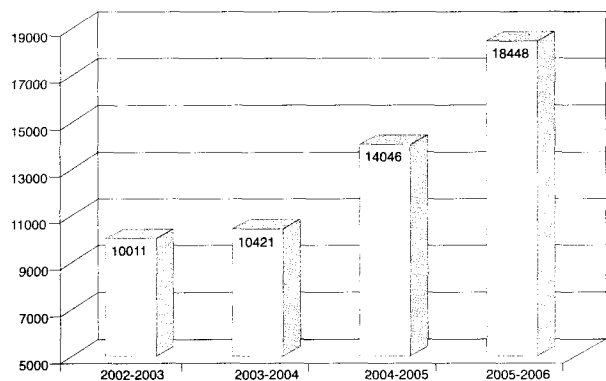
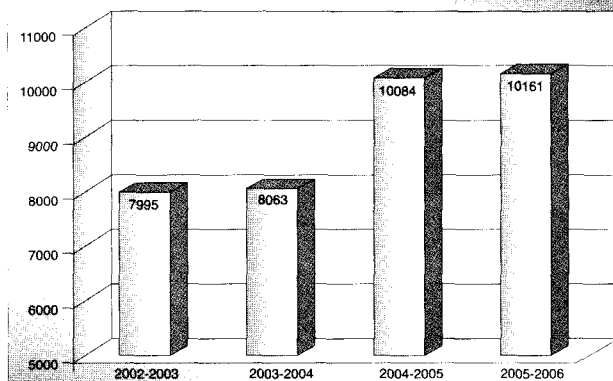
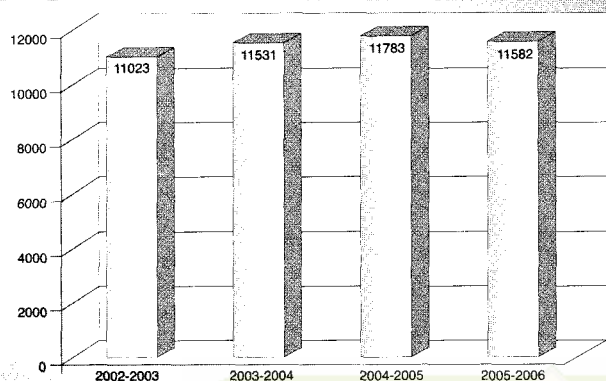
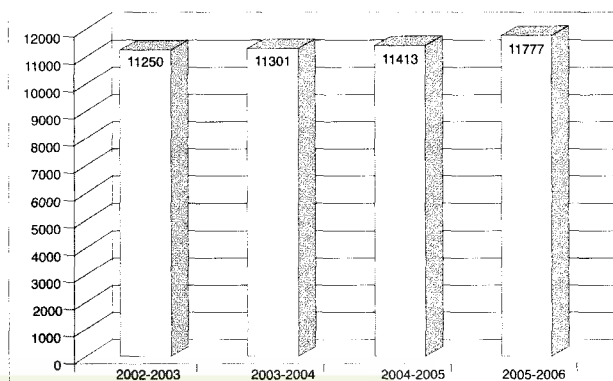
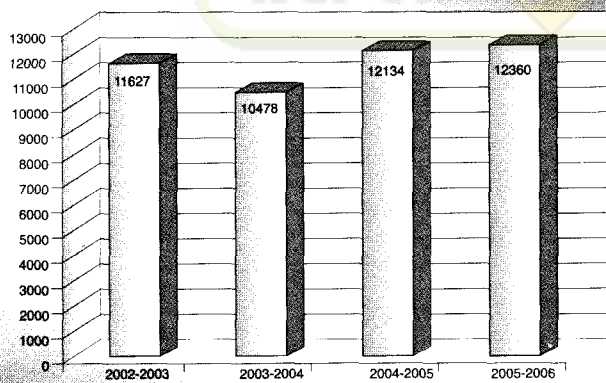
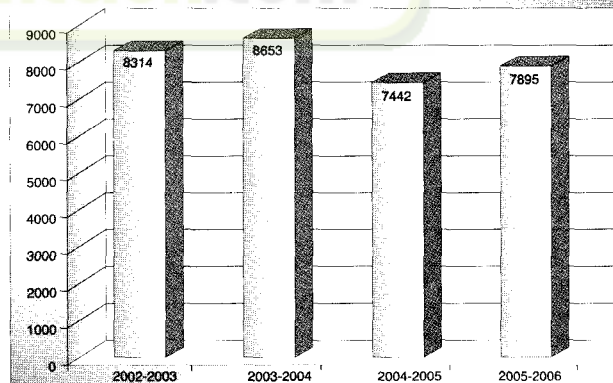
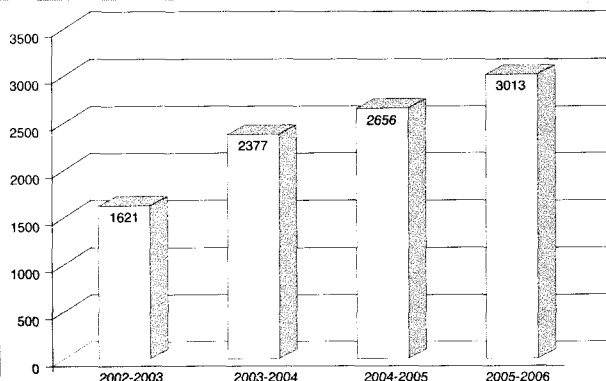
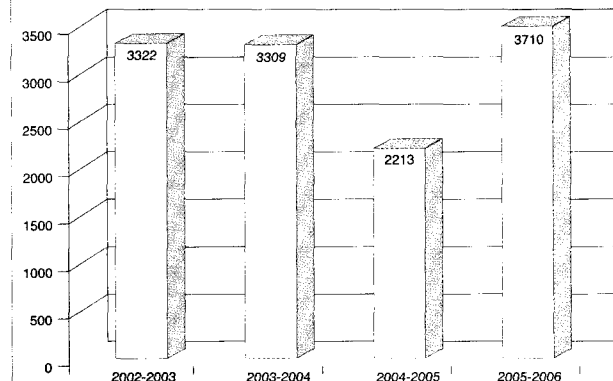




