Directors' Report

To the Members,

The Board of Directors hereby presents the 106th annual report on the business and operations of your Company along with the standalone and consolidated summary financial statements for the year ended 31st March, 2013.

₹ Crores

	Tata Steel Standalone		Tata Steel Group	
	2012-13	2011-12	**2012-13**	2011-12
Income from Operations	**38,199.43**	33,933.46	**134,711.54**	132,899.70
Total expenditure before finance cost, depreciation (net of expenditure transferred to capital)	**27,073.19**	22,396.69	**122,390.33**	120,482.91
Operating Profit	**11,126.24**	11,536.77	**12,321.21**	12,416.79
Add: Other income	**902.04**	886.43	**479.15**	1,573.03
Profit before finance cost, depreciation, exceptional items and taxes	**12,028.28**	12,423.20	**12,800.36**	13,989.82
Less: Finance costs	**1,876.77**	1,925.42	**3,968.11**	4,250.11
Profit before depreciation, exceptional items and taxes	**10,151.51**	10,497.78	**8,832.25**	9,739.71
Less: Depreciation	**1,640.38**	1,151.44	**5,575.32**	4,516.65
Profit before exceptional items and taxes	**8,511.13**	9,346.34	**3,256.93**	5,223.06
Add/(Less): Profit on sale of non-current Investments	**12.33**	511.01	**966.03**	3,361.92
Add/(Less): Provision for diminution in the value of investment/doubtful advances	**(686.86)**	–	**–**	–
Add/(Less): Provision for impairment of non-current assets	**–**	–	**(8,355.91)**	–
Profit/(Loss) before taxes	**7,836.60**	9,857.35	**(4,132.95)**	8,584.98
Less: Provision for current taxation	**1,770.54**	3,115.11	**2,325.40**	3,517.65
Less: MAT credit	**(399.84)**	–	**(410.12)**	(5.41)
Less: Provision for deferred taxation	**1,402.93**	45.82	**1,314.16**	124.22
Profit/(Loss) after taxes	**5,062.97**	6,696.42	**(7,362.39)**	4,948.52
Add: Share of profit of Associates	**–**	–	**90.31**	268.11
Less: Minority Interest	**–**	–	**(214.46)**	(173.14)
Profit/(Loss) after minority interest and share of profit of associates	**–**	–	**(7,057.62)**	5,389.77
Distribution on hybrid perpetual securities	**266.21**	256.54	**266.21**	256.54
Tax effect on distribution of hybrid perpetual securities	**(86.37)**	(83.24)	**(86.37)**	(83.24)
	4,883.13	6,523.12	**(7,237.46)**	5,216.47
Add: Balance brought forward from the previous year	**21,145.04**	16,639.46	**16,125.42**	12,959.16
Add: Profit and Loss account balance relating to acquisitions	**–**	(0.87)	**–**	–
Balance	**26,028.17**	23,161.71	**8,887.96**	18,175.63
Which the Directors have apportioned as under to:-				
(i) Dividend on Preference Shares	**–**	–	**0.21**	0.21
(ii) Proposed dividend on Ordinary Shares	**776.97**	1,165.46	**776.97**	1,165.46
(iii) Tax on Dividends	**128.73**	181.57	**226.41**	185.71
(iv) General Reserve	**506.30**	669.64	**665.56**	680.51
(v) Statutory Reserve	**–**	–	**8.29**	–
(vi) Special Reserve	**–**	–	**161.28**	11.77
(vii) Capital Redemption Reserve	**–**	–	**9.86**	6.55
Total	**1,412.00**	2,016.67	**1,848.58**	2,050.21
Balance to be carried forward	**24,616.17**	21,145.04	**7,039.38**	16,125.42

