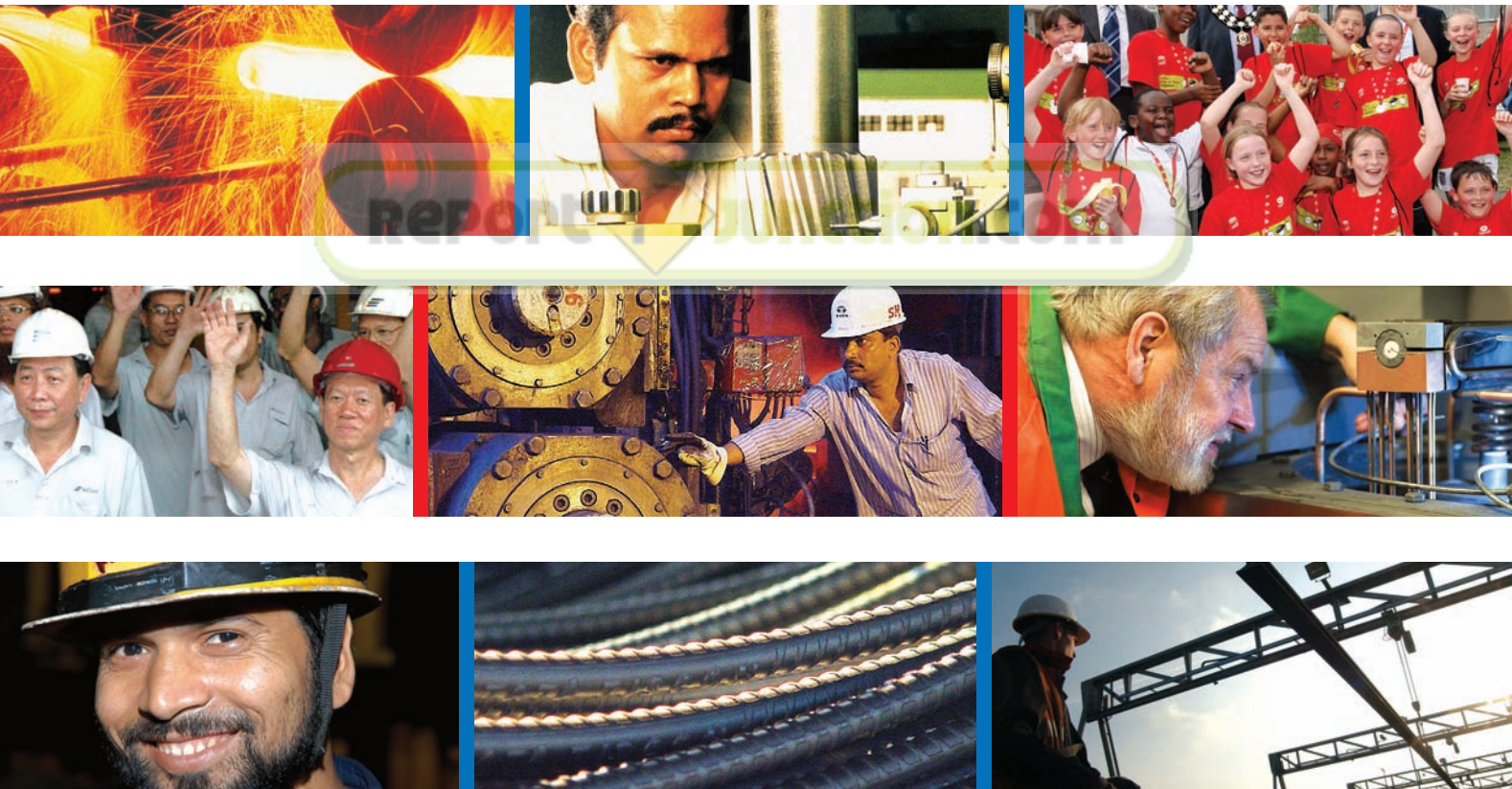


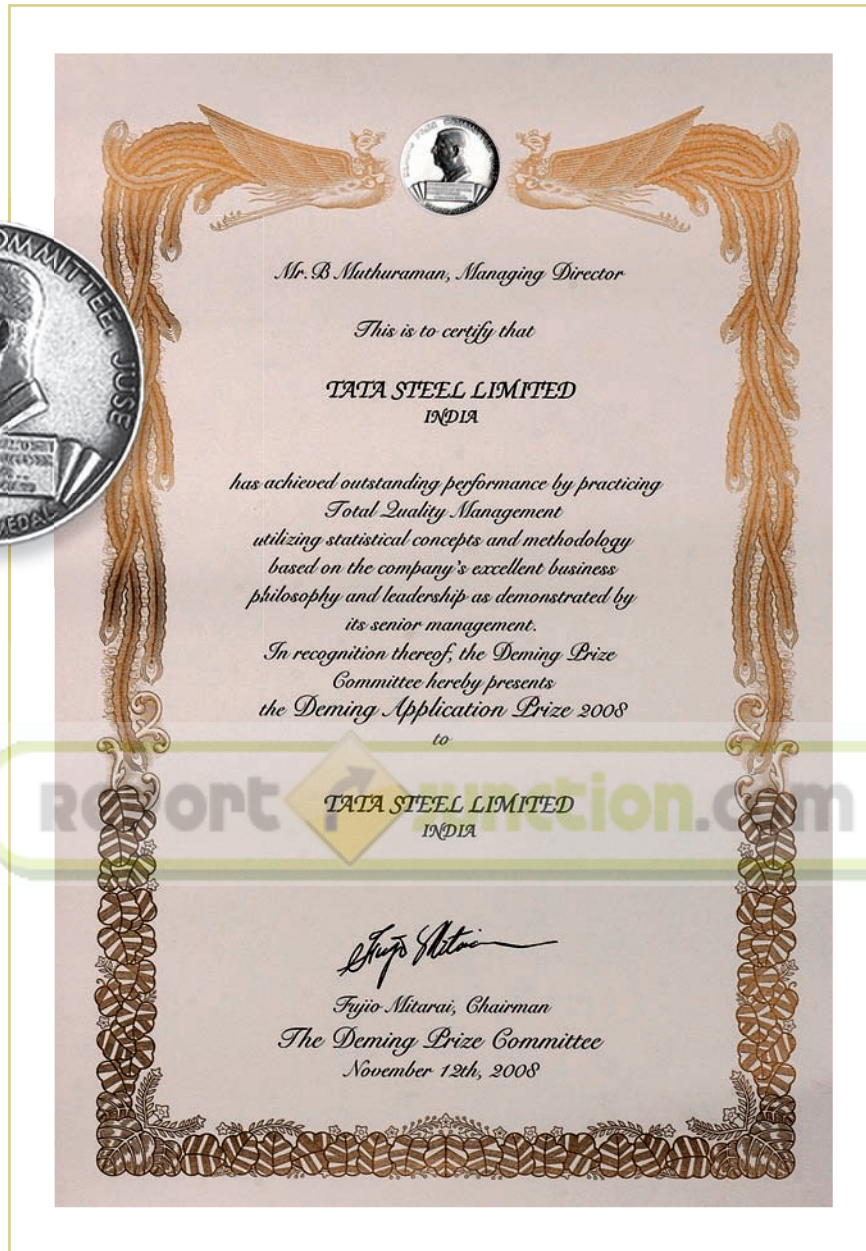


TATA STEEL

Endurance • Continuous Improvement • Growth



102nd Annual Report 2008-2009



The Deming Application Prize

The **Deming Application Prize**, established in December 1950 in honour of **W. Edwards Deming**, was originally designed to reward Japanese companies for major advances in quality improvement.

Tata Steel India's Award of the Deming Application Prize-2008 for **excellence in Total Quality Management** was a first to an integrated steel company outside Japan.