TAYO ROLLS LIMITED

A **TATA** Enterprise

38th Annual Report
2005 - 2006

GROSS TURNOVER (Rupees in lakhs)**GROSS BLOCK (Rupees in lakhs)****PRODUCTION OF FINISHED ROLLS (in Tonnes)****DESPATCH OF ROLLS (in Tonnes)****FOUNDRY PRODUCTION (in Tonnes)****DESPATCH OF SPUN-CAST ROLLS (in Tonnes)****DESPATCH OF HI-CHROME ROLLS (in Tonnes)****EXPORT OF ROLLS (in Tonnes)**

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Annual General Meeting on Thursday, 27th July, 2006 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 24th April, 2006)

Mr. A. N. SINGH (*Chairman*)

Mr. SHASHI S. PRASAD

Mr. VIJAY K. MEHTA

Mr. N. K. MISRA

Mr. U. K. CHATURVEDI

Mr. VARUN KUMAR JHA

Dr. S. K. BHATTACHARYYA

Mr. P. C. SRIVASTAVA (*Managing Director*)

Management Team

(As on 24th April, 2006)

Mr. P. C. SRIVASTAVA - *Managing Director*

Mr. P. HARIHARAN - *Vice President (Finance)*

Mr. B. K. SINGH - *General Manager (Corporate)*

Mr. ABHIJIT MITRA - *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 OFFICE

