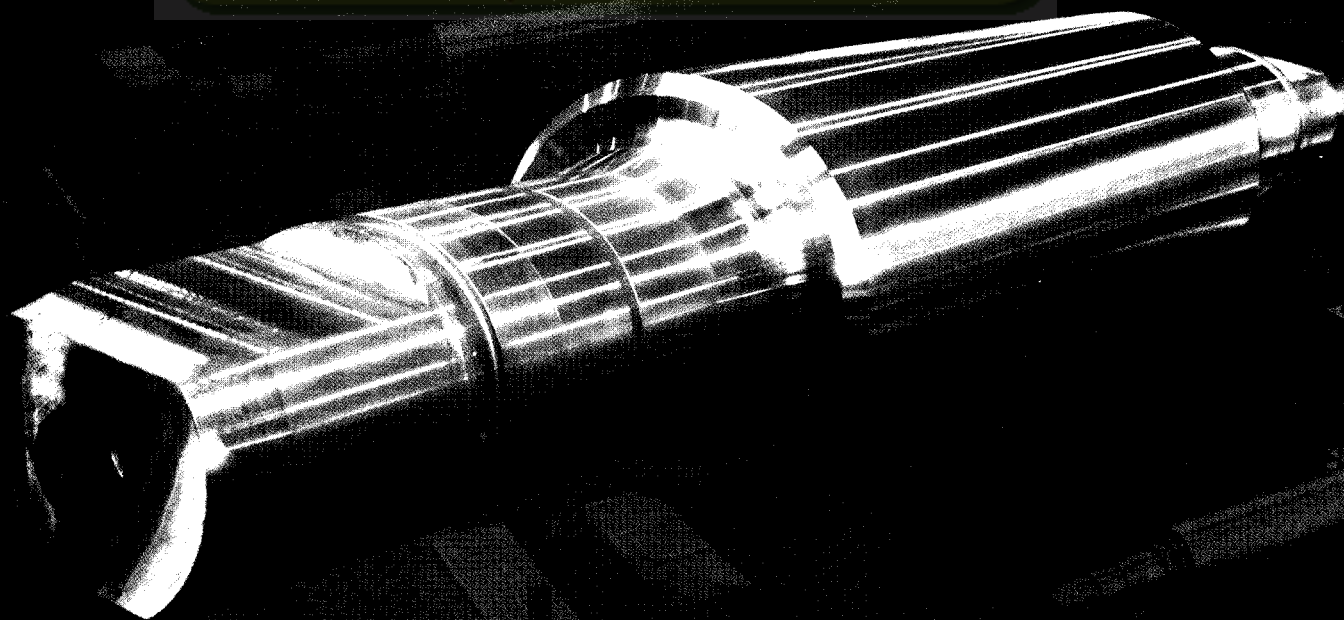




TAYO ROLLS LIMITED

A **TATA** Enterprise

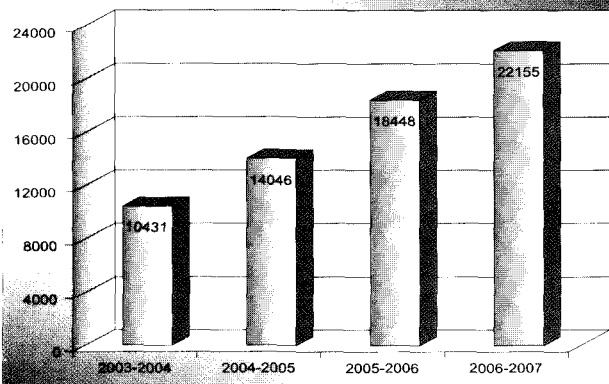
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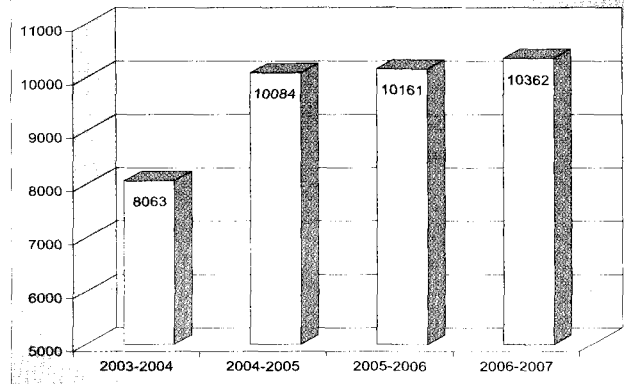
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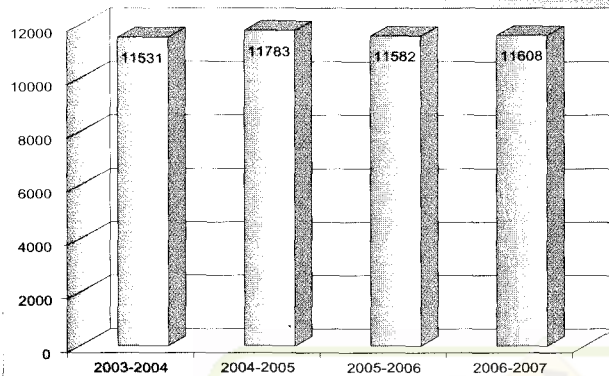
