TATA

TATA STEEL



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Enhancing value

99th Annual Report
2005-2006

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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 continous improvement, Tata values of Leadership with Trust and its firm resolve to be a global steel player in the world.

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TATA STEEL LIMITED

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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.

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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.

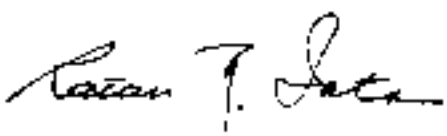
The Indian economy continued to see robust growth across most sectors and the 8% growth rate appears to be sustainable. The Indian corporate sector has shown its confidence in the country's economic fundamentals by committing significant amounts of capital towards the creation of new capacity in several 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.

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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

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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

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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

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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.

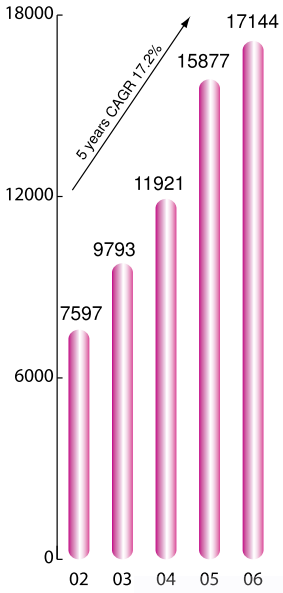


The innovation of rubber covered rolls with modified formulations in the Continuous Galvanising Line (CGL) #1 has yielded beneficial results and increased galvanised production to 0.52 MTPA.

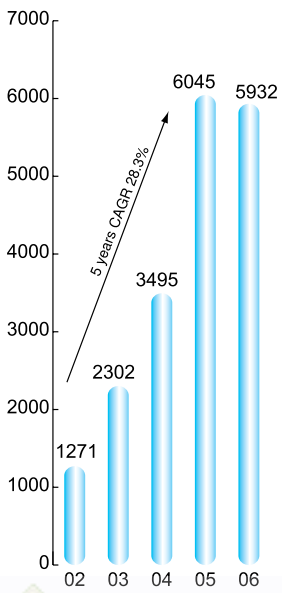
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Financial Highlights 2005-2006

Gross Sales (Rs. in crores)

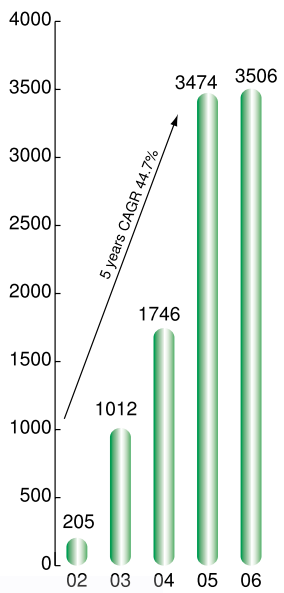


Operating Profit (Rs. in crores)

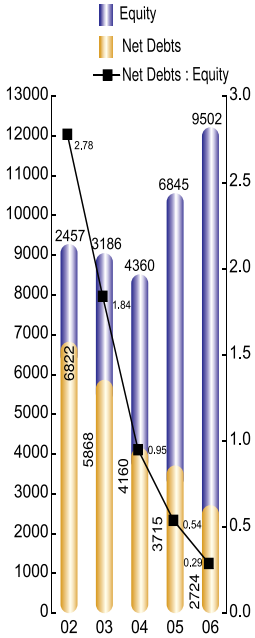


Operating Profit = Sales of Products & Services - Excise Duty - (Mfg & Other Expenses - Expenditure transferred to Capital and Other Accounts)

Profit after tax (Rs. in crores)

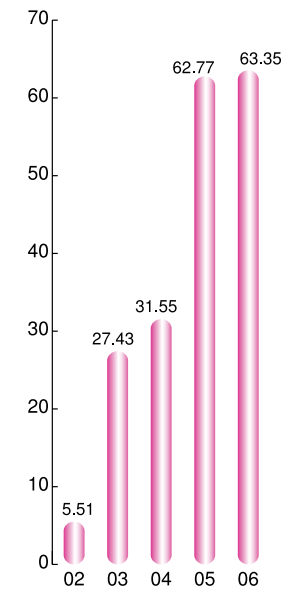


Net Debts / Equity

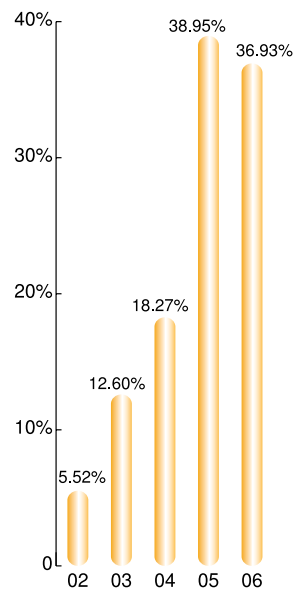


Net Debts = Secured Loans + Unsecured Loans+ Deferred Tax Liability+ Provision for Employee Separation Compensation + Long Term Guarantees (-) Current Investments (-) Cash and Bank Balances
Equity = Share Capital + Reserves and Surplus - Miscellaneous Expenditure (to the extent not w/o or adjusted)

