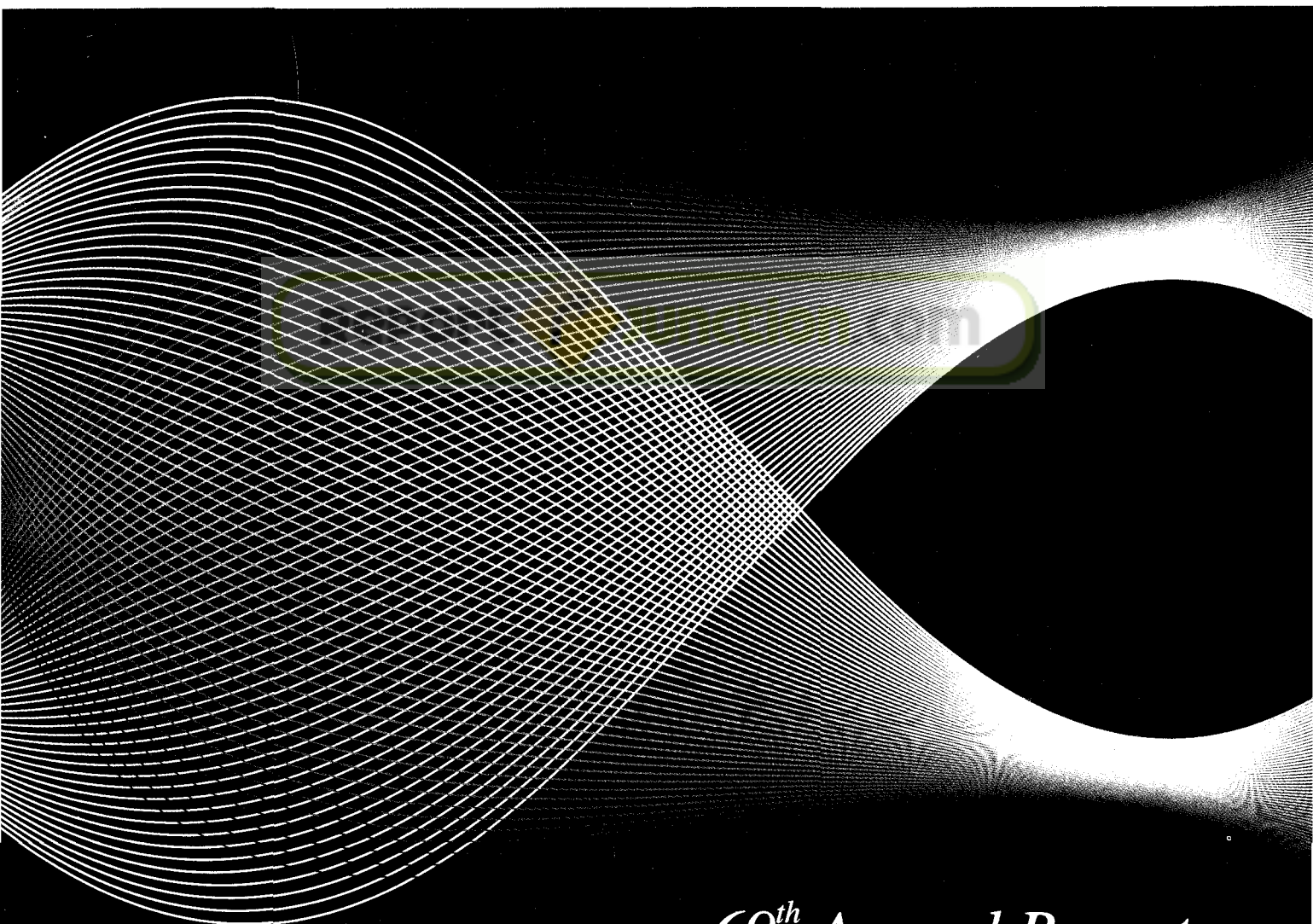




TATA INVESTMENT CORPORATION LIMITED



69th Annual Report
2005-06

TATA INVESTMENT CORPORATION LIMITED

Sixty-ninth annual report 2005-2006

CONTENTS

	Page(s)
Board of Directors	1
Notice	2-5
Directors' Report	6-10
Report on Corporate Governance	11-18
Auditors' Report	19
Annexure to Auditors' Report	20-21
Balance Sheet	22
Profit and Loss Account	23
Cash Flow Statement	24
Notes to the Accounts	25-27
Schedules forming part of the Profit and Loss Account	28
Schedules forming part of the Balance Sheet	29-31
List of Investments	32-39
Schedule as per NBFC Prudential Norms (RBI) Directions	40-41
Financial Statistics	42
Summary of Investments – Distribution among different Industries and classes of Securities	42