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

BANKERS

Bank of India
IDBI Bank Ltd.
State Bank of India

AUDITORS

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

SHARE REGISTRARS

TSR Darashaw Limited
(Formerly Tata Share Registry Limited)
Army & Navy Building
148, M. G. Road,
Fort, Mumbai-400 001

Chairman's Statement

Dear Shareholder,

The robust performance of the Indian economy continued during the year 2005-06. The current estimates for annual real GDP growth rate suggests that the economy is likely to achieve a rate surpassing the one of 7.5% in the preceding year. GDP growth is expected to be primarily given by a healthier growth rate in the manufacturing sector in contrast to the previous year. The steel sector continued to be buoyant during the year. The National Steel Policy (NSP) announced in November, 2005, envisages a CAGR of 7.3% per annum in the steel sector. To achieve this, the policy aims to increase indigenous production from 38 MT in 2004-05 to about 110 MT by 2019-20 through multi-pronged strategy.

Infrastructure spending and growth in the automobile industry will result in higher demand of steel in the country. There is an optimism in the air that this would be achieved. Such a growth in the steel sector would bring forth many opportunities for the Roll industry.

During the year 2005-06, there has been an increasing trend in the roll requirement from the domestic market. The announcement of steel majors including international companies like POSCO, Tata Steel, Mittal Steel, etc., augurs well for your Company, as they have selected their area of expansion/operation in close proximity to your Company. Your Company's vision of "Five Fold in Five Years" goes well with the growth taking place all around. This can be achieved through growth in the existing business i.e., rolls and by diversification. The enhancement of roll making capacity is in progress. Various diversification plans in the area of core competency are being explored.

Your Company performed well by achieving 31% growth in its turnover during the year 2005-06. There were teething problems in the Mini Blast Furnace (MBF) operations. Volatility in prices and large import of LAM coke had its own bearing on

the working capital and the bottom line. The MBF operations have now stabilised and the market for pig iron is firming up.

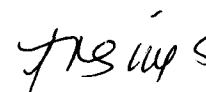
Your Company maintained its market leadership in the domestic market. Newer grades of rolls were developed and supplied to meet the exacting demand of rolling mills in India and abroad. Your Company continued its endeavour to maintain its quality edge by strengthening its R&D facilities in collaboration with research laboratories and academic institutions. The performance of your Company in the exports front has been outstanding where 3710 tons of rolls were exported. It is heartening to note that nearly 50% of exports were made to demanding customers in Europe & USA. This reflects the world class quality standards which your Company maintains in its products and services.

Your Company is poised for significant growth leveraging on availability of liquid metal from MBF. Your Company is exploring various options including in-house manufacturing of Forged rolls and engineering forgings/castings.

The industry in which your Company operates requires specifically trained and experienced personnel. Your Company has taken necessary steps to focus on its human resources requirement in view of its growth plans.

I would like to thank all our employees for their relentless and dedicated efforts in achieving this performance. I would also like to thank the Tayo Workers' Union for their unstinted support. I would like to express my sincere thanks to all my colleagues on the Board for their valuable guidance.

Jamshedpur
24th April, 2006


Chairman

HIGHLIGHTS

			2005-2006	2004-2005	2003-2004
OPERATIONAL					
Production	— Rolls	Tonnes	11582	11783	11531
	— Special Castings	Tonnes	590	390	266
Sales	— Rolls	Tonnes	11777	11413	11301
	— Special Castings	Tonnes	590	390	266
Capacity Utilisation	— Rolls	Percent	86	94	92
FINANCIAL					
Turnover (Gross)		Rs. lakhs	18448	14046	10431
Depreciation		Rs. lakhs	517	419	424
Profit before tax		Rs. lakhs	756	842	596
Profit after tax		Rs. lakhs	615	609	423
Net Worth per share		Rupees	68	62	59
Transfer to General Reserve		Rs. lakhs	350	300	255
Shareholders' Funds		Rs. lakhs	3745	3380	3230
Plough back		Rs. lakhs	882	778	745
Capital Expenditure		Rs. lakhs	188	1979	102
Employee's Cost		Rs. lakhs	1903	2101	1973
Dividend		Percent	40	40	27

