Directors' Report

To the Members,

The Directors hereby present their 102nd annual report on the business and operations of the Company along with the standalone and consolidated financial accounts for the year ended 31st March, 2009.

Figures in Rupees crore

	Tata Steel Standalone		Tata Steel Group	
	2008-09	2007-08	2008-09	2007-08
Net Sales/Income	24,315.77	19,691.03	147,329.26	131,533.63
Total expenditure before depreciation (net of expenditure transferred to capital)	15,182.34	11,677.25	129,201.59	113,751.20
Operating Profit	9,133.43	8,013.78	18,127.67	17,782.43
Add: Dividend and Other Income	308.27	242.80	265.67	475.86
Profit before Interest, Depreciation, Exceptional Items and Taxes	9,441.70	8,256.58	18,393.34	18,258.29
Less: Net Finance Charges	1,152.69	786.50	3,290.18	4,085.41
Profit before Depreciation, Exceptional Items and Taxes	8,289.01	7,470.08	15,103.16	14,172.88
Less: Depreciation	973.40	834.61	4,265.39	4,136.95
Profit before Exception Items and Taxes	7,315.61	6,635.47	10,837.77	10,035.93
Add/(Less): Exceptional Items	—	430.89	(4,094.53)	6,335.13
Profit before taxes	7,315.61	7,066.36	6,743.24	16,371.06
Less: Provision for current taxation	2,173.00	2,252.00	1,997.12	3,353.73
Less: Provision for deferred taxation	(75.13)	108.33	(121.93)	674.58
Less: Provision for Fringe Benefit tax	16.00	19.00	18.81	20.99
Profit after taxes	5,201.74	4,687.03	4,849.24	12,321.76
Less: Minority interest	—	—	(40.94)	139.94
Add: Share of profit of Associates	—	—	60.72	168.16
Profit after minority interest and share of profit of Associates	—	—	4,950.90	12,349.98
Add: Balance brought forward from the previous year	6,387.46	4,593.98	8,234.03	4,840.39
Balance	11,589.20	9,281.01	13,184.93	17,190.37
Which the Directors have appropriated as under to:–				
(i) Proposed dividend	1,168.95	1,168.93	1,167.88	1,167.86
(ii) Dividend on Compulsory Cumulative Preference Shares	109.45	22.19	109.45	22.19
(iii) Tax on Dividend	214.10	202.43	217.64	207.75
(iv) Special Reserve	—	—	4.24	6.32
(v) Actuarial gain/(Loss)	—	—	—	5,906.84
(vi) Statutory Reserve	—	—	51.53	96.30
(vii) General Reserve	600.00	1,500.00	672.23	1,549.08
Total	**2,092.50**	**2,893.55**	**2,222.97**	**8,956.34**
Balance to be carried forward	9,496.70	6,387.46	10,961.96	8,234.03

GLOBAL ECONOMY

After a period of robust global economic expansion for the last four years, the global economy slipped into a recession in the second half of 2008, lowering world GDP growth to 2.1% in 2008 (The IMF considers growth less than 3% as a recession). The financial meltdown resulting from the US housing crisis precipitated the recession leading to lower trade finance, lower purchasing power and falling demand in advanced economies with world trade growth dipping to 3.3% (6% in 2007). The IMF expects world trade to fall by 11% in 2009, recovering to positive growth of 0.6% in 2010.

Governments the world over have committed to provide significant liquidity and stimulus packages to support their fragile economies. Major nations through the G-20 forum have also committed to greater transparency in accounting practices by the banks and hedge funds and also closer monitoring of tax havens.

The Gross Domestic Product (GDP) in the Organisation of Economic and Co-operation and Development (OECD) area fell by 4.8% in the first quarter of calendar 2009 on a year-on-year basis following a fall of 1.7% in the fourth quarter of 2008. US GDP increased by 1.1% in 2008 but is expected to fall in 2009. A fiscal recovery package of around $800 billion was announced by the US government which included a combination of spending incentives and tax rebates to boost consumer spending. The Federal Reserve was very aggressive in cutting interest rates during the end of 2008 and early 2009, bringing down the Federal Funds rate to a current low of 0.18%.

The Euro currency grew by 0.85% in 2008 and is still likely to post negative growth in 2009, before a mild recovery in 2010. The UK GDP slowed to 0.7% in 2008 and is expected to fall further in 2009 with a slight improvement in 2010. Investment spending declined in the UK in the fourth quarter of 2008 as businesses facing weaker demand and tighter financing conditions cut back on production and employment. Automotive manufacturers and the steel producers were particularly badly hit resulting in layoffs and factory closures.

World GDP growth was sustained by the emerging and the developing economies, which grew at 6.1% in 2008, though this is projected to fall sharply in 2009. Growth in the Asian powerhouse, China, slowed down to 9% in 2008 and is expected to fall further to around 6.5-7% in 2009. The Chinese government is hoping that the stimulus package of $600 billion it announced in February 2009, would raise the growth rate to 8%, with the domestic economy picking up the slack in exports. The Indian economy which grew at an average rate of 8.8% between 2003-04 and 2007-08, saw the growth dip to 6.7% in 2008-09, mainly on account of a sharp dip in exports. The newly elected government has emphasised an expenditure and investment focussed agenda to enable the country return to an 8% growth in the near future.

