saleable steel increased to an all-time record of 3.11 million tonnes. The expansion of Hot Strip Mill (HSM) to a nominal capacity of 2 million tonnes per year was completed during the year which resulted in a better product-mix with semi-finished output being lowered to 27% for the year *(previous year : 37%)*. Concurrent with the expansion of the HSM capacity, the capacities to produce increased tonnages of continuous cast slabs from LD Shop No. 2 were also completed. The production capacities enabled the HSM to produce 1.58 million tonnes against a planned target of 1.6 million tonnes. From the year 1999-2000 onwards, this mill is expected to produce at the rated capacity of 2 million tonnes per annum. The proportion of continuous cast steel increased significantly to 81% of the total *(previous year : 64%)*.



Production
(000 Tonnes)