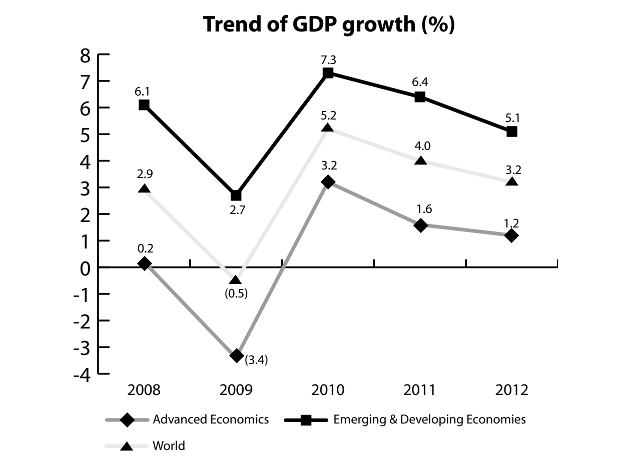
DIVIDEND:

The Board recommended dividend of ₹ 8 per Ordinary Share on 97,12,15,229 Ordinary Shares (Financial Year 2011-12: ₹ 12 per Ordinary Share on 97,12,14,450 Ordinary Shares of ₹ 10 each) for the year ended 31st March, 2013.

The dividend on Ordinary Share is subject to the approval of the shareholders at the Annual General Meeting. The total dividend payout works out to 18% (Financial Year 2011-12: 20%) of the net profit for the standalone results.

GLOBAL ECONOMIC CONDITIONS

The world Gross Domestic Product (GDP), as reported by the International Monetary Fund, witnessed a moderate growth of 3.2% in 2012 as compared to a growth of 4.0% in 2011. While the growth in the advanced economies was 1.2% in 2012 in contrast to 1.6% in 2011, growth in the emerging and developing economies fell to 5.1% in 2012 compared to 6.4% in 2011. There was a noticeable slowdown in the emerging market and developing economies during 2012, a reflection of the sharp deceleration in demand from key advanced economies. Global prospects have improved but the road to recovery in the advanced economies is still uncertain and volatile.



The US GDP increased by 2.2% in 2012 reflecting significant legacy effects from the financial crisis, continued fiscal consolidation, a weak external environment and disruptions in the northeast following Superstorm Sandy. The recovery is beginning to show some bright spots as credit growth has picked up and bank lending conditions have been easing slowly from tight levels. However, the impact of recent recovery is yet to show material impact on the economy. In comparison to the US, the euro zone economy contracted by 0.6% in 2012 over 2011. Amongst the euro zone countries, Germany posted a marginal growth of 0.9% while Italy and Spain posted a decrease of 2.4% and 1.4% respectively. Decisive policy actions at the European level–including Outright Monetary Transactions, the completion of the European Stability Mechanism, the Greek debt relief programme and the agreement on the Single Supervisory Mechanism–have increased confidence in the viability of the Economic and Monetary Union. However, lower sovereign spreads and improved bank liquidity are yet to translate into either improved private sector borrowing conditions or stronger economic activity. Emerging economies of eastern Europe experienced a sharp growth slowdown in 2012 reflecting spillover effect from the euro area crisis and domestic policy tightening in the larger economies. For 2012 as a whole, EU apparent steel consumption is estimated to have decreased by -9.7% to 140 million tonnes, with lower demand due to poor economic situation in the euro zone and reduced global trade. Output in the main EU27 steel using sectors declined in 2012 (Construction -5%, Automotive -4%, Mechanical Engineering -1%).

The GDP of Association of South East Asian Nation (ASEAN) (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) grew at 6.1% reflecting resilient domestic demand. Thailand economy grew at 6.4% while that of Indonesia grew by 6.2% in 2012. It is estimated that the public spending by the Government especially in infrastructure and public reconstruction will sustain the growth in Thailand in the future. It is expected that continued remittance flows and low interest rates should continue to support the private consumption and investments in the region.

Steel consumption in the ASEAN region (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Burma, Cambodia, Laos and Vietnam) have surged by 7.6% year on year to 56.4 million tonnes in 2012. Thailand registered the highest growth rate of 13.9% year on year followed by Vietnam at 9.9%, and Indonesia at 8.8%. Malaysia and Philippines both registered marginal increases in steel demand of 1.7% and 2.2%, respectively, while steel demand in Singapore declined marginally during the year.