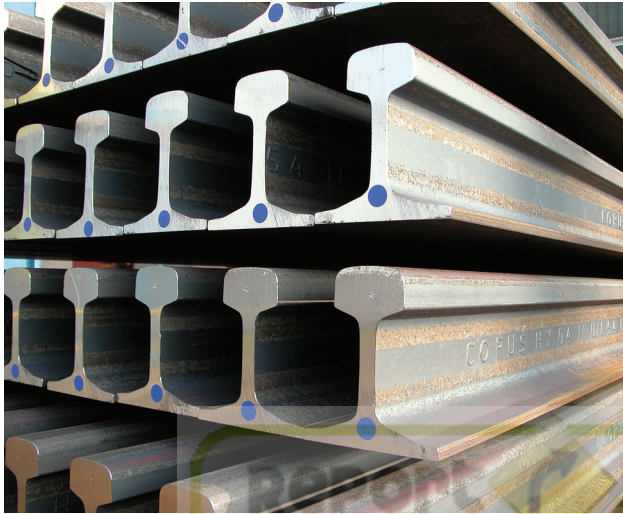
Mr. B. Muthuraman, Managing Director, Tata Steel, received the coveted medal from Mr. Fujio Mitarai, Chairman of The Deming Prize Committee in Japan.



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The growth of a company is invariably determined not just by its strategy, but on how it responds to the challenges it encounters. Over the decades, Tata Steel has successfully countered several challenges that have come its way with innovative responses and continuous improvement which have enabled it to remain stable and even convert some of these challenges into opportunities.

It is this culture of endurance, that has accorded Tata Steel the insight and focus to deal with the current economic environment. Drawing from its inner strength and beliefs, Tata Steel responded by launching several initiatives across all its operations in various geographies that are helping the Group achieve sustainable growth even in the current times. It is also this very culture that will propel Tata Steel to continue on its growth trajectory in the years to come.



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The Annual General Meeting will be held on Thursday, 27th August, 2009 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.

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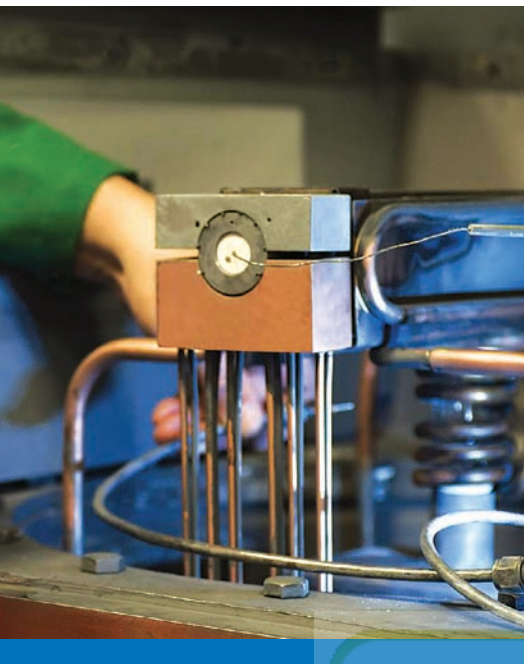
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endurance

Oneness with society, adaptability to the changing environment, empowerment of people, financial prudence and ethical governance have been the cornerstone of Tata Steel's **enduring** philosophy. These attributes have helped Tata Steel meet several challenges over the last 100 years.

continuous improvement

Tata Steel encourages its employees to work towards innovation in process and product development to drive efficiencies and create value. This approach has led to a work ethic that focusses on **continuous improvement** as a way of life.