BOARD OF DIRECTORS :

Mr. N.A. Soonawala (*Chairman*)
 Mr. V.C. Vaidya (*upto 21.07.2006*)
 Mr. A.B.K. Dubash
 Mr. K.N. Suntook
 Mr. M. J. Kotwal (*Executive Director & Secretary*)
 Mr. N. N. Tata
 Mr. K. A. Chaukar
 Mr. F. N. Subedar
 Mr. H. N. Sinor

Registered Office :

Ewart House,
 Homi Mody Street,
 Mumbai 400 001.
 (Tel: 66658282 – Fax: 22652629)
 e-mail: ticl@tata.com

Bankers :

Bank of India
 Catholic Syrian Bank
 Central Bank of India
 Citibank N.A.
 ICICI Bank Ltd.
 HDFC Bank Ltd.
 Hatton National Bank Ltd., Colombo
 Standard Chartered Bank Ltd.

Auditors :

Messrs A.F. Ferguson & Co.
 Chartered Accountants.

Solicitors :

Messrs Mulla & Mulla and Craigie, Blunt & Caroe

Registrars & Share Transfer Agents :

TSR Darashaw Limited
 (Tel. 66568484 Fax: 66568494)
 e-mail: csg-unit@tsrdarashaw.com

Annual General Meeting on Friday, the 21st day of July, 2006 at Bombay House Auditorium at 3.30 p.m.

No hand bags/parcels of any kind will be allowed inside the Auditorium. The same will have to be deposited outside the Auditorium on the counter provided, at the visitor's own risk.

TATA INVESTMENT

Sixty-ninth annual report 2005-2006

Tata Investment Corporation Limited

TATA INVESTMENT CORPORATION LIMITED**NOTICE**

THE SIXTY-NINTH ANNUAL GENERAL MEETING OF TATA INVESTMENT CORPORATION LIMITED will be held at Bombay House Auditorium, Homi Mody Street, Mumbai 400 001, on Friday, the 21st day of July, 2006, at 3.30 p.m. to transact the following business :-

1. To receive and adopt the Director's Report and the Audited Profit and Loss Account for the year ended 31st March, 2006, and the Balance Sheet as at that date.
2. To declare a dividend on Ordinary Shares.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. A.B.K. Dubash, who retires by rotation as a Director pursuant to the provisions of Section 256 of the Companies Act, be and is hereby appointed a Director of the Company."

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. K.N. Suntook, who retires by rotation as a Director pursuant to the provisions of Section 256 of the Companies Act, be and is hereby appointed a Director of the Company."

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that Mr. V.C. Vaidya who retires at this meeting but does not seek re-election, be not re-appointed and the resulting vacancy be not filled, pursuant to Section 256(4)(a) of the Companies Act, 1956, and that the number of Directors be reduced accordingly."

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :-

"RESOLVED that in partial modification of Resolution No.6 passed at the Annual General Meeting of the Company held on 26th July, 2004, and in accordance with the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in the perquisites and allowances payable to Mr. M.J. Kotwal, Executive Director (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment) with effect from 1st April, 2005 for the remainder of the tenure of his contract as set out in the Explanatory Statement annexed to the Notice convening this meeting.

RESOLVED FURTHER that the Board be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

7. To appoint Auditors and to fix their remuneration.

NOTES :

- a) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 3 to 6 set out above are annexed hereto.
- b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- c) The Register of Members and the Transfer Books of the Company will remain closed from Saturday, 8th July, 2006 to Friday, 21st July, 2006, both days inclusive.
- d) Dividend, if declared, will be paid on or after 24th July, 2006, to those members whose names appear on the Company's Register of Members on 21st July, 2006. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on 7th July, 2006 as per details furnished by National Securities Depository Limited and Central Depository Services (India) Ltd.