STEEL INDUSTRY

While most steel companies across geographies enjoyed strong demand and record earnings in the first half of 2008, the demand for steel weakened significantly after August 2008 with the global financial crisis adversely impacting the construction sector and capital spending. Steel companies across all major geographies announced substantial production cuts to align inventory levels with underlying demand. This affected the capacity utilisation level of the global steel industry. Further, tight credit conditions in the second half of the year and the need to generate cash flows resulted in a severe level of industry-wide destocking.

Steel prices also declined significantly across the world with more than a 50% reduction in the second half, compared to the first half of 2008-09. Similarly, the spot prices for iron ore and metallurgical coal also came down significantly in the latter part of 2008. It is very likely that the annual benchmark rates in 2009 for iron ore and metallurgical coal will be settled at a significantly lower level. For most of the world, the overall downward trend continued into the first quarter of 2009 in tandem with the global downturn. World steel production in the first quarter of calendar 2009 was 269 million tonnes, a decrease of 22.8% over the first quarter of calender 2008. The largest decline in steel demand was felt in the US, Europe and Japan.

Reduced demand and falling prices put extreme pressure on the profits, margins and liquidity of the steel companies. Capacity has been idled and capital expenditure has been curtailed for 2009 and onwards. Many manufacturers have utilised this downtime for overhaul and maintenance. Long-term contracts are being renegotiated with producers using the economic downturn to negotiate price concessions from raw material suppliers and vendors. Some steel companies are acquiring iron ore and coal mines to insulate themselves from the price volatility and to ensure a dependable supply of raw materials.

The slowdown in the real economy the world over is likely to delay recovery in the steel industry in 2009. Steel demand is likely to stabilise in the latter part of 2009 leading to a mild recovery in 2010.

Emerging economies were also affected by the economic crisis, but to a lesser degree. Steel consumption in the BRIC countries (Brazil, Russia, India and China) is expected to fall by 5.9% in 2009, with China, which has been the source of much of the global increase in steel demand, too seeing negative growth of about 5% in 2009.

The Indian economy, which is recovering faster than its global peers from the current slowdown, appears better positioned with the World Steel Association forecasting a 2% growth in the country's steel consumption in 2009. With India's GDP growth forecast to grow around 6.5% in 2009-10 on the back of robust infrastructure spending, it is likely that the World Steel Association's forecast may turn out to be too modest.

BUSINESS RESULTS

Tata Steel Group

The steel deliveries of the Tata Steel Group for the financial year 2008-09 at 28.54 million tonnes were 10% lower compared to 31.68 million tonnes during the financial year 2007-08. The Group recorded a turnover of Rs.147,329 crore (US$ 28,962 mn) for the financial year 2008-09, 12% higher than the turnover of Rs. 131,534 crore (US$ 25,857 mn) for the financial year 2007-08.

- The EBITDA for the Group at Rs. 18,495 crore (US$ 3,636 mn) for the financial year 2008-09 was 1% higher than the EBITDA of Rs.18,287 crore (US$ 3,595 mn) recorded during the financial year 2007-08.
- Profit before taxes and exceptional items was Rs.10,838 crore (US$ 2,130 mn) during the financial year 2008-09 against Rs.10,036 crore (US$ 1,973 mn) for the financial year 2007-08.
- Exceptional items during the financial year 2008-09 was a loss of Rs. 4,095 crore (US$ 805 mn) representing 'restructuring, impairment and disposals' relating to the disposal/impairment of assets and restructuring arising out of the 'Fit for Future' programme at Tata Steel Europe.

Tata Steel - Indian Operations

The Steel Division of the Indian operations posted an increase of around 10% in its finished steel production and sales during 2008-09 riding high on the performances of the newly commissioned 'H' Blast Furnace, the Sinter Plant, the steel melting shops LD Shop 1 and LD Shop 2 and the Finishing Mills at both Flat and Long product divisions.

Total sales at 5.231 million tonnes were 9% higher than the previous year. Long products sales at 2.00 million tonnes increased by 25%. Flat products recorded a sales of 3.23 million tonnes, slightly higher than the previous year.

The Indian operations achieved a significant reduction in the consumption of coke, following increased production from the larger Blast Furnaces with higher productivity.

The Tubes Division commissioned a state-of-the-art 2" Mill during FY 09. This improved its operational efficiency, productivity and energy consumption and enabled it to offer improved products. With the installation of the new mill, the Tubes division capacity increased to 300,000 tonnes per annum. The division has started manufacturing high end precision tubes with the commissioning of the hydroforming facilities and has recently initiated the supplies of Engine Cradles for Tata Nano cars, tubes for Telescopic Front Fork (TFF) & Propeller Shaft applications.

The Bearings Division of the Company sold 26.34 million bearings during FY 09, 5% lower than the previous year. The Bearings division's major customer segment is the automobile sector and its performance is linked to the performance of the automobile industry. The automotive segment saw a robust growth of 12.7% during the first half of the financial year, but witnessed a steep decline of 13% in the third quarter before recovering marginally in the fourth quarter. The division put in place several cost reduction measures to meet the challenges of the highly competitive bearing market. It also introduced new products and branded grease in the market during the year.

