



TAYO ROLLS LIMITED

37th Annual Report
2004 - 2005

Vision

"Five Fold
in
Five Years"

Mission

"Tayo aspires to be a Rs. 500 crore plus turnover company by 2010, through :

- Accelerated growth with global mindset
- Strategic alliances/diversification
- People focus
- Best value to our customers
- Low cost quality product and services

We shall uphold the Tata values and be a good corporate citizen."

Core Values

- Honesty and integrity
- Credibility
- Commitment
- Agility
- Team spirit
- Excellence

TAYO ROLLS

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Annual General Meeting on Friday, 22nd July, 2005 at Centre for Excellence, Jubilee Road, Jamshedpur at 4.00 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 bring their copies to the meeting.

Board of Directors

(As on 29th April, 2005)

Mr. A. N. SINGH (Chairman)

Dr. T. MUKHERJEE

Mr. SHASHI S. PRASAD

Dr. SUBIR CHOWDHURY

Mr. VIJAY K. MEHTA

Mr. N. K. MISRA

Mr. P. C. SRIVASTAVA (Managing Director)

Management Team

(As on 29th April, 2005)

Mr. P. C. SRIVASTAVA - Managing Director

Mr. P. HARIHARAN - Vice President (Finance)

Mr. B. K. SINGH - General Manager (Operations)

Lt. Col. (Retd.) B. S. BAKSHI - Dy. General Manager
(Human Resource & Strategic Planning)

Mr. S. K. MUKHERJEE - Chief (Marketing)

Mr. G. VAIDYANATHAN - Company Secretary

REGISTERED OFFICEXLRI New Administrative Building
XLRI Campus, Circuit House Area (East)
Jamshedpur-831 001

BANKERSBank of India
IDBI Bank Ltd.

AUDITORSMessrs. S. B. Billimoria & Co.
Chartered Accountants

REGISTRARS & SHARE TRANSFER AGENTSTata Share Registry Limited
Army & Navy Building
148, M. G. Road,
Fort, Mumbai-400 001

Chairman's Statement

Dear shareholder,

The Indian industry had an impressive growth during 2004-05, mainly in manufacturing, capital goods and consumer durable sectors. Steel industry in particular, witnessed buoyancy, quite different from the one that prevailed in the mid-nineties as it is backed by good industrial and infrastructural growth, autonomy for the industry and a revival in the global economy. Following the steel sector, the steel dependent industry also experienced growth through increase in the demand for their products.

Your Company, which is the leading Roll manufacturer in India performed well by achieving the highest ever turnover, profit before and after tax during the year 2004-05. The Company's biggest challenge was to manage the increases in raw-material prices which reached unprecedented levels during the year. The various cost reduction initiatives and the product-mix optimisation were the main enablers for the good performance.

The expectations for the continued growth in the steel sector has given optimism to steel majors to go ahead with huge capital investments for modernisation and expansion of their capacities. Leading global majors are also finding India, an attractive destination for putting up green field projects. All these are welcome moves, which may give a quantum leap to India's steel output. Consequently, it is hoped that the demand for rolls will also increase. The Company's action for investment in enhancing its roll making capacity has been timely, putting it in a leading position to cater to the increase in demand for rolls from the customers.

Your Company strengthened its market leadership by maintaining its market share and was first in

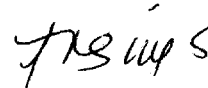
India to introduce Hi-Speed steel rolls. During the year, the Company also introduced high performing enhanced carbide TEK rolls at Hot Strip Mills of various customers. The Company is always on the look-out to enhance customer satisfaction through innovation, upgradation of products and customer service.

The ongoing challenges before the Company are, to address the increasing cost of raw-materials and get remunerative orders from the customers by supplying high performing rolls. The Company's initiatives for going in for backward integration by putting up a Mini Blast Furnace has been a good move. This would not only put the Company in a better footing in controlling the input cost to some extent but also substantially reduce the energy cost. The various state-of-the-art equipment added during the year would also facilitate improvements in quality and productivity.

The Company is poised for a significant growth. The drivers for such a growth would come from globalisation and diversification, and by adding value to excess pig iron available.

The employees continue to be the most valuable assets of the Company, I wish to place on record the appreciation to the relentless and dedicated efforts of all employees for the excellent performance during the year. I would also like to thank TAYO Workers' Union for their continued and unstinted support. I express my sincere thanks to all my colleagues on the Board for their guidance and valuable contributions.