- e) Members are requested to notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
- f) Members holding shares in electronic form may please note that their bank details as furnished by the respective Depositories to the Company will be considered for remittance of dividend as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such members for change/deletion in such bank details. Further, instructions, if any, already given by them in respect of shares held in physical form, will not be automatically applicable to the dividend paid on shares held in electronic form. Members may, therefore, give instructions regarding bank accounts in which they wish to receive dividend to their Depository Participants.
- g) Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March, 1996 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No.II to the Registrar of Companies, Central Government Office Bldg., 'A' Wing, 2nd floor, Next to Reserve Bank of India, CBD Belapur 400 614.

Pursuant to Section 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 1999 onwards, are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year ended 31st March, 1999 is due for transfer to the Fund on or after 31st August, 2006.

Report Junction.com

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M.J. KOTWAL

Executive Director & Secretary.

Mumbai, 7th June, 2006

Registered Office :

Ewart House
Homi Mody Street
Mumbai 400 001.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to the business mentioned in Item Nos. 3 to 6 of the accompanying Notice dated 7th June, 2006.

Item No.3 : Mr. A.B.K. Dubash was appointed as a Director of the Company on 28th August, 1984. Mr. Dubash is a leading businessman and a Director of several companies and a Trustee of various Charitable organisations & NGOs. He has wide experience in business and industry. The Directors commend his re-appointment as a Director.

Item No.4 : Mr. K.N. Suntook was appointed as a Director of the Company on 5th March, 1997. Mr. Suntook is a Law Graduate and a Fellow Member of the Institute of Company Secretaries of India. He was earlier the Whole-time Director of Lakme Ltd. and subsequently the President of Tata Services Ltd. Mr. Suntook has vast legal and financial knowledge and has considerable amount of business experience. The Directors commend his re-appointment as a Director.

Item No.5 : Mr. V.C. Vaidya is due for retirement by rotation at the ensuing Annual General Meeting. In view of his age, Mr. Vaidya has indicated his intention not to offer himself for re-appointment. It is therefore, proposed not to fill the vacancy caused by the retirement of Mr. Vaidya, at this stage and the number of Directors on the Board shall stand reduced accordingly.

TATA INVESTMENT

Sixty-ninth annual report 2005-2006

Tata Investment Corporation Limited

Item No.6 : At the Annual General Meeting held on 26th July, 2004, the members of the Company had approved of the re-appointment and terms of remuneration of Mr. M.J. Kotwal as Executive Director of the Company for a period of 3 years from 4th September, 2004.

In order to give flexibility to the Board of Directors to decide upon the perquisites and allowances to be granted to the Executive Director from time to time, within the overall ceilings prescribed under the Act, the Board of Directors has, on 23rd March, 2006, approved of the revised terms of remuneration relating to the perquisites and allowances of Mr. Kotwal, subject to the approval of the shareholders, with effect from 1st April, 2005 for the remaining tenure of his contract. All other terms and conditions of re-appointment and remuneration of the Executive Director would remain unchanged. The revised terms of remuneration are set out below :

- A. Remuneration : Salary upto a maximum of Rs. 1,50,000 per month, with annual increments effective 1st April every year, as may be decided by the Board, based on merit and taking into account the Company's performance; benefits, perquisites and allowances as determined by the Board from time to time; and incentive remuneration and /or commission based on certain performance criteria to be prescribed by the Board.
- B. Minium Remuneration: Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. M. J. Kotwal, Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances and incentive remuneration as specified above.

The aggregate of the remuneration as aforesaid shall be within the maximum limits as laid down under Section 198, 309, 310 and all other applicable provisions, if any, of the Act read with Schedule XIII of the Act as amended and as in force from time to time.

In compliance with the provisions of Section 309 and 310 read with Schedule XIII of the Act, the revised terms of remuneration of the Executive Director are now being placed before the Members in general meeting for their approval. The foregoing material terms may also be treated as an abstract of the revised terms of remuneration of Mr. M.J. Kotwal for the purposes of Section 302 of the Act.

Mr. Kotwal is concerned or interested in the Resolution at Item No.6 of the Notice.

The Board commends the Resolution at Item No.6 of the accompanying Notice for acceptance by the Members.

By Order of the Board of Directors,
TATA INVESTMENT CORPORATION LIMITED

M.J. KOTWAL

Executive Director & Secretary.

Mumbai, 7th June, 2006.

Registered Office :

Ewart House
Homi Mody Street
Mumbai 400 001.

