



**TATA**

**TATA STEEL**

## **Results Presentation**

Q4 and Financial Year Ended 31<sup>st</sup> March 2014

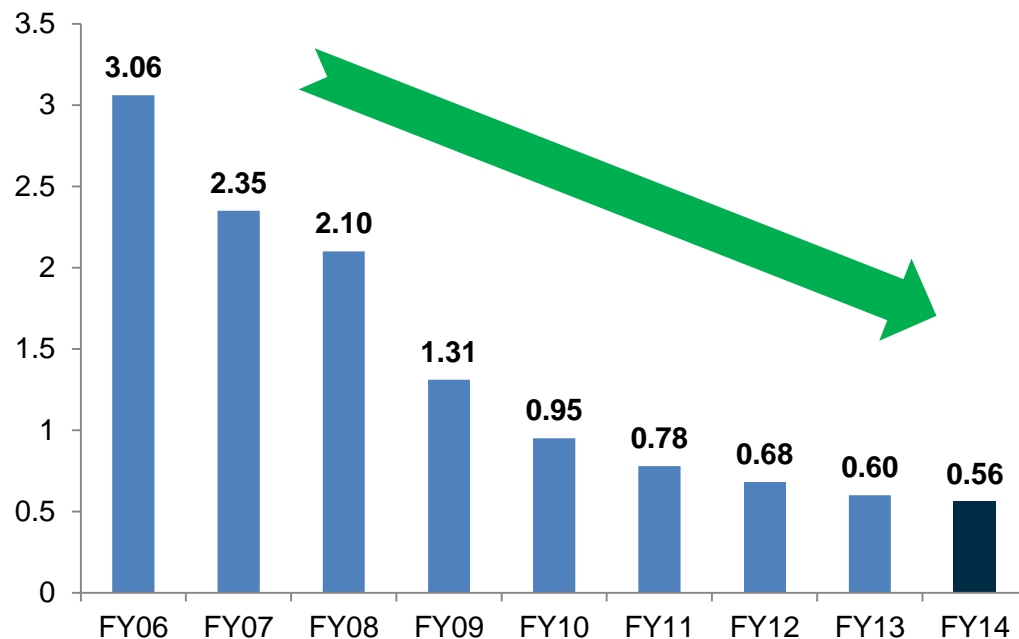
May 14, 2014

# Disclaimer



Statements in this presentation describing the Company's performance may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors.

## Lost Time Injury Frequency (LTIF)



- Reduction continues in lost time injuries with FY14 performance 7% better than FY13
- The new leadership team has set an ambition to make Tata Steel sustainably fatality free
- Common H&S management system established across Tata Steel and senior leadership training in H&S excellence