The domestic economy in India witnessed a significant slowdown during the year with certain sectors like automotive, capital goods showing a marked slowdown in demand. The moderation in the industrial growth particularly in the manufacturing sector is largely attributed to sluggish growth in investments and tighter monetary policy. Growth in services was 6.6% as compared to a growth of 8.2% in 2011-12. Amongst the key macro-economic indicators, the current account deficit is currently at a very high level which would put significant pressure on the economy especially on the currency.

In India the flat steel consumption grew by 4.3% in the fiscal, while long steel consumption grew by 4.7%. Amongst the main steel consuming sectors, the construction sector grew at around 5.9% and the consumer durables sector grew by 4.5% while the capital goods is expected to have declined significantly by around 10.1% and the automotive sector grew by 1.2%.

TATA STEEL GROUP PERFORMANCE:

In the backdrop of a weak global economy and a challenging market situation, the gross deliveries of the Tata Steel Group at 24.1 million tonnes in 2012-13 were almost at the similar levels as the previous year of 24.2 million tonnes. The turnover of the Tata Steel India operations increased by 13% primarily due to enhanced volume from the newly commissioned facilities of the 2.9 million tonnes per annum capacity expansion in Jamshedpur and enhanced product mix in the Long Products segment. However, there was a decrease in the turnover in Tata Steel Europe by 15% (in its reporting currency) primarily due to weaker market conditions and lower operating volume in Europe.

The consolidated profit before finance costs, depreciation, exceptional items and taxes of the Group was ₹ 12,800 crores in the Financial Year 2012-13 lower by 9% over the previous year primarily due to lower operating performance in Europe, relatively weaker steel prices across all geographies. Consequently, the consolidated Profit before exceptional items and taxes were ₹ 3,257 crores in the Financial Year 2012-13 compared to ₹ 5,223 crores in the previous year.

Indian operations:

The Financial Year 2012-13 marked a major milestone in operating history of Tata Steel as the capacity expansion at Jamshedpur was completed with most of the facilities of 2.9 mtpa brownfield expansion being commissioned for production. The expansion project includes the commissioning of the 6 mtpa Pellet Plant, a 3.05 mtpa Blast Furnace (I Furnace), a new LD Shop (LD#3) and the 2.54 mtpa Thin Slab Caster and Rolling (TSCR), and two new Lime Kilns (Nos. 8 & 9) (600 tpd each). The other capital projects commissioned during the Financial Year 2012-13 were the augmentation of Noamundi and Joda Iron Ore Mines and setting up of one 0.7 mtpa Coke Ovens Battery (No.10) along with the By-Product Plant.

In order to prepare for marketing the additional volume of production from the new expansion, the Company has been working on significant initiatives on the marketing front which included (a) the launch of the Astrum brand (HR coils) to serve the large SME market, (b) acquisition and expansion of large commercial accounts in tubing, cold rolling, packaging and LPG segments, (c) developing international markets for the products and (d) initiating new product development process for securing customer approvals in the automotive segment.

The Company completed the Financial Year 2012-13 with an overall increase of approximately 14% in production and sales volumes. The production of Hot Metal (8.86 million tonnes), Crude Steel (8.13 million tonnes) and Saleable Steel (7.94 million tonnes) reached their respective highest levels till date. Correspondingly, the deliveries recorded new highs at 7.48 million tonnes for the year.