Jamshedpur
29th April, 2005


Chairman

HIGHLIGHTS

			2004-2005	2003-2004	2002-2003
OPERATIONAL					
Production	— Rolls	Tonnes	11783	11531	11023
	— Special Castings	Tonnes	390	266	264
Sales	— Rolls	Tonnes	11413	11301	11250
	— Special Castings	Tonnes	390	266	264
Capacity Utilisation	— Rolls	Percent	94	92	88
FINANCIAL					
Turnover (Gross)		Rs. lakhs	14046	10431	10011
Depreciation		Rs. lakhs	419	424	467
Profit before tax		Rs. lakhs	842	596	627
Profit after tax		Rs. lakhs	609	423	408
Net Worth per share		Rupees	62	59	54
Transfer to General Reserve		Rs. lakhs	300	255	205
Shareholders' Funds		Rs. lakhs	3380	3230	2974
Plough back		Rs. lakhs	778	745	707
Capital Expenditure		Rs. lakhs	1979	102	206
Employee's Cost		Rs. lakhs	2101	1973	2082
Dividend		Percent	40	27	27

Directors' Report

The Directors have pleasure in presenting the Thirty-seventh Annual Report on the operations of the Company and the financial accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

	Rupees Lakhs	Previous year Rupees Lakhs
2. a) Profit before Depreciation, Tax and Exceptional items	1207.07	1084.61
b) Deduct : Depreciation	418.73	424.14
c) Profit before Tax and Exceptional items	788.34	660.47
d) Add/(Deduct) : Exceptional items	54.06	(64.69)
e) Profit before Tax	842.40	595.78
f) Tax :		
i) Current Income-Tax	188.78	225.76
ii) Deferred Tax	44.97	(52.60)
g) Profit after Tax	608.65	422.62
h) Add : Balance brought forward from the previous year	200.75	199.83
i) Balance	809.40	622.45
which the Directors have appropriated as under, to		
i) General Reserve	300.00	255.00
ii) Proposed Dividend	218.91	147.77
iii) Additional Income Tax on Dividend	30.70	18.93
TOTAL	549.61	421.70
Leaving a Balance of to be carried forward	259.79	200.75

DIVIDEND

3. The Directors are pleased to recommend a dividend of 40% (Rs.4 per share) for the year ended 31st March, 2005. The dividend, if approved at the Annual General Meeting to be held on 22nd July, 2005, would be paid to those members whose name stand in the Register of Members as on 16th June, 2005.

OPERATION AND SALES

4. During the year under review, the gross turnover of the Company was Rs.140 crores compared to Rs.104 crores in the previous year, recording an increase of 35%. The profit before tax was significant at Rs.8.42 crores compared to Rs.5.96 crores in the previous year. The

profit after tax for the year was Rs.6.09 crores compared to Rs.4.23 crores in the previous year, which is the highest ever achieved by the Company.

5. During the year under review, production and sales were all time high at 11,783 t. and 11,413 t. respectively, compared to 11,531 t. and 11,301 t. respectively in the previous year. The sale of forged rolls was also all time high at 1,307 t. compared to 700 t. in the previous year. In addition, Company has also during the year started the concept of disintegrated manufacturing and sold 1,013 t. of rough machined heat treated cast rolls to other roll manufacturers. This has resulted in effective utilisation of available capacity in Foundry. The Company hopes to develop this concept further in the global market.

6. The Company continued its thrust on export. The Company has been able to widen its customer base. The Company supplied rolls to global majors like Corus, Arcelor and Mittal Steel. Exports during the year was 2,213 t. compared to 3,309 t. in the previous year.

7. During the year, sale of special castings was at 390 t. compared to 266 t. in the previous year. The Company has established a niche market for its castings and have received remunerative orders for specialised casting from major power plants.

8. The commercial production of pig iron commenced on 1.2.2005. During these 2 month operations the production and sales have been 3,913 t. and 2,414 t. respectively.

FINANCIAL AND WORKING CAPITAL MANAGEMENT

9. During the year, the Company availed rupee term loan of Rs.700 lakhs and Rs.800 lakhs from the IDBI Bank Limited and State Bank of India respectively, to part finance the roll expansion (Phase-I) and mini blast furnace. These loans, which are repayable in 3/5 years time, have been availed at a very competitive rates.

10. Higher inventory levels were maintained during the year mainly due to manufacture of rolls involving higher production cycle and bulk imports of forged blanks. The rising cost of inputs also resulted in higher inventory values.

11. Continuous and timely availability of high quality coke and iron ore are important for blast furnace operations. Considering the anticipated price increase of domestic coal and its availability, the Company took timely action to build sufficient coal inventory for continuous feeding of the MBF. In order to optimise the coke charge mix the Company had to import low ash coke during the year.