GROSS TURNOVER (Rupees in lakhs)



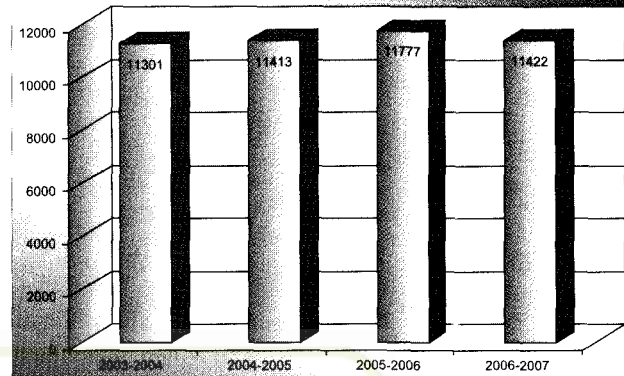
GROSS BLOCK (Rupees in lakhs)



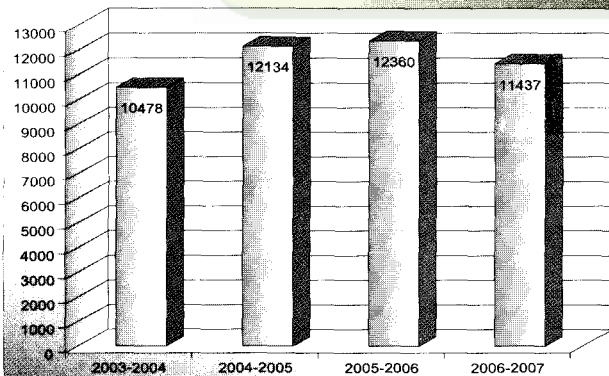
PRODUCTION OF FINISHED ROLLS (in Tonnes)



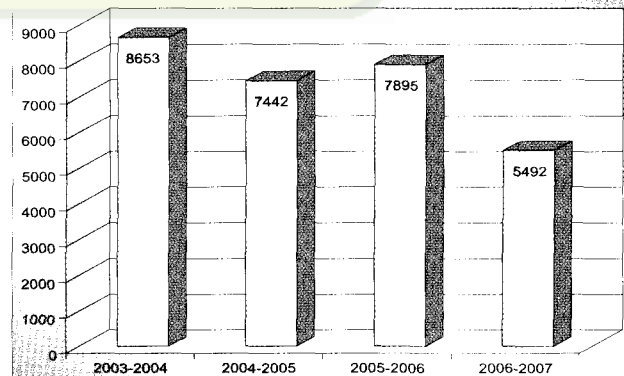
DESPATCH OF ROLLS (in Tonnes)