There were also several best performances recorded by many of the other operating units of the Company during the Financial Year 2012-13 some of which are as follows:

a. The Ferro Alloys and Mineral Division (FAMD) achieved the highest ever Ferrochrome production (218k tonnes) and sales (223k tonnes). FAMD launched "Tata Silcomag", India's first branded Ferro Alloy for the SME segment.

b. Global Wires achieved its highest ever total wires production of 315,000 tonnes.

c. The Tubes Division production at 391,000 tonnes and sales at 387,000 tonnes in the Financial Year 2012-13 was the highest ever. The Division developed new products like Red Oxide Pipes, Thin Organic Coated galvanised tubes and GP tubes for retail segment. Tata Pipes also won the Zee Business 'Good Home Award' 2012 in pipes category.

d. The Bearings Division commissioned a new line of Bearings – 'HUB Bearings', specifically used in passenger vehicles. The Division also inaugurated a state of art 'testing and validation centre' based on latest technology to meet the increasing expectations of the automotive customers. The Bearings Division production was 33.73 million numbers and sales was 32.03 million numbers in the Financial Year 2012-13. The Bearings Division won the 'Economic Times – Frost and Sullivan – IMEA' Gold Award excellence in manufacturing & supply chain, and the Bajaj Gold Consistency Award for QCD, second year in a row in the Financial Year 2012-13.

e. The Agrico Division has launched two new products 'Seed Drill' and 'Cultivator' under the Grasshopper sub brand, and has achieved its best ever sales of ₹ 162 crores (a growth of ~5%) in the Financial Year 2012-13.

The Company achieved a savings of approximately ₹ 1,625 crores by improving operational excellence through focused initiatives in the Financial Year 2012-13. The special improvement initiative 'KVHS' (Kar Vijay Har Shikhar – Conquer Every Peak) launched during the Financial Year 2011-12, contributed approximately ₹ 1,057 crores in the Financial Year 2012-13. This initiative is focused on Tata Steel's aspiration to improve its earnings through generation of new ideas and deploying the same through a structured framework. It is a multi-unit, multi-location and a cross functional improvement programme that aims to excel across the entire value chain – from the raw materials mining to the operating units across all divisions.

Inspite of very challenging market conditions and weak steel prices in India, the Company sold an additional 850,000 tonnes during the Financial Year 2012-13. During the fourth quarter of the financial year, the Company sold around 2.2 million tonnes of steel that is the highest quarterly volume in the history of the Company. This was possible due to the successful ramp up of the new facilities in Jamshedpur and the marketing initiatives taken by the Company to gear up to sell the additional volume of the expanded capacity. The profit before finance costs, depreciation, exceptional items and taxes for the stand alone Tata Steel was ₹ 12,028 crores for the Financial Year 2012-13 which was marginally lower by about 3% compared to the previous financial year.

European operations:

Tata Steel Europe's (TSE) turnover for the Financial Year 2012-13 was 15% lower than the previous year. This was due to lower deliveries by about 7% compared to the previous year and a 8% lower average revenue per tonne caused by the deterioration in the market conditions and volatile currency exchange rates in the Financial Year 2012-13. The deliveries in Financial Year 2012-13 were impacted by the lower volume of production due to the rebuilding of Blast Furnace 4 (Port Talbot, United Kingdom), and hearth issues at Blast Furnace 7 in IJmuiden (Netherlands). The blast furnace #4 rebuild, was completed and the furnace was relighted in February 2013. The company continued to press forward with its structured improvement programme OGSM (Objectives Goals Strategies and Measurement) and posted significant gains from the success of this programme. The above improvement programme along with the other short-term management interventions could offset some of the adverse impact of the external market deterioration.

In order to enhance customer service levels, TSE is implementing a major 'supply chain transformation' project aimed at allocating customer demand in the most efficient and timely manner (thereby reducing inventory levels, reducing costs to serve, and improving delivery and availability standards), whilst at the same time improving customer service levels. The company has also been accelerating its new product development programme as 17 new products were introduced in the market.

South-East Asian operations:

NatSteel achieved its best ever performances in Singapore and China driven by capacity expansion in China. NatSteel's Singapore downstream domestic sales achieved a new high of 500,000 tonnes, a 19% increase over the Financial Year 2011-12. This makes it one of the largest reinforcement solutions business in the world with an enhanced product mix of 66% value added products. Other operating entities like NatSteel Vina in Vietnam and China also showed improved performance compared to the previous year. NatSteel's operations in Australia have also undergone a major transformation, with the restructuring of its Queensland operations in Australia.