Earnings per Share (Rs. per Share)



Return on Invested Capital (%)



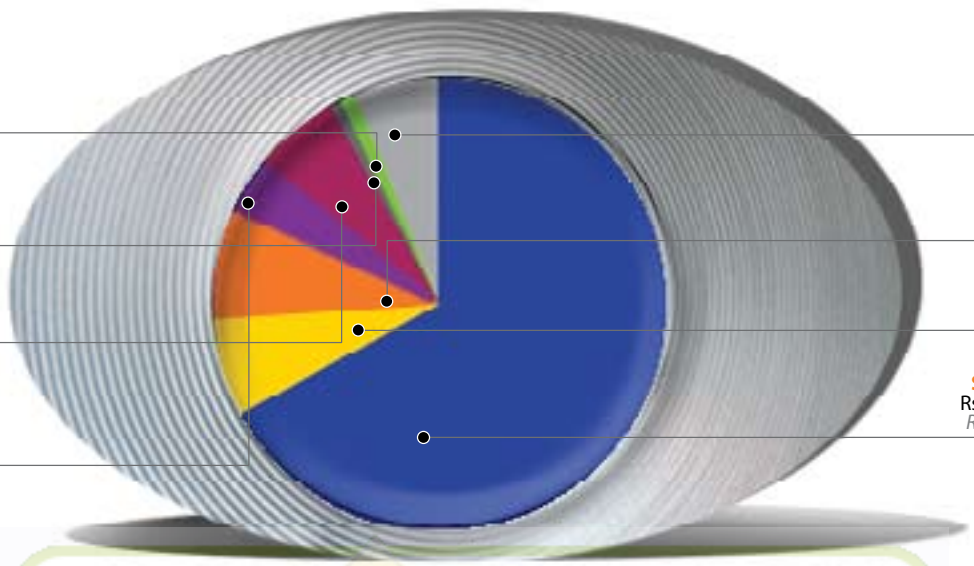
* Post Tax

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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%)

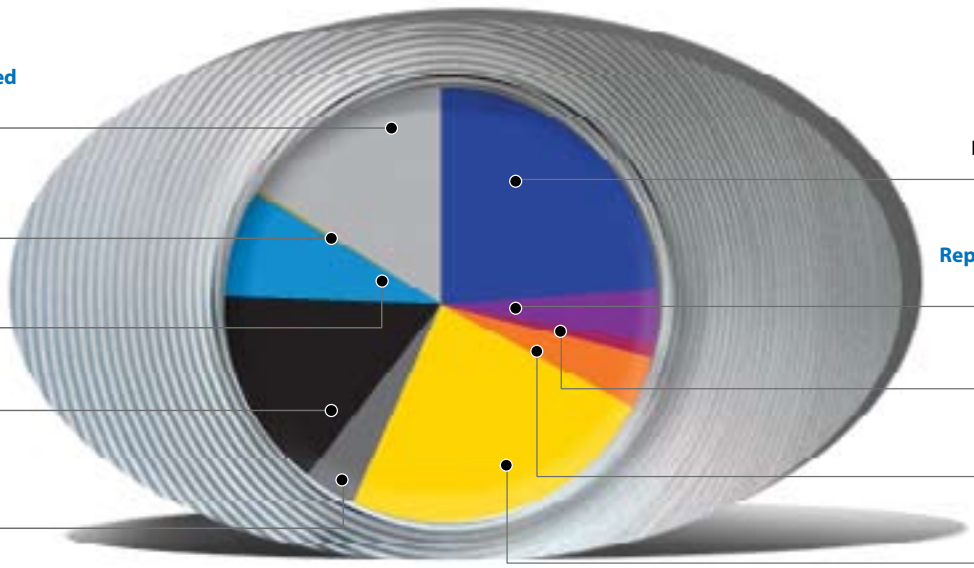
Steel - Export
Rs. 1213.56 (7%)
Rs. 1570.38 (10%)

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

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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.

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