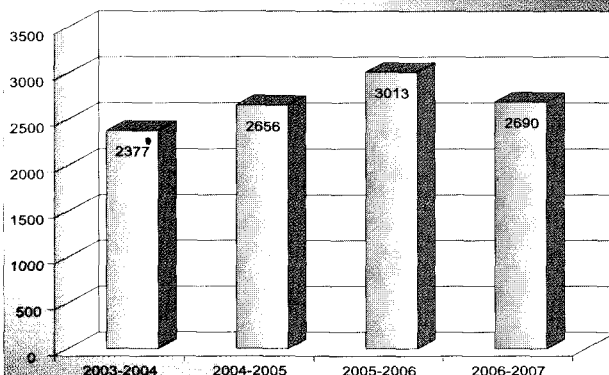
FOUNDRY PRODUCTION (in Tonnes)



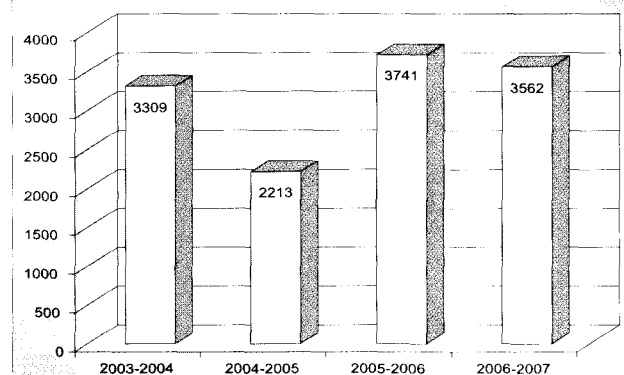
DESPATCH OF SPUN-CAST ROLLS (in Tonnes)



DESPATCH OF HI-CHROME ROLLS (in Tonnes)



EXPORT OF ROLLS (in Tonnes)



TAYO ROLLS

Thirty-ninth annual report 2006-07

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Annual General Meeting on Monday, 16th July, 2007 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.

Thirty-ninth annual report 2006-07

Board of Directors

(As on 20th April, 2007)

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

Mr. VIJAY K. MEHTA

Mr. U. K. CHATURVEDI

Mr. VARUN KUMAR JHA

Mr. N. K. MISRA

Dr. S. K. BHATTACHARYYA

Mr. VIJAY MATHUR

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

Management Team

(As on 20th April, 2007)

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

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

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 & Executive Officer*

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)
6-10 Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road,
Mahalaxmi, Mumbai-400 011

Investors Dedicated E-mail :

investors@tayo.co.in

Chairman's Statement

Dear shareholder,

Progressive liberalisation over the last 15 years has brought forth a burst of new entrepreneurial energies across the board in almost all sectors in India. As a consequence GDP growth notched up an impressive 9.2% during the year. This was driven strongly by manufacturing sector and in all likelihood, this is set to continue.

With infrastructure growth all round, the Indian steel industry is having its splendid run. The centre of gravity of the global steel industry is fast moving towards the East, with Asian countries contributing to major proportion of the global steel consumption. The dominance of Asia's share in both production and consumption of global steel is likely to continue. It is estimated that the overall steel production in India would be around 110 MT by 2020. However, it is felt if all the announced greenfield and brownfield projects are executed, the total steel production could be 130 MT by 2020.

This augurs very well for your Company which is very closely related to the steel industry. Your Company is growing over the years but now it is time for a quantum jump to keep pace with the growth in the steel sector. The acquisition of Corus by Tata Steel gives yet another opportunity to the Company to enhance its presence, as Corus is already an existing customer. The other acquisitions and green field projects of Tata Steel also add to your Company's future prospects.

Your Company performed well during the year 2006-07. The gross turnover increased by 20 per cent, over the previous year whereas net profit was higher by 73%. The prices of inputs, particularly Nickel continued to scale new heights, which was a great challenge for your Company. Despite these adverse situation the performance has been

appreciable. Your Company is continuing its drive towards value creating growth. 2004-05 saw the commissioning of MBF, which has been well established during 2006-07, and giving good returns. Expansion plan to increase the capacity of cast rolls from 13,500 t. to 15,000 t. per annum has now been firmed up. This capacity enhancement will be well in time to meet increasing demand of rolls.