12. In order to meet the working capital needs, fund based and non-fund based limits with Banks were increased. Multiple banking system was adopted and borrowings were made in the short term market through various instruments at most competitive rates. The high cost public deposits were either fully repaid or renewed by low cost deposits. All these actions have brought down the borrowing and financing costs.

13. CRISIL, the renowned credit rating agency has once again reaffirmed their ratings of P1+ (the degree of safety for timely payment on the instrument is very strong) for Commercial Paper and FAA (the degree of safety for

timely payment of interest and principal is strong) for Fixed Deposit Programme.

FINANCIAL RESTRUCTURING

14. The Hon'ble Jharkhand High Court, vide order dated 23rd April, 2004, (the certified copy of which was issued on 19th May, 2004) confirmed the financial restructuring scheme, which had been approved by the shareholders at the Extra-ordinary General Meeting held on 18th August, 2003. As the financial statements for the year ended 31st March, 2004, were approved by the Board of Directors at their meeting held on 8th May, 2004, the financial restructuring as approved by the shareholders has now been given effect to in the accounts for the year ended 31st March, 2005. Accordingly, an amount of Rs.325.54 lakhs representing the unamortised employees separation compensation as at 31st March, 2004 (out of the balance as at 31st March, 2003) has been adjusted against Securities Premium Account Rs.208.75 lakhs (net of deferred tax adjustment Rs.116.79 lakhs).

TECHNOLOGY AND GROWTH

15. The technology agreement with M/s. Union Electric Steel Corporation (UES), USA, for finish machining of rough turned hardened forged steel roll continues. On the area of cast roll, the Company, after successfully absorbing the technology provided by M/s. Eisenwerk Sulzau-Werfen (ESW), Austria, supplied Hi-speed steel rolls to the modern hot strip mill in the Indian market. The Company in order to retain its premier position in the Industry, is in continuous dialogue with reputed roll-manufacturers, for further technology upgradation.

16. As a part of the first phase of roll-expansion-cum-modernisation plan, the Company has successfully installed during the year a state-of-the-art Rough Grinder, which would bring about significant improvement in the productivity. A 60 t. oil fired heat treatment furnace was converted into gas-fired furnace. Several quality related facilities were also added to maintain strict control on quality. A total capital expenditure of Rs.704 lakhs was incurred during the year against the first phase of roll expansion-cum-modernisation plan.

17. The Mini Blast Furnace (MBF) of 40,000 tpa was installed and commissioned on 1.2.2005. The Company has started using the liquid pig iron in the manufacture of rolls, and selling the excess pig iron in the market.

18. The Company continues to extend management assistance to JEMCO, a unit of M/s.Indian Steel & Wire

Products Limited (ISWP), a subsidiary of The Tata Iron and Steel Company Limited.

CONTINGENT LIABILITIES AND MAJOR LITIGATIONS

19. The special leave petitions filed by the Company as well as the Bihar State Electricity Board (BSEB) before the Hon'ble Supreme Court, challenging the orders of the Hon'ble Patna High Court dated 26.6.2000 on the fuel surcharge rates for the years 1996-97 onwards, are yet to be disposed of. Pending disposal, the Company has made payment of the fuel surcharge for the relevant period in accordance with the orders of the Hon'ble Jharkhand High Court.

20. The writ petition filed by the Company before the Hon'ble Jharkhand High Court challenging the applicability of the power tariff structure on the Company's Induction Furnace unit from 1.9.1999 is pending before the Hon'ble Jharkhand High Court.

21. The Company's writ petition challenging the order of the State of Bihar, withdrawing the exemption granted to the Company as regards applicability of the ESI Act, 1948 retrospectively from 1.10.1996 is before the Hon'ble Jharkhand High Court at Ranchi. The matter is yet to be heard on merits.

BUSINESS EXCELLENCE

22. The Company continues to participate in the Tata Business Excellence Module (TBEM) and the J.N.Tata Total Quality Award. The Company has been putting in determined efforts to implement the TBEM plan to bring about excellence in all its processes. The Company has encouraged many of its employees to develop themselves to become Assessors for effective implementation and sustainability of the TBEM.

23. During the year under review, the Second Surveillance Audit of ISO 9001:2000 was conducted successfully and the Company has been re-certified by the Indian Register Quality Systems for implementation of the Quality Management System. During the year under review, the Company bagged the following Awards:

- Golden Peacock Innovation Award-2004, instituted by the Institute of Directors in association with World Environment Foundation.
- First Prize at National Quality Award-2004 conducted by the Indian Institute of Metals in the Secondary Steel/Alloy Steel Plant Category Ferrous Division.