**Details of the Directors seeking re-appointment at the
forthcoming Annual General Meeting -
Clause 49(1)(A) of the Listing Agreement**

Name of the Director	Mr. A.B.K. Dubash	Mr. K.N. Suntook
Date of Birth	22.9.1943	22.5.1935
Date of Appointment	28.8.1984	5.3.1997
Expertise in specific functional areas	Business & Industry	Legal, Finance & Business experience
Qualifications	Businessman	B.A., LL.B.(Advocate), F.C.S.
No. of Shares held in the Company	972 Ordinary Shares	3,100 Ordinary Shares
Directorships held in other companies (excluding private and foreign cos.)	R. Sharp & Son Private Ltd. Dubash Holdings Pvt. Ltd. IVP Ltd. Rampart Finance Pvt. Ltd. Zoref Water Farms Pvt. Ltd.	The Associated Building Co. Ltd. Trent Ltd. National Peroxide Ltd. Tata Mc-Graw Hill Publishing Co. Ltd.
Committee position held in other companies	IVP Ltd. (Member: Remuneration Committee)	Trent Ltd. (Member: Audit Committee Member: Investment Committee) National Peroxide Ltd. (Member: Audit Committee Member: Remuneration Committee) Cricket Club of India (Member: Executive Committee Member: Investment Committee)

TATA INVESTMENT

Sixty-ninth annual report 2005-2006

Tata Investment Corporation Limited

DIRECTORS' REPORT

TO
THE MEMBERS,

The Directors present their Sixty-ninth Annual Report with the Audited Statement of Accounts for the year ended 31st March, 2006.

2. FINANCIAL RESULTS :

	Rupees (in crores)	Previous Year Rupees (in crores)
Total Income	170.88	119.18
Profit before tax	164.59	113.90
Less: Provision for tax	1.55	1.13
Amount transferred to/from Deferred Tax Asset	+ 0.10	- 0.39
Profit after tax	163.14	112.38
Balance brought forward from the previous year	41.91	23.49
Amount available for appropriation	205.05	135.87
The Directors have made the following appropriations -		
Proposed dividend on Ordinary Shares @ 120%	41.35	25.57
Tax on dividends	5.80	3.91
Reserve Fund	32.63	22.48
General Reserve	65.00	40.00
	144.78	93.96
leaving a balance to be carried forward of	60.27	41.91

3. DIVIDEND :

The financial year 2005-2006 has again been a good year for the Company with a profit after tax of Rs. 163.14 crores. Your Directors are pleased to recommend a dividend of Rs. 12 per share i.e. 120% on the increased post-bonus share capital of Rs.34.46 crores for the year 2005-2006 as against 120% on the pre-bonus share capital of Rs.22.97 crores i.e. a higher dividend amount of Rs. 47 crores. The total dividend payout (including dividend tax) would be about 30% of the profit after tax.

4. OPERATIONS :

The total income of the Company during the year increased by 43% to Rs. 170.88 crores against Rs.119.18 crores in the previous financial year. The total expenditure during the year was Rs. 6.29 crores against Rs.5.29 crores in the previous year (including donations of Rs.1.19 crores and Rs.1.34 crores respectively).

The profit before tax increased from Rs.113.90 crores in the previous year to Rs. 164.59 crores for the year under review. The profit after tax for the year under review at Rs. 163.14 crores was likewise higher than that of the previous year of Rs.112.38 crores, i.e. an increase of about 45%.

The basic earnings per share (EPS) computed in accordance with the Accounting Standard 20 issued by the Institute of Chartered Accountants of India was Rs. 47.34 on the increased capital as against the comparable figure of Rs.32.61 for the previous year. The net asset value (NAV) of the Company's equity share as on 31st March, 2006 works out to Rs. 645 per share on the increased share capital after taking into account the minimum alternative tax now applicable in accordance with the Finance Act, 2006.

The Directors trust that the shareholders will find the performance of the Company for the financial year 2005-2006 to be satisfactory.