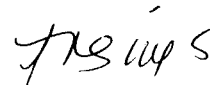
While maintaining its market leadership in the domestic market, your Company continued its focus in overseas market in cast rolls segment. Having established its presence in forged roll segment, your Company has already drawn out plans to put up an integrated facility for manufacture of Forged Rolls and Engineering Forgings thus offering a 'one stop shop' for all types of rolls to our valued customers.

Your Company is fully aware of its responsibility towards society. Apart from contributing through Tata Council of Community Initiatives, efforts have been initiated on Affirmative action.

If there is one factor that has remained unchanged through the years, it is the Company's focus on human resources. Company realises that it is only through the motivated work force that it can achieve its vision of "Five Fold in Five Years".

My sincere thanks to all our employees for their total support, commitment and contribution. I also thank 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
20th April, 2007



Chairman

Thirty-ninth annual report 2006-07

HIGHLIGHTS

			2006-2007	2005-2006	2004-2005
OPERATIONAL					
Production	— Rolls	Tonnes	11608	11582	11783
	— Pig Iron	Tonnes	29815	20895	3913
	— Special Castings	Tonnes	697	590	390
Sales	— Rolls	Tonnes	11422	11777	11413
	— Pig Iron	Tonnes	27834	16652	2414
	— Special Castings	Tonnes	697	590	390
Capacity Utilisation	— Rolls	Percent	86	86	94
	— Pig Iron	Percent	76	42	—
FINANCIAL					
Turnover (Gross)		Rs. lakhs	22155	18448	14046
Depreciation		Rs. lakhs	493	517	419
Profit before tax		Rs. lakhs	1533	756	842
Profit after tax		Rs. lakhs	1063	615	609
Net Worth per share		Rupees	76	68	62
Transfer to General Reserve		Rs. lakhs	450	350	300
Shareholders' Funds		Rs. lakhs	4165	3745	3380
Plough back		Rs. lakhs	1283	882	778
Capital Expenditure		Rs. lakhs	278	188	1979
Employee's Cost		Rs. lakhs	2194	1903	2101
Dividend		Percent	42.50	40	40

Directors' Report

The Directors have pleasure in presenting the Thirty-ninth Annual Report on the operations of the Company and the financial accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Rupees Lakhs	Previous year Rupees Lakhs
2. a) Profit before Depreciation, Tax and Exceptional items	2012.65	1027.91
b) Deduct : Depreciation	492.88	516.61
c) Profit before Tax and Exceptional items	1519.77	511.30
d) Add/(Deduct) : Exceptional items	12.73	245.16
e) Profit before Tax	1532.50	756.46
f) Tax :		
i) Current Income-Tax	470.90	148.01
ii) Deferred Tax	(30.43)	(39.26)
	440.47	108.75
iii) Fringe benefit Tax	29.48	33.15
	469.95	141.90
g) Profit after Tax	1062.55	614.56
h) Add : Balance brought forward from the previous year	274.73	259.79
i) Balance	1337.28	874.35
which the Directors have appropriated as under, to		
i) General Reserve	450.00	350.00
ii) Proposed Dividend	232.59	218.92
iii) Additional Income Tax on Dividend	39.53	30.70
TOTAL	722.12	599.62
Leaving a Balance of to be carried forward	615.16	274.73

DIVIDEND

3. The Directors are pleased to recommend a dividend of 42.5% (Rs.4.25 p. per share) for the year ended 31st March, 2007. The dividend, if approved at the Annual General Meeting to be held on 16th July, 2007, would be paid to those members whose name stand in the Register of Members as on 14th June, 2007. The dividend outgo (ex-taxes) would be Rs.2.33 crores.

