
Chairman's Statement

The Global Challenge

This has been a year of crisis for the world steel industry. Recessionary conditions in several countries induced stagnancy or reduced demand in many steel-consuming sectors. The consumption of steel world-wide was only 80% of global capacity, resulting in curtailed output from steel plants worldwide, along with a significant reduction in steel prices. The situation has been so critical that even the U.S., one of the world's largest consumer of steel, imposed unprecedented trade barriers to protect its domestic steel producers against imports.

The continued economic slow-down in India, exacerbated by the global steel glut, also impacted the Indian steel industry in terms of demand and price erosion. In this difficult environment, Tata Steel performed well. Although domestic steel consumption in India grew marginally, the Company was able to increase its domestic sales volumes by 7%. Tata Steel's major focus during the year has been on building its market position in high-end Cold Rolled Steel products, and establishing its branded products in the market place, in order to distinguish itself from

other commodity steel producers. Unfortunately, while the Company was able to increase its sales volumes and market share, its margins came under enormous pressure due to the substantial erosion of steel prices, which were at a five year low. Ongoing initiatives in the areas of cost reduction, productivity increases and market development enabled the Company to retain its competitive position.

Signs of Better Times

Despite the uncertainties arising from the acts of global terrorism and the tensions on India's borders, there have recently been some promising signs of recovery in the steel industry both globally and in India. With the rationalisation of capacity, steel prices have begun to firm up during the first quarter of 2002-03. The domestic demand for flat products in India has also been showing some growth in the past 3 months, based on an upturn in the demand for consumer durables, automobiles and capital goods. Government expenditure on major infrastructure projects like roadways should also increase the demand for long products, and it is accordingly estimated that domestic

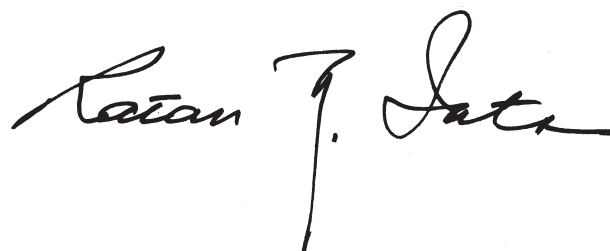
steel consumption could grow by around 5 to 7% during the current year. Tata Steel will be well positioned to take advantage of this recovery. The added-value products from its newly-commissioned Cold Rolling Mill will meet the growing sophisticated demands of the automotive and consumer durable sectors in India and overseas. The Company will be paying particular attention to technically supporting customers in finding solutions to meet their needs in its increasing endeavour to differentiate itself from the rest of the Indian steel industry, while at the same time retaining its position as one of the lowest cost steel producers in the world.

Strength is in the Spirit

The first year of the new top management team in Tata Steel has, without doubt, been a challenging one. However, the greatest strength of Tata Steel has been the spirit of its people and their ability to face unbelievable challenges – and overcome them! It is this spirit and this commitment of the entire work force that has enabled the Company to even maintain a profitable position while other steel producers have not been able to do so.

Throughout the years, the support, understanding and leadership shown by the Tata Workers' Union has been a major factor in enabling the Company to achieve its goals. 2001-02 was no exception, as in such difficult times it is teamwork, harmony and the pursuit of a common purpose which sustain an enterprise.

The encouraging signs of recovery in the steel industry seen in the past two or three months will hopefully continue. Such a recovery will result in Tata Steel reaching new heights, both in India and overseas. The Company's modernised facilities and its global competitiveness, coupled with the commitment and dedication of its people, will enable Tata Steel to be a successful player in the steel industry in the coming years.



Chairman

Mumbai, 14th June, 2002.