Tata Steel Thailand (TSTH) production in the Financial Year 2012-13 at 1.167 million tonnes was at par with the previous financial year though it recorded an increase in the finished goods sales by 3% during the year. The enhanced growth in construction sector in Thailand helped in the increase of rebars sales though the wire rods product line was adversely affected by the cheaper imports from China. TSTH further strengthened its leadership position in rebars by increasing its market share from 25% to 29% and also established a stronger foothold of its brand Tata Tiscon in the regional markets of Thailand. The year also saw the launch of Seismic rebars, an earthquake resistant rebar for the first time in Thailand.

Review of Impairment risks:

Under the Indian Accounting Standards a company is required to undertake an impairment review of its assets and investments based on certain triggers relating to the business or the operating environment.

Based on the above review, the Company has made a provision in the stand alone financial statements of ₹ 687 crores towards impairment in respect of equity investment in and loans granted to Tata Steel KZN Pty. Limited, South Africa. Further, the Company has recognised a non-cash write down of goodwill and other assets of ₹ 8,356 crores in the consolidated financial statements. The above impairment provision relates partly towards the write down of the assets in some parts of the business in Tata Steel Europe and also part write down of goodwill created on the acquisition of Corus Group plc (now Tata Steel Europe) in 2007. The balance provision relates to the investments made by the Company in Tata Steel KZN Pty. Limited, South Africa, Kalimati Coal Company Limited, Australia, Tata Steel Thailand and Tata Metaliks Limited (Redi Plant). The recoverable value of these companies have been adversely affected by various reasons including severe contraction in demand, especially in construction sector, declining output prices and very high raw material prices that has impacted competitive strength of the above businesses. The above provisions are non-cash charges and do not affect any of the financial covenants and the funding position of Tata Steel Group.

EXPANSION PROJECTS:

Brownfield Projects:

Jamshedpur expansion project (2.9 million tonnes)

Tata Steel India has completed implementation of the 2.9 mtpa expansion project at Jamshedpur Works to increase its crude steel capacity from 6.8 mtpa to 9.7 mtpa. The expansion project also entailed augmentation of Noamundi and Joda Iron Ore Mines and related facilities along with a By-Product Plant. Besides the main production units, the expansion project also included setting up the required support systems such as power, water, utilities, raw material handling and plant logistics. All the production facilities have been commissioned in phases. The facilities are currently in various stages of ramp up.

Continuous Annealing and Processing Line

Jamshedpur Continuous Annealing & Processing Company Private Limited (JCAPCPL), a joint venture company between Nippon Steel & Sumitomo Metal Corporation (NSSMC) and Tata Steel was formed in early 2012 for producing high end cold rolled coils and sheets for the Indian automotive market. It is currently undertaking the construction of a 0.6 mtpa Continuous Annealing & Processing Line (CAPL). The construction of the CAPL and all other related facilities is progressing as per schedule.

Greenfield Project

The greenfield project execution in Odisha to produce flat steel products with an ultimate capacity of 6 mtpa in two phases has made significant progress on all fronts during the year. Major orders for all zones of the phase 1 of the project have been placed and construction work is in full swing.

The new facility coming up at Kalinganagar will augment Tata Steel's product range to meet the changing customer needs in segments that the Company serves currently. These include Automotive, Packaging, Tubing, Construction, Appliances and Railways.

The Kalinganagar facility will also enable Tata Steel to enter and have a significant presence in segments such as Oil & Gas, Lifting & Excavation, Infrastructure, Defence, Shipbuilding, Energy, Power, etc. This will help Tata Steel to improve its market share in the domestic market in the future. The first phase is expected to be completed by 2015.