Tata Steel Europe (TSE) – (Corus Group)

Tata Steel Europe's liquid steel production in 2008-09 at 16 million tonnes was 20% lower than that of 2007-08. The production for the first six months was 10 million tonnes, which however fell to 6 million tonnes during the second half of the year, reflecting the planned reduction of production to match the sharp contraction in the demand environment during the second half of the year. The selling price of the steel products also dropped substantially with margins adversely affected because of the fixed annual contracts for raw material supplies.

The TSE Group turnover for the period was Rs. 1,09,570 crore (US$ 21,539 mn) [2007-08: Rs. 1,00,218 crore (US$ 19,701 mn)]. Average revenue per tonne increased for each of the Group's steel divisions by over 30%. Conversely, deliveries reduced sharply by approximately 18%. However, these overall movements indicated significant quarterly variations, as at first the buoyant steel market saw prices and volumes grow, followed by a market collapse in the second half of the year.

The TSE Group's operating profit for 2008-09 was Rs. 5,953 crore (US$ 1,170 mn) [2007-08: Rs. 6,041 crore (US$ 1,188 mn)]. The significant deterioration over the previous year was due to a combination of the fall in deliveries and a high level of net realisable value provisions against inventories, as prices fell sharply. Within the year, a similar pattern to the turnover of a buoyant first half followed by a substantial deterioration in the second half was evident in the result. The loss before tax of TSE amounted to Rs. 184 crore (US$ 36 mn) as against a profit of Rs. 9,187 crore (US$ 1,806 mn) in the previous year.

TSE's estimated UK market share in 2008-09 for main carbon steel products was 50% (2007-08: 49%). It is estimated that the other UK steel companies had a 4% market share, with imports amounting to 46%.

NatSteel Holdings

The Tata Steel Group's Singapore operations consist of an Electric Arc Furnace-based steel making and rolling operations with a production capacity of about 750,000 tonnes per annum. During the financial year 2008-09 Singapore sold about 956,000 tonnes of steel, 6% more than the previous financial year, and achieved a market share of about 58%. The downstream facilities in Singapore sold over 4,75,000 tonnes in FY 09, 20% more compared to the previous year. Among other operations of the NatSteel Holdings, the Xiamen operations in China, a 100% subsidiary of NatSteel, sold 426,000 tonnes of rolled products during FY 09, 17% higher than the previous year and the Australian operations of NatSteel sold around 188,000 tonnes (12% higher than the previous year) of steel in straight length rebars, mesh, cut & bend and other accessories.

During the year, the Singapore operations focussed on working capital management to ensure adequate liquidity and also improved the operating parameters including an improvement in yield and downstream tonnages with an estimated benefit of S$14 million (US$ 9 million).

Tata Steel Thailand

Production during FY 09 at 1.07 million tonnes was lower by 22%, while sales at 1.1 million tonnes were about 20% lower than the previous year. The political instability in Thailand and the economic downturn significantly impacted the construction industry in Thailand. Tata Steel Thailand took significant steps to readjust to the emerging economic environment including writing down of higher value inventory focussing on cost reduction in the Rolling Process Scheme by optimising the roll consumption cost and in Alloy Consumption at the steel shop and re-engineering working capital management.

ENDURING THE DOWNTURN

Every steel maker worldwide faced an unprecedented decline in demand after October 2008 following the global economic downturn. The Tata Steel Group made a quick risk assessment of the consequential financial impact and initiated programmes labelled 'Weathering the Storm' and becoming 'Fit for Future', so as to remain competitive in the future.

Indian & South East Asian operations

While India was not structurally impacted by the global financial crisis, the Indian economy slowed down considerably in the second half of the year. In order to retain its competitive position, the Indian operations initiated several cost reduction measures with targeted savings of about Rs. 440 crore which was achieved during the year. In line with the above, the output from the large Blast Furnaces were increased and the production from the smaller furnaces were scaled down to lower overall costs. The Company also focussed on gaining market share through increased volumes at competitive costs, a better product mix with increased flat product volumes and a reduction in maintenance costs. It also reduced the cost of hot metal production by improving the production of coke by 5% through better coke oven utilisation, reduced cost at the sinter plant, reduced use of refractories and reducing the power consumption at the Blast Furnaces.

The Capital Expenditure plan was also reviewed to focus only on those capital projects which had a higher Internal Rate of Return (IRR). Based on the above review, the 2.9 million tonnes per annum (mtpa) Jamshedpur project and the global raw material projects have been accorded priority and would be completed as per plan.

Tata Steel's South East Asian operations undertook various steps for cash conservation and liquidity enhancement such as the securitisation of receivables and reduction in net working capital. It also undertook several initiatives towards cost control and cost reduction by reducing the maintenance cost of the plant, and reducing administrative, employee and travel costs.

European Operations: Launch of the 'Weathering the Storm' Programme

With a view to counter the adverse impact of the economic downturn, the European operations undertook a very significant initiative during the second half of the financial year under the 'Weathering the Storm' programme. Consequent to a lower volume of production, the focus under this programme was to review and reduce costs in manufacturing, material usage and employee related areas including a one-off monetisation of hedges. During the six month period of October 2008 to March 2009, the extent of value from the "Weathering the Storm" initiative was around £700 mn ($1 bn).