# Agenda



**Corporate Social Responsibility**

Consolidated Highlights

Indian and South East Asian Operations

European Operations

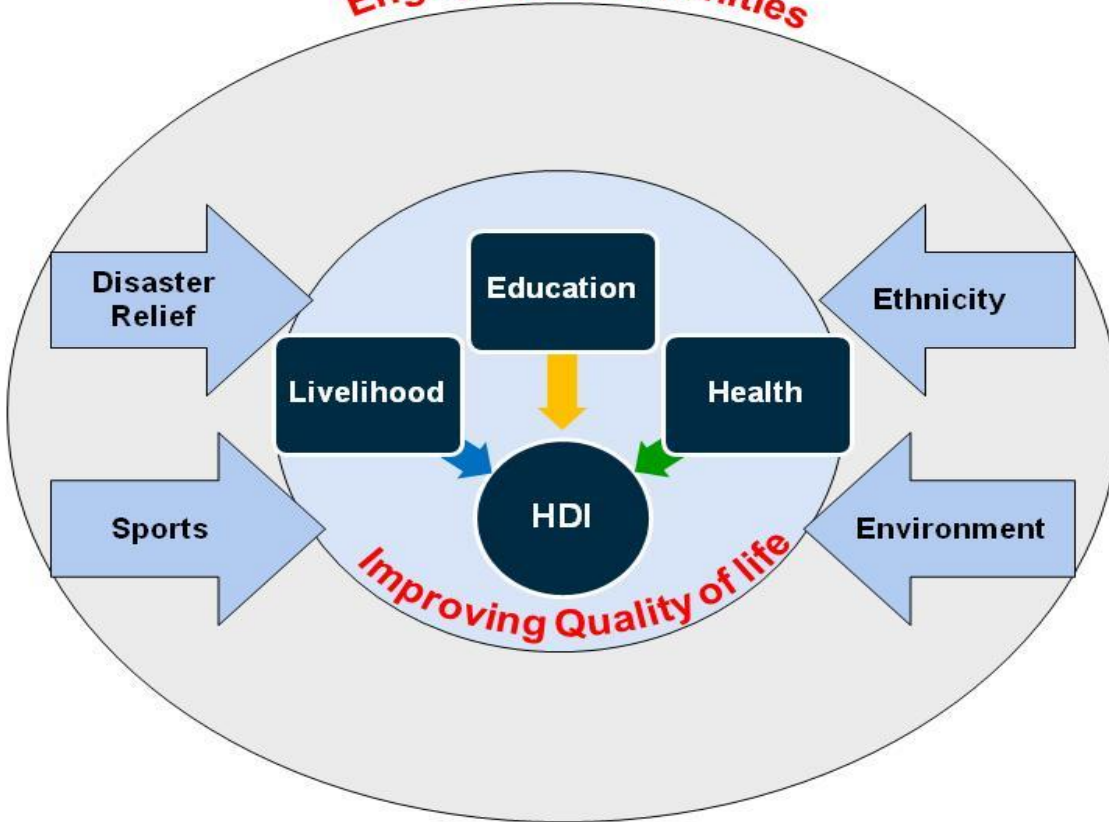
Group Financial Performance

Key Developments

# Tata Steel continues to focus on engaging with communities and improving quality of life



**Engaging Communities**

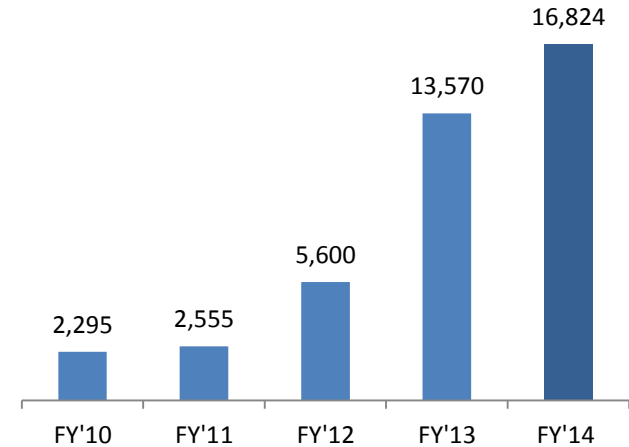


**Infrastructure Development**

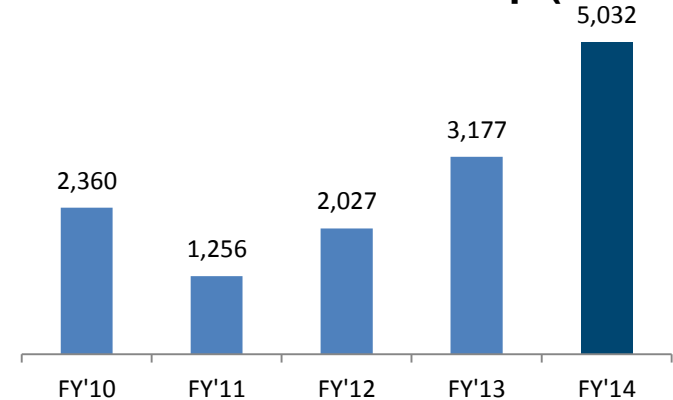
Total Population Impacted : 2.42 million in Jharkhand, Odisha and Chattisgarh



**No. of adults turned literate**



**Area under 2nd & 3rd crop (acres)**



# Guiding principles: Sustainable and Inclusive growth



**Improvement in HDI in Jharkhand,  
Odisha & Chhattisgarh**  
*Focus on Education, Livelihood & Health*

IMPACT BASED CSR	PARTNERSHIPS	AFFIRMATIVE ACTION	VOLUNTEERISM	INNOVATION	COMMUNICATION
Impact in terms of both quality as well as scale  Well Designed KPIs	Work with Government to have exponential impact  Build domain specific partnerships	Focused effort on affirmative action to support SC/ST population	Improved employee connect and engagement through volunteering for CSR projects	Leverage other Tata Group Companies (TCS – IT, Tata Tele – Mobility etc.) to develop innovative means to address CSR challenges	Need for structured communication to improve perception in both external and internal stakeholders