OPERATION AND SALES

4. During the year under review, the Company achieved a turnover (gross) of Rs.221.55 crores, which is the

highest ever achieved by the Company. The turnover of Rs.221.55 crores compares with Rs.184.47 crores of the previous year, registering an increase of 20%. The profit before tax was the highest ever since inception at Rs.15.33 crores as against Rs.7.56 crores in the previous year, recording an increase of 103%. The profit after tax was also highest ever at Rs.10.63 crores as compared to Rs.6.15 crores in the previous year. The significant improvements in the bottom line were brought about by all-round improvements during the year in all the segments of Company's business. In particular, the Mini Blast Furnace, which was commissioned by end of 2004-05, recorded an impressive performance.

Thirty-ninth annual report 2006-07

5. During the year under review, the production and sale of rolls were 11,608 t. and 11,422 t. respectively compared with 11,582 t. and 11,777 t. in the previous year. The production and despatch would have been higher but for the re-scheduling of orders and deliveries by certain key customers during the year. The sale of forged rolls was 956 t. compared to 904 t. in the previous year.

6. The Company's exports of cast rolls was 3,562 t. compared to 3,741 t. in the previous year. In value terms, however, the export sale was higher during the year at Rs.30.68 crores compared to Rs.29.66 crores in the previous year.

7. During the year under review, the sale of special castings has been at 697 t. against 590 t. in the previous year. The Company has established itself as a key supplier of special casting to various power plants in the country.

8. There has been significant improvements in the MBF operations during the year. The turnover (gross) from MBF operation was Rs.53.29 crores as against Rs.26.56 crores in the previous year, recording an increase of 101%. During the year under review the production of pig iron was 29,815 t. compared to 20,895 t. in the previous year. The sale of pig iron was 27,834 t. compared to 16,652 t. in the previous year. The Company's foundry grade pig iron have been well accepted by the foundries producing engineering and automotive castings.

FINANCIAL AND WORKING CAPITAL MANAGEMENT

9. During the year under review, the MBF production levels increased appreciably, resulting in significantly higher requirement of Coke and Iron Ore. However, through staggered imports and development of alternative sources for procurement of Coke, the inventory levels were optimised. Iron Ore requirements were closely monitored and the logistics were improved to maintain proper inventory balance. The Fe-alloys and Nickel prices have increased phenomenally, requiring higher working capital needs in terms of value. The Company developed multiple channels of sourcing of key inputs and maintained a just-in-time inventory levels.

10. The long term loans availed by the Company from IDBI Bank Limited and State Bank of India in earlier years for financing the Roll expansion and setting-up MBF are being repaid as per schedule. During the year Rs.575 lakhs was repaid to the above lenders.

11. The increase in CRR and other fiscal policies of RBI

created liquidity pressure in the money market. The call money market witnessed high volatility and most of the banks revised upwards their PLR rates and short term lending rates. All these increased the cost of short term borrowings in the current year. However, a proper mix of borrowings in foreign currency, rupee currency and bill discounting through multiple banking enabled the Company to maintain the effective borrowing rate at a very competitive level.

12. CRISIL, has reaffirmed their ratings of P1+ (the degree of safety for timely payment of interest and principal on the instrument is very strong) for Commercial Paper and FAA/Stable (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 maintain its leadership position in the cast roll segment in the domestic market. The Company is always in the process of developing newer grades of rolls for meeting the exact demands of various mills of the customers and improve the performance levels of rolls. The 'micro-alloyed' ICDP rolls (MIT) and enhanced carbide ICDP (TEK) rolls, developed in-house have given superior performance in the hot strip mills of key customers.

14. The Company restrengthened the relationship with its co-promoter, Yodogawa Steel Works Limited, a quality roll manufacturer of HSS (Hi-speed) rolls and Plate mill rolls of Japan. Both the Company and Yodogawa Steel have agreed to work together through exchange of visits of technical personnel and sharing of knowledge/information on roll technology.