In January 2009, the restructuring of European assets was accelerated through the launch of the 'Fit for Future' programme that focusses primarily on three areas: divestments, asset restructuring and a company-wide efficiency and overhead review.

TATA STEEL – CORUS INTEGRATION

During the year, considerable progress was made in institutionalising an integrated approach in various functional areas. In procurement, Lead Buyers have been appointed for high value items. Joint sourcing has resulted in renewed contracts with a savings of over $40 mn.

In manufacturing, knowledge exchange and synergy identification has been driven through Performance Improvement Teams (PITs) in 15 different areas. Recognising that the economic downturn would affect realisation of volume related synergies at Tata Steel Europe (TSE) sites, the PITs redirected their efforts to new cost related projects, the most important being the use of low cost coal for coke production and increased recycling of steel plant wastes. These initiatives contributed significantly to the realisation of $103 mn in manufacturing synergy against a target of $113 mn.

The total synergy realised in FY 09 was $256 mn comprising of manufacturing, procurement, corporate centre, and tax savings. The Group target is to achieve a synergy of $450 mn by March 2010.

With the outbound supply chain being strengthened at TSE with information technology (IT) support provided by Tata Steel India, IT teams of both entities are also working together to create online visibility of operating performance on a common platform.

During the course of the year, the Research, Development & Technology (RD&T) function was integrated into one function across the Tata Steel Group with a focus on 'Thrust Area Projects' of long-term value to the Group.

CENTENARY YEAR OF JHARIA COALFIELDS

The Jharia Division of Tata Steel India celebrates a century of sustainable mining in 2010. The division started its operations in its Bhelatand 'A' collieries in 1910. The Jharia coalfields, spread across 5,500 acres, have been fulfilling the coal requirements of Tata Steel India. The Jharia division has pioneered several technological innovations which have revolutionised underground coal mining in India. Coal mining and beneficiation at Jharia are a benchmark in mining in India.

DIVIDEND

The Board, for the year ended 31st March, 2009, has recommended Dividends as under:

(i) Rs. 2 per Convertible Cumulative Preference Shares (CCPS) on 547,266,011 CCPS of Rs. 100 each. (2007-08 Re. 0.41 pro rata from the date of allotment i.e. 18th January, 2008) on 547,251,605 CCPS of Rs. 100 each.

(ii) Rs. 16 per Ordinary Share on 730,592,471 Ordinary Shares (2007-08 on 730,584,320 Ordinary Shares @ Rs.16 per share).

The Dividends on CCPS and Ordinary Shares are subject to the approvals of the shareholders at the Annual General Meeting.

The total dividend payout works out to 29% (2007-08: 30%) for the standalone company and on a consolidated basis is 30% (2007-08: 11%).

COMPULSORILY CONVERTIBLE CUMULATIVE PREFERENCE SHARES (CCPS)

Six CCPS of face value of Rs.100 each will be compulsorily and automatically converted into one Ordinary Share of Rs.10 each, at a premium of Rs. 590 on September 1, 2009 without any application or further action on the part of the CCPS holders.

The Company will not issue any fractional certificates to CCPS holders on its conversion to Ordinary Shares. All such fractional entitlements to which the CCPS holders will be entitled to on allotment of the Ordinary Shares, will be consolidated and the Company will issue and allot Ordinary Shares in lieu thereof to a authorised person, which would be sold in the market within 15 days from the date of allotment. The sale proceeds thereof will be distributed proportionately to those persons who are entitled to fractional entitlements.

The CCPS holders will be eligible, as on record date, to the pro rata dividend from 1st April, 2009 to 31st August, 2009.

FINANCE

During FY 09, the Company restructured its overseas investments into Tata Steel Global Holdings Pte Limited (TSGH), domiciled in Singapore. The major subsidiaries of TSGH include Tata Steel Europe (Corus), NatSteel Holdings, Tata Steel Thailand and Tata Steel Global Minerals, which includes all of Tata Steel's major overseas raw material ventures in Mozambique, Ivory Coast, Canada, Oman and Australia. In early 2008, the unprecedented increase in the prices of input costs, particularly raw materials, substantially increased the working capital requirements in the overseas businesses. In a complete reversal, a sharp decline in steel demand and prices globally adversely impacted the operating margins and cash flows in late 2008. Reduced capacity utilisation in Europe put further pressures on the operating margins. As a result, the Company focussed on maintaining adequate liquidity to cope with these challenges as well as for necessary capital expenditure and on significant cost reduction programmes and asset disposals. This allowed Tata Steel UK (TSUK) to comply with conditions stipulated under the senior (acquisition) debt up to March 2009. However, the reduction in profitability would have made it increasingly difficult for the company to comply with its financial covenants in the coming three quarters. As a result, TSUK approached its lenders with an amendment and waiver proposal. This proposal did not seek any new capital from the banks or any extended repayment profile. TSUK would also continue to meet interest and amortisation payments as they fall due.

As per the agreement reached with the banks, testing of the facility's earnings related covenants would largely be suspended till March 2010 and would then resume with significantly higher flexibility than in the case of the original covenants. Furthermore, there would be no increase in the current level of interest costs for the remaining life of the loan. The revised covenant package does not involve any additional finance from the lenders or rescheduling of its debt-servicing commitments. As part of these amendments, Tata Steel further infused GBP 200 mn in June 2009 and has committed to an additional GBP 225 mn by close of September 2009.