RAW MATERIAL PROJECTS:

Tata Steel continued to implement its long-term strategy to secure ownership of assets that will increase its raw materials security and share of value-added products. During the Financial Year 2012-13 the Company's primary focus remained on expediting implementation of its existing ventures and stabilising the operation of operating ventures.

Benga Coal Project, Mozambique:

In November 2007, the Company entered into Definitive Agreement with Riversdale Mining Company, an Australian listed company for purchasing 35% stake in its Mozambique Coal Project. In April 2011, British Australian Mining Company, Rio Tinto took over Riversdale Mining Company.

The Company holds 35% in RioTinto Benga (Mauritius) Ltd. (RTBML) with the balance 65% held by Rio Tinto. In Financial Year 2012-13 RTBML produced 1.41 Million tonnes of Coal (0.67 million tonne of coking coal and 0.74 million tonne of thermal coal).

Iron Ore Projects in Canada:

The Company holds 26.31% in New Millennium Iron Corp., Canada (NML). NML owns Direct Shipping Ore (DSO Project) and Taconite Iron Ore Projects. A joint venture Company Tata Steel Minerals Canada Limited (TSMC) was formed in October 2010 for development of DSO Project. Tata Steel holds 80% equity stake in TSMC and the balance 20% equity stake is held by NML.

TSMC has commenced production in September 2012 and achieved the production of 0.30 million tonnes in the Financial Year 2012-13 against the plan of 0.25 million tonnes. A production of 2 million tonnes is planned for the Financial Year 2013-14.

In recognition of the progress made by the Company, TSMC has been conferred with the 'Miner of the Year Award' by the Canadian Institute of Mining, Minerals and Petroleum (CIM), New Foundland and Labrador.

In March 2013, the Company through its subsidiary TSMC, entered into a framework arrangement with Labrador Iron Mines (LIM) for acquisition of 51% stake in LIM's Howse deposit which is near the Company's DSO Project. This arrangement is expected to enhance resource and production and will also improve operational flexibility relating to DSO Project.

HEALTH AND SAFETY:

Tata Steel has identified excellence in health and safety in all its operations as a key business imperative. The Company has adopted and applied a range of programmes, including those from DuPont the world benchmark in safety, to establish a strong safety culture by inculcating safe behaviour among its employees and contractors. In Tata Steel the Lost Time Injury Frequency Rate for the Financial Year 2012-13 is 0.60 which is an improvement of 12% over last year.

The health initiatives, driven through Wellness@Workplace programme in India has a special focus on the health of women employees. These are designed to provide an injury-free working environment for a healthy and happy workforce. Tata Steel India has taken a special drive on Fatality Risk Control Programme and elimination of commonly accepted unsafe practices. This initiative has enabled correction of more than 10,000 unsafe conditions and 969 unsafe practices.

In Tata Steel India, a series of safety initiatives helped in enhancing of production capacity from 5 mtpa to 10 mtpa in the last eight years while maintaining complete harmony with the community. Further expansion of 6mtpa at Kalinganagar, Odisha is being carried out by promoting safety culture among the employees including contractors as also involving community through a special project 'AAKAR' to promote the local acceptance. In its endeavour to address the issue of community safety, Tata Steel India is working with external consultants to drive systematic domestic safety management and safety education initiatives for school and college students in Jamshedpur and at the different mines and collieries.

In Tata Steel Europe health and safety improvements are embedded in the business strategic plan (OGSM) and these were delivered well in the Financial Year 2012-13 enabling a 18% reduction in Lost Time Injuries and recordables (4.55 in 2012-13 compared to 5.56 in 2011-12). 'Recordables' are defined as all work related incidents resulting in harm to a person or persons, excluding those that require no more than first aid treatment. Highlights during the period was the full project re-build of Blast Furnace 4 at Port Talbot with no lost time injuries. TSE launched two enabling strategies that were Health & Safety Excellence for senior leaders and positive safety conversation training and implementation for all employees to move to a mature safety culture.