5. INVESTMENT PORTFOLIO :

A summarised position of the Company's portfolio of investments on 31st March, 2006, as against that at the end of the previous year, is given below :-

	31.03.2006	31.03.2005
	(Rs. in crores)	
BOOK VALUE -		
A. Long Term Investments		
Quoted investments	296.37	279.20
Unquoted investments (including Mutual Funds)	308.39	226.06
	<u>604.76</u>	<u>505.26</u>
Less: Provision for long term diminution in value of investments	3.80	4.67
	<u>600.96</u>	<u>500.59</u>
B. Current Investments		
Quoted Equity shares	23.67	15.94
Total book value of investments	<u>624.62</u>	<u>516.53</u>
Book value of <i>quoted</i> long term and current investments only (net of provision for diminution)	<u>319.63</u>	<u>294.22</u>
C. MARKET VALUE of <i>quoted</i> long term and current investments only	<u>2133.08</u>	<u>1267.74</u>
D. Percentage gross appreciation in market value of quoted investments over book value (net of provision for diminution)	<u>567%</u>	<u>331%</u>
E. Gross Value of total portfolio (taking quoted investments at market value and unquoted investments at book value less provision for diminution)	<u>2438.07</u>	<u>1490.05</u>

(The figures shown under D and E above would be subject to tax as may be applicable)

The Directors confirm that most of the investments held by the Company are long term investments and would normally be held for more than one year from the date of acquisition, unless otherwise decided in specific cases. A small part (less than 4% of the book value) of the portfolio is in the category of 'Current Investments' which, for accounting and other purposes, are so classified at the time of making such investments and are indicated separately in the list of investments shown in the relevant schedule in the Balance Sheet.

6. MANAGEMENT DISCUSSION & ANALYSIS :

The stock markets have been witnessing a sustained upward movement in the last three years and have generated 46% annualised returns in the last two years. The momentum has been particularly strong during the last financial year when the BSE Sensex has risen by 73% from 6506 on 1st April, 2005 to 11280 on 31st March, 2006.

Some of the positive factors which have contributed to this continuous upward trend are – a consistent inflow of investments by Foreign Institutional Investors (FIIs), robust growth in corporate earnings, relatively attractive valuations and a widely perceived positive outlook on India. The inflow of

TATA INVESTMENT

Sixty-ninth annual report 2005-2006

Tata Investment Corporation Limited

investments by FIIs accelerated during the last financial year and touched a high level of \$ 13 billion i.e. at a rate of over \$ 1 billion per month. Unlike earlier years, the Indian mutual funds also attracted very large inflows and actively participated in the equity markets. This combined pressure of funds inevitably resulted in an exceptional spurt in market prices, particularly as it was not accompanied by a correspondingly large supply of new stocks coming into the market. While there is also a revival of interest from retail investors, most of them rightly preferred to route their funds through the mutual funds.

In 2005-2006, the GDP continued to grow by about 8% and many other macro-economic fundamentals remained favourable. Fortunately, the continuing rise in international oil prices as well as the creeping increase in interest rates both in India and abroad did not derail the growth momentum. A survey of about 1500 companies showed that while net sales increased by about 19%, net profits increased by more than 26% for the year ended 31st March, 2006 though, of course, many companies showed varying percentages.

The upward trend of the stock market was also reflected in the appreciation in the value of our Company's investment portfolio during the last financial year. The market value of our quoted investments increased from Rs.1268 crores on 31st March, 2005 to Rs.2133 crores on 31st March, 2006, representing an increase of about 70%.

Considering the wide range of our investment portfolio which covers a large number of industries and companies, it would be more appropriate to relate the performance of our portfolio to the BSE-200 index (rather than the Sensex which covers only 30 stocks) and this index showed an increase of 63% during the last financial year so that the value of our portfolio out-performed that index. Moreover, it should be noted that the increase in the value of our quoted investments arose after realising a record level of capital gains during 2005-2006. Taking advantage of the continuous increase in the market prices, the Company considered it prudent to realise a larger level of capital gains than in earlier years. This together with a higher income from dividends enabled the Company to show a record level of profit after tax of Rs.163 crores. Arising from the substantial amounts realised from sale of investments during the year, the surplus funds held by the Company as on 31st March, 2006 also increased and are temporarily invested in debt and equity related schemes of various mutual funds, pending deployment in long term investments with an objective of enhancing the dividend yield and, at the same time, preservation of growth of capital. The total number of companies in our investment portfolio was 231 on 31st March, 2006 as against 237 at the end of the previous year.

During the current financial year which commenced on 1st April, 2006, the basic fundamentals of the country and of the corporate sector continue to remain favourable and this should be reflected in continuing GDP growth. Growth of the corporate sector should also be favourable, though the pace of such growth will undoubtedly vary from industry to industry. The common perception seems to be that the growth in industries involved in infrastructure, construction and real estate would generally be higher than in the other traditional sectors. However, the exceptionally high rate of increase in the market prices of many shares in such short time needs to be watched particularly as high growth expectations in many sectors has resulted in P/E ratios reaching levels which may not be justified if their performance do not fulfil these expectations.