Tata Steel placed Non-Convertible Debentures totalling upto Rs. 2,000 crore in May 2008 comprising of 3 series having phased maturities. The Company further raised a 2-year term loan of Rs. 2,000 crore in May 2008. In November 2008, the Company raised Rs. 1,250 crore through Non-Convertible Debentures privately placed with the Life Insurance Corporation of India, repayable in equal instalments at the end of the 6th, 7th and 8th years. In April 2009, the Company further raised Rs. 2,000 crore from a term loan and in May 2009, it privately placed Rs. 2,150 crore of Non-Convertible Debentures repayable after 10 years. Thus the Company raised Rs. 9,400 crore in a year marked by tight liquidity.

The Company hedged the foreign currency risk on repayment of the major part of the USD 1.65 billion of external commercial borrowings drawn in FY 07. The foreign currency repayment risk on the Convertible Alternative Reference Securities (CARS) remains un-hedged, since they may be converted to underlying securities in FY 12 and FY 13. The Company has also selectively hedged a portion of the interest rate risk on its US dollar loans.

The Company's Credit Ratings have recently been revised downwards by its Rating Agencies. In the fourth quarter of FY 09, Moody's and S&P have downgraded Tata Steel to below investment grade (Ba2 and BB- respectively with a negative outlook). Fitch lowered the Company's credit rating to BB+ (with a negative outlook). The debt in the Company's consolidated balance sheet has increased considerably after the Corus acquisition. At the same time, the downturn in global steel markets has severely impacted the near term earnings of the overseas operations of the Company. As on 31st March, 2009, the cash and cash equivalents in Tata Steel Limited were Rs. 1,591 crore. The April 2009 Rs. 2,000 crore term loan and the May 2009 private placement of Rs. 2,150 crore of Non-Convertible Debentures may be used by the company for various purposes.

SUBSIDIARIES

Pursuant to the Accounting Standards AS-21 issued by the Institute of Chartered Accountants of India, the consolidated financial statements presented by the Company includes financial information of its subsidiaries. The Company has made an application to the Government of India seeking exemption under Section 212(8) of the Companies Act, 1956, from attaching the balance sheet, profit and loss account and other documents of the subsidiary companies to the balance sheet of the Company. The Company will make available these documents/details upon request by any member of the Company.

A list of the Company's subsidiaries is given on page numbers 218-227 of this Report.

EXPANSION PROJECTS

BROWNFIELD PROJECT

Brownfield Project of Tata Steel, Indian Operations

The Company is in the process of increasing its crude steel capacity to 10 mtpa at its Jamshedpur Works by the year 2011. As part of this programme, the first phase which entails reaching a crude steel capacity of 6.8 mtpa has essentially been completed. Major facilities that were commissioned during this phase included the Sinter Plant No. 4, the 'H' Blast Furnace and the Continuous Caster No. 3 at LD Shop-1.

Project work pertaining to taking the capacity from 6.8 million tonnes to 9.7 million tonnes is moving at a rapid pace. This includes setting up a new 'I' Blast Furnace, a Pellet Plant with a capacity of 6 mtpa, Thin Slab Casters and Rolling Mill, two new Lime Kilns as well as augmentation of the iron ore mines at Noamundi and Joda. Orders for the supply of equipment have been placed. Site work is in progress for most of the facilities. The Company has committed an amount of Rs. 9,100 crore against the approved project cost of Rs. 13,900 crore towards various supplies and services pertaining to the project.

Simultaneously, the Company also has a few major capital projects underway like the capacity augmentation of the Hot Strip Mill, Coke Dry Quenching at Coke Ovens Batteries 5, 6 & 7 and setting up a new mill at Bara for producing Full Hard Cold Rolled (FHCR) coils.

GREENFIELD PROJECTS

Kalinganagar Project

Preliminary work on the 6 mtpa capacity greenfield steel plant at Kalinganagar, Orissa focussing on land acquisition, rehabilitation and resettlement work is in progress. In order to enhance the employment opportunities of the people in the area including the displaced families, the Company is conducting skill development training programmes at Kalinganagar to enable them to seek gainful employment.

As the Company has fulfilled its obligation of placing the order for equipment and services stipulated in the MOU signed with the Orissa state government, it is seeking the grant of the mining lease for iron ore from the Government.

Chhattisgarh & Jharkhand Projects

The Company has also signed MOUs for setting up greenfield integrated steel plants with the State Governments of Chhattisgarh and Jharkhand for which the Company is pursuing with the respective State Governments for the acquisition of land and allotment of mining leases for iron ore and coal. The Company has also applied for environment clearances and other licenses.

OTHER PROJECTS

Hooghly Met Coke and Power Company Ltd. (HMPCL)

Incorporated in 2005, Hooghly Met Coke and Power Company Ltd. (HMCPCL) is a 100% subsidiary of Tata Steel. The company was set up to produce low ash metallurgical coke by adopting the heat recovery route, for Tata Steel's requirements at its Jamshedpur plant and also to supply hot gases to Tata Power for electricity generation by adopting heat recovery route. The plant is located in Haldia, West Bengal, on the banks of river Hooghly. Close proximity to the Haldia Dock Complex offers several advantages, including the import of coking coal in a more cost effective manner.