Directors' Report

The Directors have pleasure in presenting the Thirty-eighth Annual Report on the operations of the Company and the financial accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS

	Rupees Lakhs	Previous year Rupees Lakhs
2. a) Profit before Depreciation, Tax and Exceptional items	1027.91	1207.07
b) Deduct : Depreciation	516.61	418.73
c) Profit before Tax and Exceptional items	511.30	788.34
d) Add/(Deduct) : Exceptional items	245.16	54.06
e) Profit before Tax	756.46	842.40
f) Tax :		
i) Current Income-Tax	148.01	188.78
ii) Deferred Tax	(39.26)	44.97
	108.75	233.75
iii) Fringe benefit tax	33.15	—
	141.90	233.75
g) Profit after Tax	614.56	608.65
h) Add : Balance brought forward from the previous year	259.79	200.76
i) Balance	874.35	809.41
which the Directors have appropriated as under, to		
i) General Reserve	350.00	300.00
ii) Proposed Dividend	218.92	218.92
iii) Additional Income Tax on Dividend	30.70	30.70
TOTAL	599.62	549.62
Leaving a Balance of to be carried forward	274.73	259.79

DIVIDEND

3. The Directors are pleased to recommend a dividend of 40% (Rs.4 per share) for the year ended 31st March, 2006. The dividend, if approved at the Annual General Meeting to be held on 27th July, 2006, would be paid to those members whose name stand in the Register of Members as on 15th June, 2006. The dividend outgo (ex-taxes) would be Rs.2.19 crores.

OPERATION AND SALES

4. During the year under review, the gross turnover has been the highest ever achieved at Rs.184 crores recording an increase of 31% over the previous year. The profit before tax was at Rs.7.56 crores compared to Rs.8.42 crores in the previous year. The profit after

tax was Rs.6.15 crores compared to Rs.6.09 crores in the previous year. Profit for the year was affected by significant increase in the prices of Fe-alloys and hike in fuel prices, which are essential inputs for roll-making. The Mini Blast Furnace (MBF), which was commissioned in February, 2005, had initial teething problems. The MBF operated at nearly 50% of its capacity. This coupled with high cost of imported coke procured in the beginning of the financial year affected the profitability. However, there has been a marked improvement in overall performance of MBF in the last quarter.

5. During the year under review, the sale of rolls was all time high at 11,777 t. compared to 11,413 t. in the previous year. The production of rolls was 11,582 t. compared to 11,783 t. in the previous year. The sale of

forged rolls was 904 t. compared to 1,307 t. in the previous year. The drop in the forged roll sales was due to shortage in the availability of semi-finished hardened forged rolls during the year under review. The Company, during the year in addition to finished rolls, has also sold 1336 t. of Rough machined roll castings to other roll manufacturers, as against 1013 t. in the previous year.

6. The continuous focus on widening the customer base in the international market paid dividend and had enabled the Company to end up with an impressive export despatch of 3,710 t. against 2,213 t. in the previous year. The export turnover was Rs.29.66 crores compared to Rs.14.90 crores in the previous year. There was a significant increase in supplies of rolls to high end steel manufacturers in Europe.

7. The grinding rings and balls supplied by the Company were well accepted by the Power Plants and the Company has been successful in getting repeat orders. During the year, the sale of special castings has been 590 t. against 390 t. in the previous year.

8. The production of pig iron during the year was 20,895 t. Besides the in-house consumption, Company successfully penetrated the market in the Eastern India and various grades of pig iron have been well accepted by the Foundries. The sale of pig iron during the year has been 16,652 t.