**GOVERNANCE STRUCTURE**

**PLANNING HORIZON: MULTI LEVEL**

**European Programme  
Future Generations**  
80,000 people benefited in local  
communities



## Education

Improve and inspire future technical skills

- Industrial cadets
- School visits
- Science skills
- Chess at schools
- Encouraging girls to study technical skills

## Environment

Acting responsibly and maintaining high standards

- Community Day in Ijmuiden
- Developing partnerships with wildlife trusts
- Focus on employee volunteering
- Landfill Community Fund

## Health & Wellbeing

Improving the quality of life in communities

- Tata - Kids of Steel triathlons
- Sports programmes encouraging children to be more active
- Community sports events

# Agenda



Corporate Social Responsibility

**Consolidated Highlights**

Indian and South East Asian Operations

European Operations

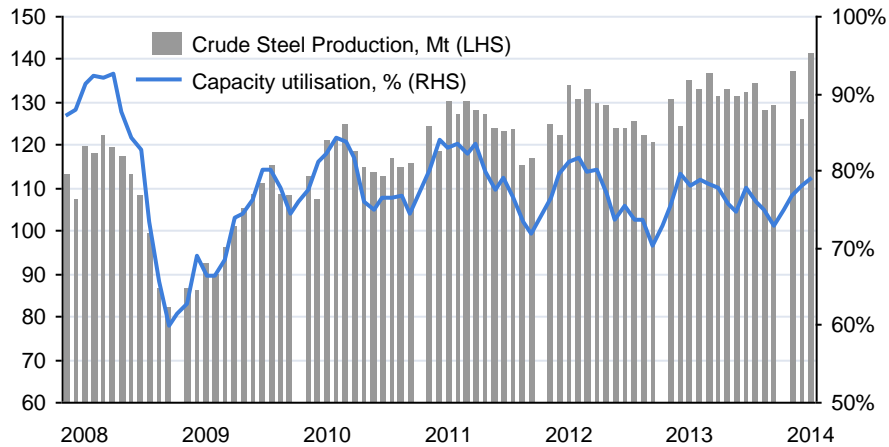
Group Financial Performance

Key Developments

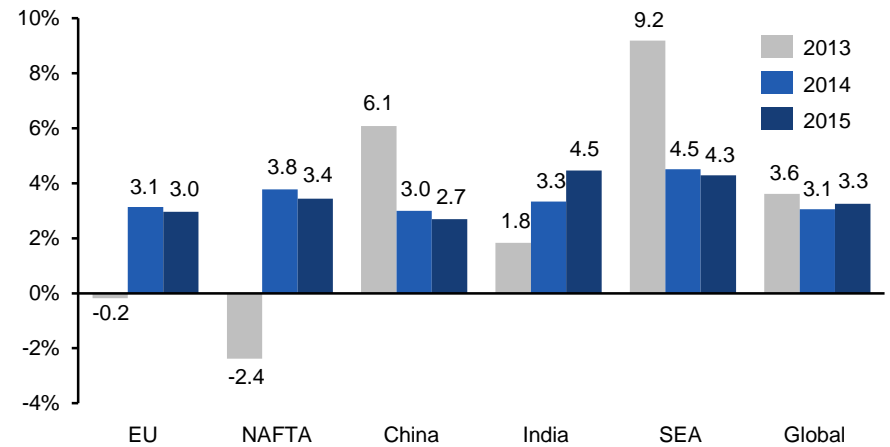


# World Steel Market

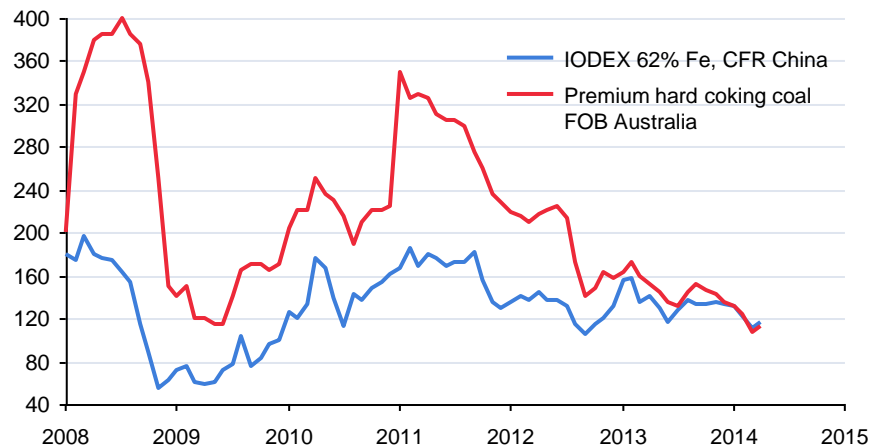
## Global crude steel production & capacity utilisation