The company currently has a production capacity of 1.2 mtpa of coke and its capacity is likely to be increased to 1.6 mtpa in 2009.

Tata BlueScope Steel Limited

Tata BlueScope Steel Limited (TBSL) is an equal stake joint venture between Tata Steel and BlueScope Steel Australia in the field of coated steel, steel building solutions and related building products. The company operates in the South Asian Association for Regional Cooperation (SAARC) region.

TBSL has two business divisions, the Buildings Division which is further divided into Building Solutions and Building Products and Distribution and the Coated Steel Division. This division has set up three manufacturing facilities one each at Pune, Chennai and Bhiwadi. TBSL executes building solutions projects under the Brand name of BUTLER™, Durashine™, PEBLite™, SMARTBUILD®, and SMARTRUSS®. Building Solutions division was awarded the Best Pre-Engineered Building project trophy on a national level at the Infrastructure Excellence Awards.

All the three manufacturing facilities of downstream business at Hinjewadi, Bhiwadi and Chennai are now certified for QMS (ISO 9001), EMS (ISI14001) & OHSAS (ISO 18001). The manufacturing facility for Coated Steel is under construction at Jamshedpur and is expected to be completed by March 2010. The Metal Coating line will manufacture ZINCALUME® brand and the Color Coated line will manufacture COLORBOND® brand."

The project to set up a Coated Steel manufacturing facility at Jamshedpur is well in progress and will be operational in the first quarter of 2010. This Joint Venture (JV) is a step in the direction of value addition to Tata Steel's hot rolled coil and offering the Indian consumer a world class product.

Dhamra Port Company Limited

Tata Steel and Larsen & Toubro Limited have formed a 50:50 joint venture for the development of a deep water port in Dhamra, Orissa. The project is being developed on a "Build, Own, Operate, Share and Transfer" (BOOST) basis, under a concession awarded by the Government of Orissa. The project will provide Tata Steel a competitive advantage in the logistics chain given the ongoing expansion and greenfield projects which will lead to an increased volume of imported raw material. The project is located on the eastern coast of India approximately 225 km southwest of Kolkata by sea route and is 205 km from Bhubaneswar by road.

Acquisition proceedings for a private land for the railway corridor have been largely completed in respect of a total of 2,033 acres and the construction of the port is more than 50% complete. The port is expected to be operational by April 2010.

Having received necessary environmental clearances, the port is taking a number of safeguards and measures under the direct advice and supervision of the International Union for Conservation of Nature (IUCN), the world's premier scientific body in environment and wildlife, to ensure that the construction and operation of the port does not pose any threat to the ecology of the area.

Tata NYK Shipping Pte Limited

Tata NYK Shipping Pte Limited is a Singapore based 50:50 joint venture between Tata Steel and Nippon Yusen Kabushiki Kaisha (NYK Line), a Japanese shipping major. The joint venture was set up to cater to the ship bulk cargo such as coal, iron ore and steel arriving in and departing from Indian shores. The shipping firm would cater to the needs of the Tata Steel Group for moving raw materials and finished steel. In future, Tata Steel would require to transport large quantities of raw materials and finished steel, which would necessitate strategic control over logistics and this joint venture is a step in that direction. Progressing towards the goal of achieving logistics control, Tata NYK has entered into a long-term charter for 8 Supramax/Panamax vessels and orders have been placed for building two new Supramax vessels. As part of its long term strategy, the Company plans to enter into a long term charter for capesize vessels in 2009.

The Company has handled a total of 4.48 million tonnes of cargo during the year ended 31st March, 2009, which included 1.98 million tonnes of cargo for the Tata Group. The global financial crisis has severely affected the shipping industry with the Baltic Dry Index (BDI) hitting a 20 year low after reaching a peak of more than 12000 in May 2008. Increase in demand for steel related raw materials is critical for improving the BDI.

Tata Steel (KZN) (Pty) Ltd.

Tata Steel KZN (TSKZN) is a South Africa-based subsidiary of Tata Steel that is in the business of producing high carbon ferrochrome and charge chrome. The plant, located at Richards Bay on the KwaZulu-Natal coast of South Africa was commissioned in 2008 with an annual production capacity of 1,51,000 tonnes. The briquette technology being used by the company is new to South Africa and is environmental friendly compared to the other competing technologies of agglomeration.

The ferro-chrome used in the manufacture of stainless steel will be exported to Tata Steel's customers in Asia, Europe, the US and elsewhere. TSKZN commenced commercial production on 1st July, 2008 and is one of the most environment compliant plants globally. It has a fully covered storage area for all fine raw materials, a wet gas scrubbing system (with 100% redundancy) linked with a closed furnace. This plant set new standards in environment management. In its first year of operations, TSKZN achieved a production of 63,479 mt of saleable grade charge chrome during the financial year 31st March, 2009.