FINANCIAL AND WORKING CAPITAL MANAGEMENT

9. During the year under review, there was a shift in the customer's demand pattern. The Company supplied large number of big rolls to long product rolling mills involving prolonged cycle time resulting in higher inventory of in-process rolls. Coke being a vital input for MBF, the Company had to carry significant higher level of imported coke. The volatility of the international prices of coke and related shipping volume prompted the Company to import a fairly large quantity of low ash coke in the beginning of the year. This also resulted in enhanced holding of inventory. All these factors increased the overall borrowing levels during the year. However, Company has now developed newer sources for importing coke in smaller lots, minimising inventory holding.

10. The long term loans availed by the Company during the previous year from IDBI Bank Limited and State Bank of India for financing the Roll expansion and MBF are being repaid in time. During the year an amount of Rs.288 lakhs has been repaid to the term loan lenders.

11. Commensurate with the increased roll operations and the requirement of MBF operations, the Company has taken timely action to enhance its overall borrowing and non-borrowing limits with Bank of India and IDBI

Bank Limited. Within the overall borrowing limits, the Company has availed short term loans (90/180 days tenor) at a very competitive rates through multiple banking. Progressively, Company has repaid the high interest bearing public deposits.

12. CRISIL, one of the leading credit rating agencies has 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.

TECHNOLOGY AND GROWTH

13. The Company continues to get the technical support from M/s. Union Electric Steel Corporation (UES), USA, under the technology agreement for finish machining of rough turned hardened forged steel rolls and also continues to represent UES in India for sale of forged rolls and providing technical support to their customers. The market for forged roll is experiencing phenomenal growth. Considering the buoyancy in the forged roll market and to be self-sufficient, Company is exploring various options for putting up facilities for manufacture of forged rolls. The Company is in dialogue for an alliance with few of the forged roll manufacturers of international repute.

14. The Company continues to retain its leadership in the cast roll market. As an on-going process, the Company focuses on developing new grades of rolls suiting the exacting demand of the customers. During the year, Company developed high performance rail mill rolls for new mill of Jindal Steel and Power Limited and high chrome steel rolls for roughing stand for steckel mills at Jindal Stainless Steel and Lloyds Steel. The Company is also gearing up to produce work rolls weighing over 40 t each, required by large plate mills.

15. The modernisation and upgradation of Centrifugal Casting Machine (CCM) has been taken up during the year. On completion, this would enable the Company to centrifugally cast higher range of rolls for the flat product mills. The conversion of 60 t. oil fired heat treatment furnace is in the advance stage of completion. The Company is closely monitoring various plans of expansion/greenfield projects of steel companies in order to gear up itself in meeting the additional requirement of rolls in near future.

CONTINGENT LIABILITIES AND MAJOR LITIGATIONS

16. The special leave petitions filed, before the Hon'ble Supreme Court, by the Company as well as the Bihar State Electricity Board (BSEB) challenging the orders of

the Hon'ble Patna High Court dated 26.6.2000 on the fuel surcharge rates for the year 1996-97 onwards, are yet to be disposed off. 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.

17. The Company's writ petition filed 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.

18. The writ petition filed by the Company 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 pending before the Hon'ble Jharkhand High Court at Ranchi.

BUSINESS EXCELLENCE

19. The Company continues to participate in the Tata Business Excellence Module (TBEM) and the J.N.Tata Total Quality Award. The assessment under these module enables the Company to focus on those areas where there is scope for improvement, to bring about excellence in all its processes. The Company is developing its employees to become assessors for the said module for effective implementation of the processes. The Company is implementing 5S, Kaizen, TPM and other initiatives towards achieving excellence in all its activities.

20. The Company has been affirmed ISO 9001:2000 by the Indian Register Quality Systems for implementation of the Quality Management System. During the year under review, the Company has been certified with the ISO 14001 : 2004 (Environment Management System) and OHSAS 18001 : 1999 (Occupational Health and Safety Management System) by the Indian Register for Quality System. During the year, under review, Company achieved the following distinctions:

- CII (ER) HRD Award for the year 2005-06 conducted by CII (Eastern Region).
- Shortlisted among the top 25 Indian Companies by the Institute of Company Secretaries of India for the Corporate Governance Award, 2005.