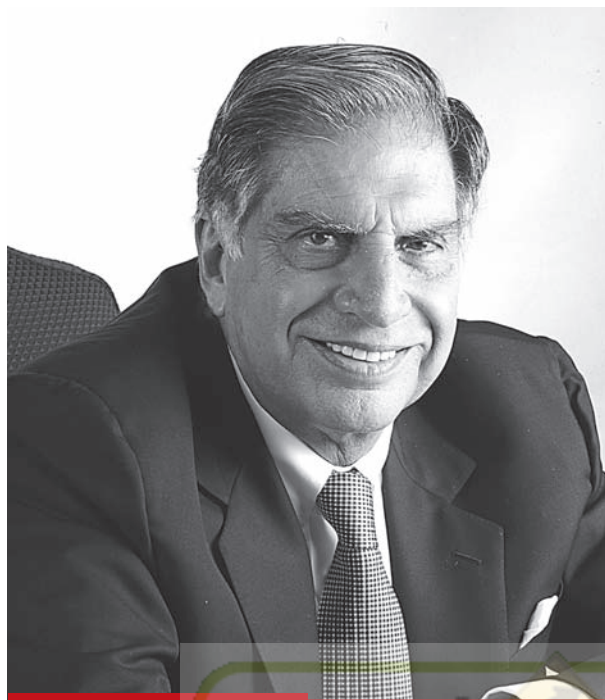


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growth

A strong vision backed by focussed actions have enabled Tata Steel to **grow** over the last century. Tata Steel remains alert to every opportunity and has taken on several challenges to drive value and become one of the top 10 global steel companies.

Chairman's Statement



Ratan N. Tata *Chairman*

Dear Shareholder,

Global Meltdown

After decades of global growth, the world watched in horror as financial institutions collapsed, first in the United States followed by Western Europe and the United Kingdom. The crisis then spread to nations in Eastern Europe, Asia and other geographies. This global meltdown had a widespread and devastating effect on the world-wide banking system, stock markets, pension funds, individuals' net worth and ownership of assets. It was a financial crisis of proportions approaching that at the time of the Great Depression of 1929.

In their efforts to restore fiscal stability and credibility of the banks, various governments stepped in with financial packages to assist banks and other financial institutions, with a view to normalising the financial sector. However,

in most cases, these funds were used by the receiving institutions to shore up their own balance sheets, and very little reached the "real economy".

The resultant lack of liquidity in the market, resulted in the drying up of consumer credit and working capital, leading to an unprecedented reduction in demand and the consequent inability of companies to finance their operations. This led to a domino-effect downward spiral in various industrial sectors like construction, automobiles, consumer products and capital goods. The effects of this downturn were initially felt in the industrialised nations but spread quickly to most other countries around the world.

The global downturn also had a major effect on various industries dependant on steel. Major contraction in the construction projects, automobiles, white goods demand from the third quarter of 2008-09 resulted in the global demand for steel dropping by 21% compared to the level consumed in the same quarter of the previous year.

While the economic scenario in India may look similar to that in the West, the situation was entirely different. Unlike the international banks and financial institutions, Indian banks did not hold toxic paper nor had they invested in sub-prime assets. Their loan portfolios were, by and large, healthy. What did happen was that in June 2008, the Reserve Bank of India raised the Repo Rates and the Cash Reserve Ratio of the banks, consciously curtailing liquidity in the system to combat inflation which had reached a level of around 11%. Predictably, the economy began to slow down in several sectors. The corporate sector and particularly small businesses increasingly faced difficulties in running their businesses, due to the lack of available finance and credit facilities. GDP growth declined from a level of 9% to 6.7% as new investments were deferred and output fell.

The situation was compounded when, as a result of the financial crisis in Western Europe and the United States, foreign financial institutions and foreign investors hurriedly liquidated their investments in India, leading to the collapse of Indian stock prices. Therefore from the second half of 2008-09 Indian industry was constrained to operate with very limited access to working capital, an inability to raise funds from market sources and a drastic drop in consumer demand.

The good news is that the economic revival in India is beginning to take place faster than most people expected and with the new government's plans for increased spending in infrastructure as well as rural development, the recovery in India is expected to be robust. Many believe the US economy has bottomed out, but that UK, Europe and Russia may fall still further. The general view is that an economic recovery in the Western world would probably only be in late 2010.