- Awards from Engineering Export Promotion Council (Eastern Region) :

- Certificate of Export Excellence (2001-02).
- Trophy for Highest Exporter in the Group (2002-03).

COMMUNITY INITIATIVES

24. Being a Tata Group Company, TAYO has always looked upon community initiatives as an integral part of its business process. The Company during the year under review assisted various institutions, social organizations and educational institutions for the activities undertaken by them for the benefit of the community in and around the Company's plant. The Company in association with Rotary Club and Family Planning Association of India (FPAI) had distributed smokeless chullas in a village near the Company's plant. The entire households of the village were benefited by discarding the conventional health hazard chullas. The Company continues to conduct the Domestic Management Session for the benefit of the spouses of its employees, on various issues.

The Company in association with CARE, CURE AND CREATIVE unit of Jamshedpur organised a free Accupressure Treatment Camp for the residents in and around the plant, 436 patients were benefited from the programme.

25. The Company also fulfills its societal commitment by patronising 'JAGRITI,' a non-profit ladies organisation, run by the spouses of TAYO and Tata Growth Shop, working for the betterment of women and the underprivileged sections of the villages in the vicinity of the plant.

26. The devastating Tsunami rendered many homeless and deprived them of their livelihood. To express its concern for the Tsunami affected people and areas, the Company contributed a matching fund, of that of its employees' one day wages, to the Tata Relief Committee towards undertaking relief activities in the Tsunami affected areas.

SAFETY, HEALTH AND ENVIRONMENT

27. The Company lays lot of emphasis on Safety, Health & Environment issues. The level of awareness and consciousness is visible through the safety campaigns, being held periodically. The Company has embarked upon implementing Environmental Health & Safety Management System in the Company which ensures continual improvements in the environmental performance,

occupational health and safety of employees throughout the year. The trees and plants planted and maintained at works is towards maintaining a dust and pollution-free environment.

DIRECTORS

28. In accordance with the provisions of Companies Act, 1956, and Articles of Association of the Company, Dr. T. Mukherjee and Dr. Subir Chowdhury retire by rotation. Dr. T. Mukherjee desires not to seek re-election. Dr. Subir Chowdhury, who attains the age of 70 years, also does not desire to seek re-election, in terms of the Tata Guidelines for Composition of Board of Directors. The Board of Directors place on record their appreciation for the valuable contribution and guidance extended by Dr. T. Mukherjee and Dr. Subir Chowdhury during their tenure on the Board. The Board has decided not to fill the vacancies caused by the retirement of Dr. T. Mukherjee and Dr. Subir Chowdhury for the time being.

29. Mr. R. P. Tyagi's tenure as Managing Director expired on 31.7.2004. The Board placed on record its appreciation for the valuable contribution made by Mr. Tyagi in the area of cost reduction, productivity etc., during his brief stint with the Company.

30. The Board at its meeting held on 27th July, 2004, re-designated Mr. P. C. Srivastava as Managing Director of the Company with effect from 1.8.2004, for the remainder period of his tenure i.e. upto 31st January, 2007.

RESPONSIBILITY STATEMENT

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

- (a) in the preparation of annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- (b) 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 2004-05 and of the profit of the Company for that period;
- (c) 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;

- (d) they have prepared the annual accounts on a going concern basis.

LISTING AGREEMENT

32. Pursuant to Clause 49 of the listing agreement with Stock Exchanges, a note on Management Discussion and Analysis and Corporate Governance are made part of this Annual Report.

PARTICULARS OF EMPLOYEES

33. The details of employees who were in receipt of remuneration of Rs.24,00,000 and above during the financial year under review or Rs.2,00,000 and above per month pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are furnished on page 32.

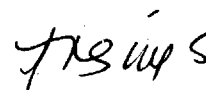
ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

34. In terms of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars in respect of (a) Conservation of Energy (b) Technology Absorption and (c) Foreign Exchange Earnings and Outgo are furnished on pages 31 & 32.

AUDITORS

35. Messrs. S.B. Billimoria & Co., Auditors, retire and, being eligible, offer themselves for re-appointment. They have furnished a certificate to the Company that their re-appointment, if made, will be in accordance with Sub-section 1B of Section 224 of the Companies Act, 1956.

On behalf of the
Board of Directors



Chairman

Jamshedpur
29th April, 2005.