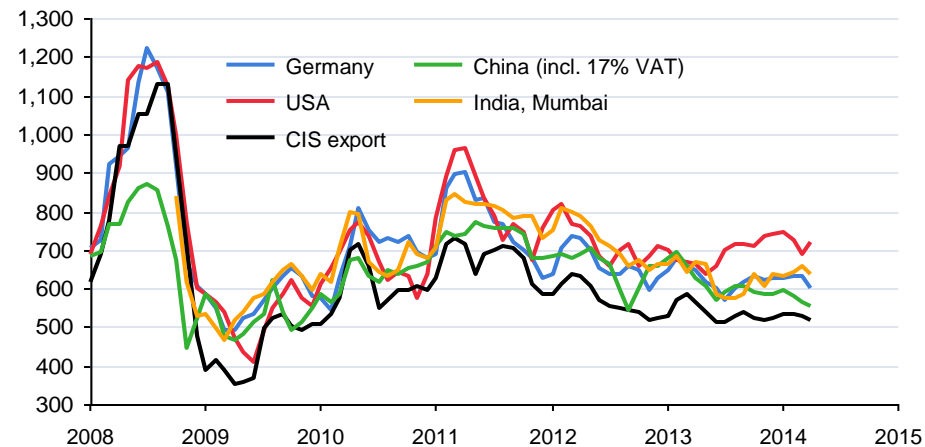
## Steel demand outlook (y/y% chg)



## Iron ore fines and hard coking coal (US\$/tonne)



## HRC spot price (US\$/tonne)



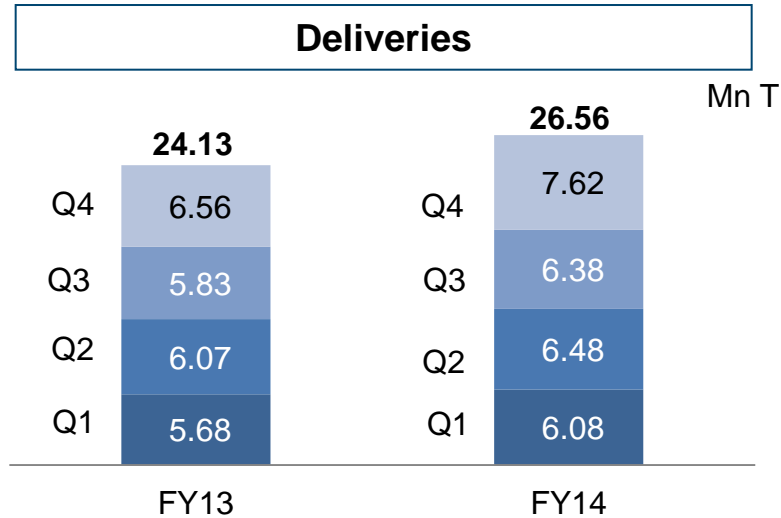
**Global demand stable; growth in developed economies**

# Group Financial Highlights

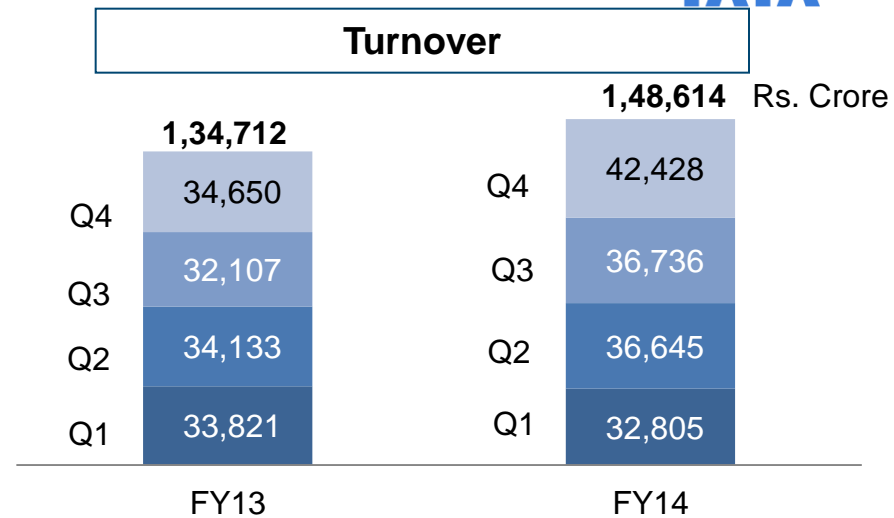
Financial Year Ended 31<sup>st</sup> March '14