Operations in South East Asia at Tata Steel Thailand and NatSteel are strengthening their safety practices particularly in the areas of positive isolation, stock yard management and employees involvement through train the trainers programme. These are carried out through theme based onsite visits, reviews, recommendations and trainings.

In 2012-13 Tata Steel was again recognised by its peers in the World Steel Association with a health and safety recognition award for Tata Steel and NatSteel.

ENVIRONMENT:

The Company believes that respect for the environment is critical to the success of its business and strives for continuous improvement in environmental performance. The Group approach towards environmental protection is guided by the Founder's Vision, Environmental Policy, Tata Group Climate Change Policy, commitment towards a sustainable planet and a clean environment as well as a healthy workplace for employees. All key sites involved in mining and manufacturing are certified under EMS ISO 14001, the international environmental management standard.

The Company focuses on environmental management not only to comply with the applicable regulatory regime but also strives to contribute positively to the communities around its operations through varied community initiatives, encouraging biodiversity and nature conservation. The Company's products are part of the solution to climate change as steel has inherent environmental advantages by being durable, adaptable, reusable and recyclable. CO_2 and other emissions in steel production are therefore offset by reductions in emissions through the life cycle of steel products achieved through effective product development & design and through recycling at end of life.

The Group continues to invest substantially in short to medium term CO_2 emissions, reduction and energy efficiency improvement programme.

The Company continues to participate in the World Steel Association Climate Action programme and has further endorsed the United Nations global compact's CEO water mandate.

Indian Operations :

The regulatory framework in India is transforming. In March 2012, new set of emissions and effluent standards applicable to Iron and Steel facilities were notified by the Government of India. Tata Steel India has started gearing up to meet this challenge to the new set of norms.

A new facility for waste storage and processing started during the year enabled enhanced solid waste utilisation at Jamshedpur Steel Works to 84% from 75% achieved in 2011-12. The projects under 'Zero Effluent Discharge' are being commissioned in phases to reduce discharges from operations of water substantially.

The CO_2 emission level for Jamshedpur Steel Works in the Financial Year 2012-13 was 2.52 tCO_2/tcs that was in the similar level as in the previous year. The Company is examining means to reduce energy consumption and CO_2 emissions to retain its position as the Indian benchmark in CO_2 emissions in the Iron and Steel sector (BF-BOF route) by increasing process efficiency, scrap utilisation and reduction of alumina of iron ore and ash in coal through beneficiation.

Overseas Operations

European Operations (Tata Steel Europe – TSE):

CO_2 emissions in TSE during the Financial Year 2012-13 were 1.90 tCO_2/tcs (compared with 1.93 tCO_2/tcs in 2011-12) and the compliance with the environmental permit conditions across TSE continued to be at a very high level during the financial year.

TSE met its environmental obligations in Phase 1 (2005 to 2007) and Phase 2 (2008 to 2012) of the EU ETS and expects to do the same in Phase 3 (2013 to 2020).

TSE currently participates in a voluntary agreement with the Dutch government regarding energy efficiency improvements over the period 2013 to 2016 (with the previous agreement extending from 2009 to 2012 inclusive). The primary requirement of the agreement is an energy efficiency improvement of 2% per annum, covering both energy used within the manufacturing process and energy saved across the product life cycle.

In the United Kingdom (UK), as a result of achieving the 2010 (the most recent milestone year) target within the Tata Steel Climate Change Levy ('CCL') agreement, TSE has continued to benefit from the reduced rates in relation to the CCL. The UK government has reviewed the CCL agreement system and a revised system, which is smaller in scope that eliminates any overlap with EU ETS, is being applied from 2013 onwards. In this regard, a specific energy reduction target of -7% by 2020 (compared to 2008) has been agreed with the UK Government. Achievement of this target and the various intermediate milestone year targets will allow TSE to continue to benefit from reduced rates of CCL.