While our diversified portfolio is well placed to keep pace with the growth in different industries, it must be realised that a significant portion of the Company's income arises from capital gains on sale of long term investments which are largely dependent on the conditions of the stock market. Moreover, such long term capital gains which were hitherto free of tax, will now be liable to tax at the rate applicable under MAT (Minimum Alternative Tax). Thus, the Company's tax liability would increase from the current financial year onwards.

Though the stock market showed a further upsurge since 1st April, 2006 from the level of 11280 to a record high of 12671 on 11th May, 2006, there was a significant downward correction since that date and the Sensex stood just below the 10,000 mark at the time of writing this report. In our previous year's Annual Report, a certain degree of caution had been expressed based on the excessive flow of liquidity into the stock market, rising oil prices, increase in cost of materials, rising interest rates and the increasing trade deficit of the country. These factors, together with the pressure on profit margins, continue to be a source of concern and it is therefore difficult to predict the trend of the stock market during the current financial year. Whilst it would be our endeavour to show satisfactory

results during the current year, it will be appreciated that the year 2005-2006 has, by any standards, been an exceptionally good year.

7. INTERNAL CONTROL SYSTEMS :

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

The Company has appointed an independent firm of Chartered Accountants as Internal Auditors, which continuously reviews the adequacy and efficacy of the internal controls. The Internal Auditors submit an Internal Audit Report periodically which is placed before and reviewed by the Audit Committee.

8. TATA SECURITIES PRIVATE LIMITED :

The total income of Tata Securities Pvt. Ltd. (where the Company has a holding of 49.9% of that Company's paid up capital) was Rs. 12.69 crores as against Rs. 13.99 crores in the previous year, mainly due to lower rate of brokerage earned on debt mutual funds. The total expenditure was higher at Rs. 6.80 crores as against Rs. 5.60 crores in the previous year, mainly due to depreciation and higher payment of commission on non mutual fund securities. The profit before tax was Rs. 6.61 crores against Rs. 8.38 crores last year. The profit after tax (after making provision for taxes of Rs. 2.12 crores) was Rs. 4.49 crores as against Rs. 6.57 crores in the previous year. After taking into account the balance brought forward from the previous year, the amount available for appropriation was higher at Rs. 6.57 crores against Rs. 4.18 crores last year. Tata Securities has recommended a dividend of 400% on the paid-up capital as against 300% paid for the previous year. Tata Securities intends to expand its activities during the current year.

9. PROVISION FOR DIMINUTION IN VALUE OF INVESTMENTS :

In accordance with the relevant Accounting Practice, an amount of Rs.0.86 crore has been written back to the Profit and Loss Account, on account of write back of provision for diminution in the value of certain investments, no longer required, which had been debited to the Profit & Loss Account in earlier years.

10. FIXED DEPOSITS :

Fixed Deposits from 68 parties amounting to Rs.9.52 lacs which had matured during the year under report but were not claimed by the depositors, were outstanding at the end of the year. Out of these, 46 deposits aggregating Rs. 4.90 lacs remain outstanding to date. The Company has sent reminder letters by registered post to all the depositors whose deposits have remained unclaimed upto the date of the Report. The Company has stopped/acceptance renewal of Fixed Deposits.

CRISIL has, for the Fixed Deposit scheme of our Company, reaffirmed the 'FAAA' rating which indicates highest safety in timely payment of interest and principal amount of deposits.

11. DIRECTORS :

Mr.V.C.Vaidya is due for retirement by rotation at the ensuing Annual General Meeting. In view of his age, Mr. Vaidya has indicated his intention not to offer himself for re-appointment. Mr. Vaidya, who joined the Board on 21st May, 1980, was also a member of the Audit Committee and the Investment Committee since the last many years. During his tenure of 26 years as a Director of the Company, Mr. Vaidya, with his wide knowledge and long years of experience, made an immense contribution to the affairs of the Company. The Directors place on record their sincere appreciation of Mr. Vaidya's long and valuable association with and his useful contribution to the Company.

Pursuant to the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. A.B.K. Dubash and Mr. K.N. Suntook retire by rotation but are eligible for re-appointment. Details of these Directors who are eligible to be re-appointed is furnished in the Explanatory Statement to the Notice of the ensuing Annual General Meeting.