15. Taking note of the anticipated increase in roll demand in the coming years, the Board has approved the first phase of growth plan to expand the roll-making capacity from the present level of 13,500 t. to 15,000 t. per annum by 2010-11. Plans are afoot to expand capacity further to 18,000 t. per annum beyond 2010-11, to keep pace with the potential requirements from the various green field projects which are likely to be operational by then. As part of the ongoing process of improving productivity and operational efficiency, the Company refurbished its machine tools and converted its oil fired heat treatment furnace to gas fired furnace.

16. The Collaboration Agreement with M/s. Union Electric Steel Corporation (UES) expires on 30th April, 2007. Anticipating customers' requirements, the Company

has adequately booked the imports of hardened blanks from various sources in the coming years. To become self-reliant and increase its presence in Forged Roll market, the Company propose to set-up an Integrated facilities for manufacture of Engineering Forgings and Forged Rolls. While the detailed technical and engineering aspects of the project are in final stages of study, the Company is in process of finalising the technology partner. The detailed financials are being worked out.

CONTINGENT LIABILITIES AND MAJOR LITIGATIONS

17. 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 years 1996-97 onwards, was heard on 26.4.2006 and 27.4.2006, orders still awaited. 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.

18. 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.

19. 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

20. The Company continues to participate in the Tata Business Excellence Module (TBEM) and J.R.D. QV Award. It has been a continuous endeavour on the part of the Company to bring in improvements through the implementation of these Business Excellence Module. There has been a steady improvement in the performance of the Company which has got reflected in the higher band level achieved by the Company based on the assessment conducted by the TBEM Assessors. The total productive maintenance (TPM) introduction programme was flagged off in the plant on 1st January, 2007, which is a step forward by the Company towards improvement initiatives.

21. The certification audits on ISO 9001:2000, ISO 14001:2004 (Environment Management System) and

OHSAS 18001 : 1999 (Occupational Health and Safety Management System) were conducted successfully and the Company has been presented Certification for implementation of these Systems by the Indian Register Quality Systems. During the year, under review, Company achieved the following distinctions:

- Certificate of Appreciation for efforts towards HRD practices in the Medium Scale Category in HRD Award Contest for 2006-07 (CII, ER).
- Certificate of Export Excellence by the EEPIC, Eastern Region in the category of Ferrous Industrial Castings, Non-SSI for the year 2003-04.

COMMUNITY INITIATIVES

22. 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), has a CSR index for guiding its endeavour towards sustainable community initiatives. The Company distributed smokeless ovens in the nearby village and organised HIV/Aids preventive programme.

SAFETY, HEALTH AND ENVIRONMENT

23. The Company continued its thrust on safety, health and environment. During the year the Company achieved Zero-Accident target for 30 consecutive months. World Environment Day was celebrated on 5th June, 2006, with Senior Executives and Union Officials taking a pledge to maintain a clean and pollution-free environment. This was followed by massive tree plantation within the Works. The Company has an Environmental Policy which reaffirms its commitment to minimise the impact of its operations on environment.

AFFIRMATIVE ACTION

24. A Code of Conduct on Affirmative Action was adopted by the Company. A committee of senior executives was constituted for implementation of the action plan drawn upon Affirmative Action. Base Data on Affirmative Action has been collected and compiled.

DIRECTORS

25. In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr.A.N.Singh and Mr.U.K.Chaturvedi retire by rotation and being eligible offer themselves for re-appointment.

26. In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr.Vijay K Mehta retires by rotation at the ensuing Annual General Meeting. Mr.Mehta does not wish to seek re-election. The Board of Directors place on record their appreciation for the valuable contribution and guidance extended by Mr.Vijay K Mehta during his tenure on the Board.

27. The Board at its meeting held on 14th January, 2007, has re-appointed Mr.P.C.Srivastava as Managing Director of the Company for a further period of 3 years (upto 31.1.2010) with effect from 1.2.2007.

DIRECTORS' SHAREHOLDING

28. 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.

RESPONSIBILITY STATEMENT

29. 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 2006-07 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

30. 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

31. 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 41.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

32. 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 40 and 41.

AUDITORS

33. 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

J B Gupta

Jamshedpur
20th April, 2007

Chairman