RAW MATERIAL SECURITY

Over the years, the Tata Steel Group's growth and globalisation strategy has been built upon a balanced focus on every node of the value chain – from raw material security to steel making to value added products to control over logistics. During 2008-09 the focus was not only on tapping new raw material opportunities but was also on consolidation of existing ventures. As a further step towards increasing its iron ore security for the European operations, two new iron ore projects were identified - one in Canada and the another in South Africa. Tata Steel also increased its equity stake in the Riversdale Mining Limited, Australia, which is currently progressing with its coking coal project in Mozambique. Another milestone was achieved when the Company's ferro-chrome venture in South Africa became operational during the financial year. With the signing of a definitive agreement for a steel project in Vietnam, Tata Steel took a significant step towards increasing its footprint in South East Asia. The Company continues to look for suitable downstream projects in geographies of interest, in order to add value to its steel.

The Tata Steel Group is currently self-sufficient to the extent of 25% for its iron ore requirements. With iron ore becoming available from its overseas mines at New Millennium Corporation in Canada and potentially from the Ivory Coast over a longer term, the iron ore security would gradually increase to around 62% by 2015. Iron ore from these mines will be primarily supplied to Tata Steel's European Operations.

Overall raw material security would reach approximately 50% by 2015 increasing to around 60% by 2018 from its current level of 25%. For this purpose, the Company would be required to make substantial investment in a phased manner to secure the raw material from its overseas mines. The Company is also evaluating several other mineral projects in Brazil and Australia.

The status of various ongoing raw material projects is as follows:

Coal Projects

Coking Coal Project in Mozambique (Riversdale)

Tata Steel has formed a Joint Venture (JV) with Riversdale Mining Limited, Australia for a 35% stake in two coal tenements in Mozambique - Benga and Tete including offtake rights to 40% of the coking coal produced from these mines. The JV owns 24,960 hectares of coal tenements out of which the Benga license near Tete covers an area of 4,560 hectares. As per the press release of Riversdale, inferred resource in the Benga licence area is currently estimated at 4 billion tonnes compared to 1.2 billion tonnes estimated at the time of signing of definitive agreements. There is a potential for the resource base going up further. The government of Mozambique has approved the mining contract for the tenements which represents a significant step towards commencement of the Benga coal project.

The feasibility study for the project is in progress. The production from the Benga mine is expected to commence in 2017. Tata Steel plans to supply hard coking coal from this project to its facilities in Europe and also for the Company's enhanced requirements in India in the future.

Tata Steel also holds a 14.99% equity stake in the parent company, Riversdale Mining Limited.

Coal Mining Project in Australia (CDJV)

Tata Steel has a strategic interest of 5% in the coal mining project in Australia in partnership with Vale, Nippon Steel, JFE and POSCO with 20% off-take rights. The Joint Venture was formed for the development of a greenfield underground coal project in Bowen Basin, Queensland. The first raw coal production started in August 2006 and the mine is currently producing around 1 mtpa. During the year, the JV company had undertaken the second phase of expansion. On completion of the second phase, it is expected to produce 3.7 mtpa of coking coal and PCI coal.

Joint Venture with SAIL for coking coal properties

SAIL and Tata Steel formed a 50:50 Joint Venture company, S&T Mining Co. in September, 2008 with its registered office in Kolkata. The company has been working towards acquiring the coal blocks as per the recommendations of the joint working group of SAIL and Tata Steel and has identified some coal blocks for acquisition.

S&T Mining is also participating in tenders that are floated by PSUs who have been allotted coal blocks by the Government and who are looking for JV partners for mining and selling the coal. The JV company intends to leverage the mining strengths of both SAIL and Tata Steel in order to acquire coal mines to fulfill the increased requirements of its promoters.

Iron Ore Projects

Iron Ore Project in Canada (New Millennium Capital Corp.)

In September 2008, Tata Steel through its subsidiaries had signed a Heads of Agreement memorandum with New Millennium Capital Corporation (NML), a Canadian listed mining company aiming to develop iron ore projects in Northern Quebec, Labrador and Newfoundland provinces. Tata Steel holds a 19.9% stake in NML with an option to acquire an 80% equity interest in NML's Direct Shipping Ore project (DSO Project) located in the Province of Newfoundland and Labrador (NL) and the Province of Quebec (QC). The agreement provides exclusivity to Tata Steel with respect to both the DSO Project and the LabMag taconite iron ore property located in NL, with an 80:20 ownership by NML and Naskapi Nation of Kawawachikamach respectively.

The DSO resource is estimated to be approximately a 100 million tonnes. The feasibility study for the DSO Project is progressing and the production is expected to commence in 2011. Tata Steel will have 100% offtake rights to the produce of the mine. The iron ore from this project will be supplied to Tata Steel Group's facilities located in Europe.

The LabMag deposit consists of 3.5 billion tonnes of proven and probable mineral reserves. These reserves are contained in the 4.6 billion tonnes of measured and indicated resources and 1.2 billion tonnes of inferred resources. Tata Steel is jointly working with NML to find an economically viable solution to advance the LabMag Project.

Limestone Projects

Limestone Project in Oman

Limestone is a key raw material for producing quality steel. Tata Steel has so far been sourcing limestone from central India, Thailand and the Middle Eastern countries for its Indian operations. In order to reduce dependence on purchased limestone, Tata Steel signed a Joint Venture (JV) agreement with Al Bahja Group, Oman for a 70% stake in the JV. The project envisages mining in limestone in the Uyun region, believed to be rich in limestone deposits and is located in the Salalah province of Oman. Exploration and feasibility studies are in progress.