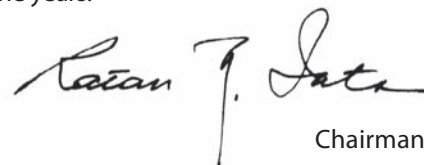
Tata Steel

The effects of the world economic downturn seriously impacted our Company's global operations in the second half of the year under review. The demand for steel declined by 26% in the UK and Europe in the third quarter compared to a year earlier and after a further contraction in the fourth quarter, demand had fallen by 57% in the UK and 44% in Europe compared with a year ago. This reflected in a sharp downturn in private construction projects, as well as large falls in automotive and mechanical engineering, amplified by severe destocking by both end users and service centers. Indian operations witnessed a less pronounced drop in demand of 11% in the third quarter, reflecting the reduced activity in infrastructure and commercial vehicles. There are however signs that the infrastructure and road building activities in India are gaining momentum, as a result of some of the government's actions to revive the economy.

Tata Steel has taken aggressive steps to meet the challenges of these difficult times through major initiatives in cost reduction, process improvement and production rationalisation. The highest priority is being given to expanding steel producing capacity in Jamshedpur, and ensuring raw material security for the European operations which do not have captive iron ore and coal resources. Production rationalisation is also being undertaken in Europe and the UK to right-size manufacturing facilities to be in sync with the lower off-take by the market. The same approach is also being taken in the Company's Asian subsidiaries.

The past year and probably the next 12-18 months are likely to be difficult and challenging times for Tata Steel. However, the spirit of the Company's employees, coupled with their commitment to meet the challenges, I am sure, will see Tata Steel come out of this difficult period, as a more cost-effective steel manufacturer with a stronger global market presence and an enhanced capability in producing new grades of steel products to better serve its customers.

In ending I would like to thank all my colleagues and our unions at Tata Steel for their support and understanding through the year. They have collectively made the Company what it is today, and will help lead the Company into tomorrow. I would also like to thank our shareholders for the trust they have reposed in the Company over the years.



Chairman

Mumbai, 31st May, 2009

Message from the Managing Director, Tata Steel



B. Muthuraman *Managing Director, Tata Steel*

The year 2008-09 was an eventful one. Tata Steel's Indian operations posted a record performance yet again. Compared to the previous financial year, deliveries were higher by 9%, turnover increased by 23%, EBITDA was higher by 14% and net profit higher by 11%. This, despite the fact that the world faced an unprecedented meltdown in the second half of the financial year, when the prices dropped to nearly half of what these were in the first half. Another high point for Tata Steel was to win the Deming Application Prize, which is the highest award for quality in the world. Tata Steel thus became the first steel company in the world outside Japan to have ever won the Deming Prize. The Deming Prize is a reflection of Tata Steel's commitment to its customers, employees, other business partners and the exceptional contribution the Company has made to the society as a whole. Tata Steel's longevity bears testimony to its long-term approach and its ability to embrace change with ease.

In contrast to Indian operations, our operations in Europe faced severe hardships, in line with the fate suffered by all other steel producers in Europe and the US. Our operations in South East Asia also felt the effect of the meltdown but to a lesser degree.

Financial year 2008 – 09 was an exceptional year in which we witnessed the best of times and the worst of times. After setting records of every kind in the first half, the year witnessed a dramatic reversal in the second half. The steel industry is used to cyclicity but what caught us and everyone by surprise was the speed and intensity of the downturn. Nations across the world responded to the crisis by introducing bail out and stimulus packages.

In its 102 years of history, Tata Steel has faced numerous challenges and has responded to each one appropriately. This crisis was no exception. The Tata Steel Group responded swiftly to the situation and took measures to 'weather the storm'. In our European operations, immediate steps were taken as tactical measures to align production and cost to the reduced market demand and there were medium and long-term strategic measures taken to ensure long-term competitiveness and sustainability. We took quick and decisive measures by curtailing production and introduced measures that reduced the cost by over one billion US\$ in 2008-09. Our integration programme delivered significant gains accruing from improvement in operations in India and Europe. Our key cost savings and performance improvement initiatives are well advanced and are already giving significant results.

We shifted our priority to consolidation of ongoing initiatives and putting the current operations on even keel. Financial prudence remains the hallmark of any strategy that Tata Steel adopts and our efforts to de-leverage our balance sheet gained greater momentum. We gave a closer look to our capital expenditure programme and reduced the capex plan by over 40% in the first two years by re-phasing the outlay