COMMUNITY INITIATIVES

21. The Company has been actively involved in supporting the causes of welfare of communities in and around the vicinity of its works. The Company supports various social organisations and institutions including educational and sports, for the welfare activities/events

undertaken by them. During the year under review, the Company supported the projects of Family Planning Association of India (FPAI) and other leading local associations and institutions. The Company being a part of Tata Council for Community Initiative (TCCI), is working on its CSR index for guiding its endeavour towards sustainable community initiatives.

22. The 'JAGRITI', social welfare organisation run by the spouses of TAYO and Tata Growth Shop employees, continues to fulfill its social commitment in and around the vicinity of the works.

SAFETY, HEALTH AND ENVIRONMENT

23. The Company accords priority to safety, health and environment with a commitment to achieve high standards in these areas. The Company has implemented Environmental Health & Safety Management System. During the year, various safety campaign were held within the Works which enabled the Company to achieve Zero-Accident target successfully. Trees are planted and maintained at works for maintaining a dust and pollution-free environment. The Company has an Environmental Policy which reaffirms its commitment to minimise the impact of its operations on environment.

DIRECTORS

24. In accordance with the provisions of Companies Act, 1956, and Articles of Association of the Company, Mr.N.K.Misra retires by rotation and being eligible offer himself for re-appointment.

25. In accordance with the provisions of Companies Act, 1956, and Articles of Association of the Company, Mr.Shashi S Prasad retires by rotation at the ensuing Annual General Meeting. Mr. Prasad desires not to seek re-election. The Governance Council of the Board has recommended the appointment of Mr.Vijay Mathur in place of Mr.Shashi S Prasad. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing Mr.Vijay Mathur for the office of Director, subject to retirement by rotation. The Board of Directors place on record their appreciation for the valuable contribution and guidance extended by Mr.Prasad during his tenure on the Board.

26. Mr. U.K.Chaturvedi was appointed as Additional Director with effect from 14th October, 2005. Pursuant to Section 260 of the Companies Act, 1956, Mr.Chaturvedi holds office upto the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing Mr.Chaturvedi for the office of Director, subject to retirement by rotation.

27. Mr.Varun Kumar Jha was appointed as Additional Director with effect from 14th October, 2005. Pursuant to Section 260 of the Companies Act, 1956, Mr.Jha holds office upto the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing Mr.Jha for the office of Director, subject to retirement by rotation.

28. Dr.S.K.Bhattacharyya was appointed as Additional Director with effect from 31st December, 2005. Pursuant to Section 260 of the Companies Act, 1956, Dr.Bhattacharyya holds office upto the ensuing Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act, 1956, proposing Dr.Bhattacharyya for the office of Director, subject to retirement by rotation.

DIRECTORS' SHAREHOLDING

29. The shareholding of Non-executive Directors in the Company is Nil. Mr. P. C. Srivastava, Managing Director, holds 450 equity shares of Rs.10/- each in the Company.

VOLUNTARY DELISTING OF SHARES FROM MAGADH STOCK EXCHANGE

30. In terms of the Securities Exchange Board of India (Delisting of securities) Guidelines, 2003, the Board of Directors at their meeting held 24.04.2006 have approved, subject to the approval of the shareholders and other authorities, to delist the Company's equity shares from Magadh Stock Exchange, Patna. As the Company's shares would continue to be listed in Bombay Stock Exchange, Mumbai, having nationwide network, the shareholders/ investors would not be put to hardship and the liquidity would not be affected. Further no exit is required to be offered to the shareholders.

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 2005-06 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 37.

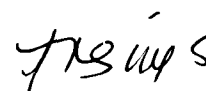
ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

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 36 & 37.

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
24th April, 2006