HEALTH AND SAFETY

The Tata Steel Group is committed to ensuring the health and safety of its employees, its plants and its surrounding communities at all its operation sites. The Group constantly endeavours to provide safe and hygienic working conditions for its employees as well as its contract workers. It takes an integrated and systematic approach to managing health and safety, which is encompassed in the Tata Steel Safety Programme and the Corus Health and Safety Management System with a successful delivery reliant on employee engagement and felt leadership. Both the programmes have been developed with the support and expertise of DuPont consultants.

Since 2005, with the help of the DuPont Safety Resources organisation, a quantum jump has been achieved in the safety culture of the organisation through the implementation of the 'behavioural safety model'. Potentially fatal situations have been rectified with a focussed 'Fatality Risk Control Programme' (FRCP). Pursuing this initiative will help the Company realise its goal of becoming a fatality free organisation in the near future.

For the sustainability of its operations, the "Process Safety & Risk Management" (PSRM) programme has been started for the high hazard operations and processes, in order to ensure freedom from a high consequence, low frequency process incidents. PSRM will be implemented in all facilities by FY 12.

Tata Steel is also extending support to the community for improving their safety standards with the help of the Safety Awareness For Everyone (SAFE) organisation. School children are being given special training on road &

behaviour safety. A safety curriculum has been introduced in the schools in Jamshedpur to generate an awakening within the community.

With these initiatives, the Company has been able to reduce the Lost Time Injury Frequency Rate (LTIFR), an accepted measure of safety performance worldwide, to 0.80 for FY'09 from 1.70 in FY'08 and is confident of achieving its target of 0.40 LTIFR by 2012.

ENVIRONMENT

Climate change is one of the most important issues facing the world today. The steel industry is a significant contributor to man-made greenhouse gas emissions as the manufacture of steel unavoidably produces carbon dioxide (CO_2). Tata Steel along with its subsidiaries and associate companies believe that respect for the environment is critical to the success of its business. It is committed to minimising the environmental impact of its operations and its products through the adoption of sustainable practices and continuous improvements in environmental performance.

The Tata Steel Group has set itself a target for reduction in CO_2 emission level to 1.5 tonnes of CO_2 per ton of liquid steel for its Indian operations by 2015 against the present level of 2.1 tonnes/tls. Several energy efficiency measures have been taken to reduce CO_2 emission during the year including a detailed carbon footprint exercise. A notable achievement was the registration of the 'G' Blast Furnace Top Pressure Recovery Turbine project of Jamshedpur unit at UNFCCC as a CDM project.

Tata Steel's European operations have taken several steps to reduce its total energy consumption. It has signed a voluntary agreement with the Dutch government for achieving an energy efficiency improvement of 2% per annum. In the UK, an agreement has been reached with the Government to reduce energy consumption by 15.8% by 2010 as compared to the 1997 levels. The Group is making an investment of approximately £ 60 million in energy management technology at its Port Talbot site to enable the plant reduce its CO_2 emission from the current year's level.

DIRECTORS

Mr. Kirby Adams and Mr. H. M. Nerurkar were appointed additional Directors on the Board of the Company with effect from 9th April, 2009.

Mr. Kirby Adams has been appointed as the CEO of Tata Steel Europe Limited, a wholly owned indirect subsidiary of the Company. He would oversee the operations of Tata Steel in Europe. In addition, he would also be responsible for the Global Raw Material pursuits of Tata Steel. Mr. Adams was formerly the Chief Executive of BlueScope Steel, Australia.

Mr. H. M. Nerurkar was the Chief Operating Officer of the Company prior to his appointment as Executive Director, India and South East Asia. He would be responsible for the Indian and South East Asian operations of the Company. He joined the Company in 1972 and has held various posts since then. He is also on the Board of some of the Tata Steel Group companies.

The Directors believe that the appointments of the above mentioned directors on the Board of the Company would bring in a rich and varied experience that would enable it to manage a business of this size and complexity.

Dr. T. Mukherjee stepped down from the Board of the Company effective 31st March, 2009. The Board records its appreciation of the contribution made by Dr. Mukherjee during his tenure as a director of the Company.

Mr. Philippe Varin, on taking charge as Chairman of the Management Board of PSA Peugeot Citroen, France, stepped down from the Board of the Company effective 27th May, 2009. The Board records its appreciation of the contribution made by Mr. Varin during his tenure with the Company.

Dr. J. J. Irani received the coveted Life Time Achievement Award from the Government of India in acknowledgement of his services and the outstanding contributions made by him in the area of metallurgy.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. R. N. Tata, Mr. Nusli N. Wadia, Mr. Subodh Bhargava and

Mr. Jacobus Schraven retire by rotation and are eligible for re-appointment.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure 'A' to the Directors' Report.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure 'B' to the Directors' Report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis, Corporate Governance Report, Managing Director's and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report. A note on the Company's corporate sustainability initiatives is also included.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have, in the selection of the Accounting Policies, consulted the Statutory Auditors and have applied them consistently and made judgements 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 and of the profit of the Company for that period;
3. 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;
4. they have prepared the annual accounts on a going concern basis.

On behalf of the Board of Directors

RATAN N. TATA

Mumbai, 25th June, 2009 *Chairman*