Tata Steel Europe is also working with other steelmakers in Europe on major research and development project, ULCOS (ultra low CO_2 steelmaking), which aims to develop breakthrough technologies which can reduce CO_2 emissions per tonne of steel produced by at least 50%. In this regard, HIsarna TM, a smelting reduction technology which offers the potential to eliminate the sinter, pellet and coke production steps from the primary iron making process and which in principle offers a 20% energy (and CO_2) reduction opportunity without carbon capture and storage, is being piloted in IJmuiden, the Netherlands, jointly with other partners with a successful second campaign undertaken during 2012. A third campaign will be carried out in 2013.

South East Asia Operations:

NatSteel Holdings and Tata Steel Thailand have continued to operate with a high level of compliance with the environmental regulations. During the Financial Year 2012-13 there was a focus on energy efficiency improvements. At NatSteel a system to recover waste heat from the reheating furnace was installed during the Financial Year 2012-13. This system will generate approximately 1MW of electrical power, thereby reducing reliance on external electricity supplies and reducing CO_2 emissions by over 3000t/year. Furthermore, the site was certified to the international energy management standard, ISO 50001, during the year.

SUBSIDIARIES

The consolidated financial statements presented by the Company include financial information of its subsidiaries prepared in compliance with applicable Accounting Standards. The Ministry of Corporate Affairs, Government of India vide its Circular No. 5/12/2007-CL-III dated 8th February 2011 has granted general 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, provided certain conditions are fulfilled. Accordingly, annual accounts of the subsidiary companies and the related detailed information will be made available to the holding and subsidiary companies' investors seeking such information at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at its Head Office in Mumbai and that of the subsidiary companies concerned.

Details of major subsidiaries of the Company are covered in this Annual Report.

DIRECTORS

Mr. Ratan N. Tata joined the Board as a Non Executive Director in 1977 and was appointed as the Chairman in 1993. He stepped down as the Chairman and Director of the Company on 28th December, 2012 on reaching the age of 75 years and was appointed as 'Chairman Emeritus' by the Board on the same date. The Directors would like to place on record their sincere appreciation of Mr. Tata's relationship of nearly five decades with the Company during which his visionary leadership, strategic direction and stewardship contributed immensely in the growth of the Company and the Tata Steel Group.

Mr. Cyrus P. Mistry was appointed as Chairman of the Board with effect from 28th December, 2012.

Mr. S. M. Palia stepped down as a Director of the Company on 25th April, 2013 on reaching the age of 75 years. The Directors would like to place on record their sincere appreciation of the contributions made by Mr. S. M. Palia during his tenure on the Board since 1989.

In accordance with the provisions of the Companies Act, 1956, and the Company's Articles of Association, Mr. Nusli N. Wadia, Mr. Subodh Bhargava, Mr. Jacobus Schraven and Dr. Karl-Ulrich Koehler retire by rotation and are eligible for re-appointment.

Mr. D. K. Mehrotra, Chairman of Life Insurance Corporation of India was appointed as Additional Director by the Board with effect from 22nd October, 2012.

Mr. Koushik Chatterjee, was appointed as Additional Director designated as Executive Director and Group Chief Financial Officer of the Company with effect from 9th November, 2012.

Mr. O. P. Bhatt, former Chairman of State Bank of India was appointed as Additional Director by the Board with effect from 10th June, 2013.

Mr. D. K. Mehrotra, Mr. Koushik Chatterjee and Mr. O. P. Bhatt will hold office till the date of the forthcoming Annual General Meeting and notices have been received from a Member proposing the candidatures of Mr. D. K. Mehrotra, Mr. Koushik Chatterjee and Mr. O. P. Bhatt for being appointed as Directors of the Company.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 and the Rules there under, in respect of the employees of the Company, is provided in the Annexure forming part of this Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the Members, excluding the aforesaid Annexure. The Annexure is available for inspection by Members at the Registered Office of the Company during business hours on working days up to the date of the ensuing AGM, and if any Member is interested in obtaining a copy thereof such Member may write to the Company Secretary, whereupon a copy would be sent.

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 Business Responsibility Report 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

CYRUS P. MISTRY
Chairman

Mumbai, 11th June, 2013