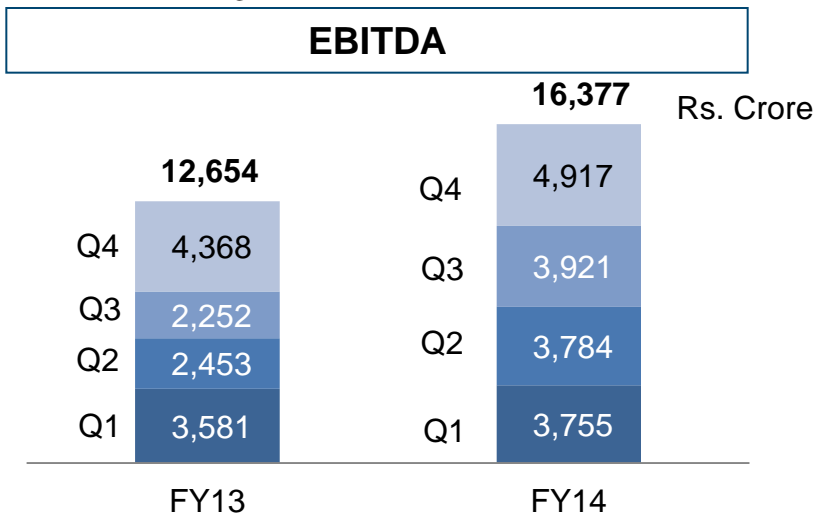
## Deliveries



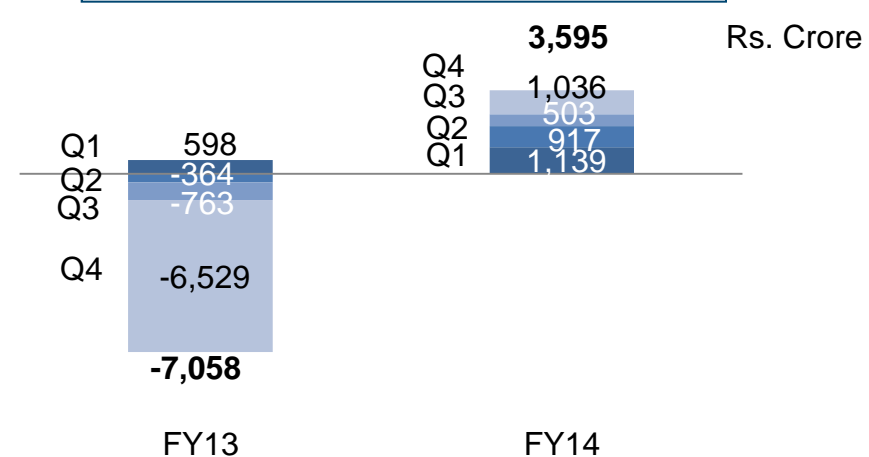
## Turnover



## EBITDA



## PAT\*



\*FY'14 results included exceptional charges of Rs.28 crores compared to the charges of Rs.7,390 crores in FY'13

**Improvement in EBITDA margin by 1.6%**

# Key Drivers

Financial Year Ended 31<sup>st</sup> March'14



## India

- 2.9mtpa expansion ramped up delivering higher volumes, better efficiencies & richer product mix
- Focus on further strengthening customer relationships and increasing market penetration

## Europe

- Re-established asset platform led to stable q-o-q steel production (up 3%) and full-year outputs 15% higher than previous year; healthy Q4 delivery performance
- Improved underlying performance in FY14 compared to previous year

## South East Asia

- Investment in assets, efficiency improvement and customer focus help boost performance despite political instability and pressure from cheaper imports



# Agenda



Corporate Social Responsibility

Consolidated Highlights

**Indian and South East Asian Operations**

European Operations

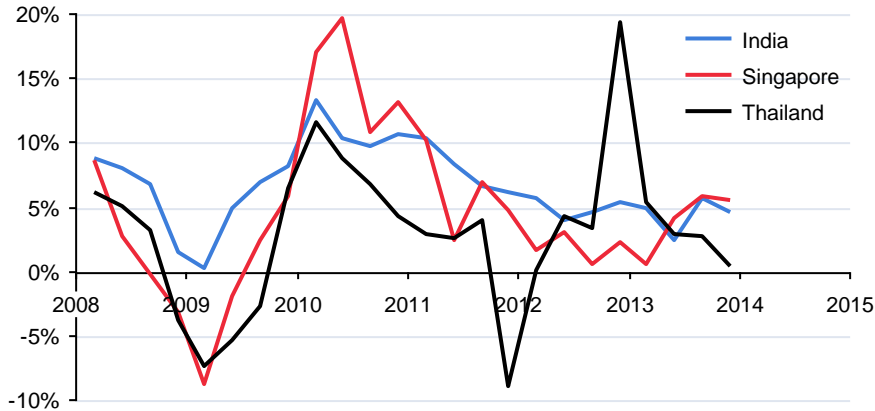
Group Financial Performance

Key Developments

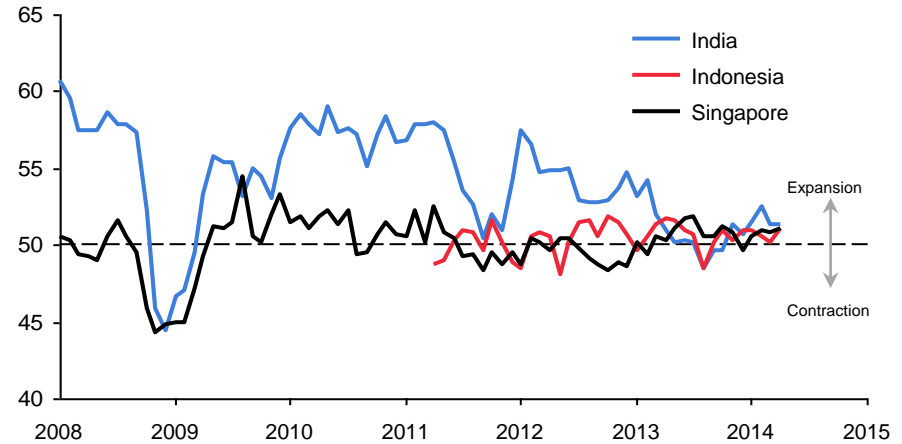
# India and South East Asia: Economy and steel market



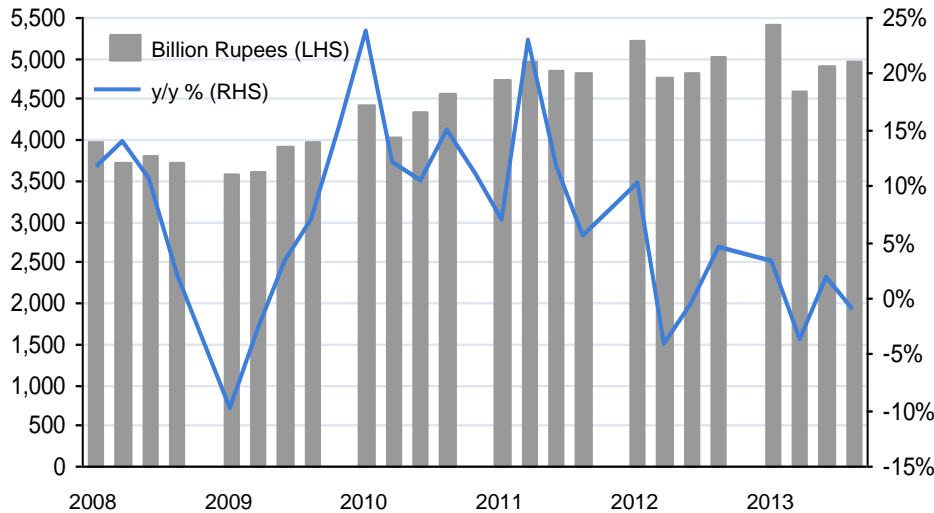
## GDP – India, Singapore and Thailand (y/y% chg)



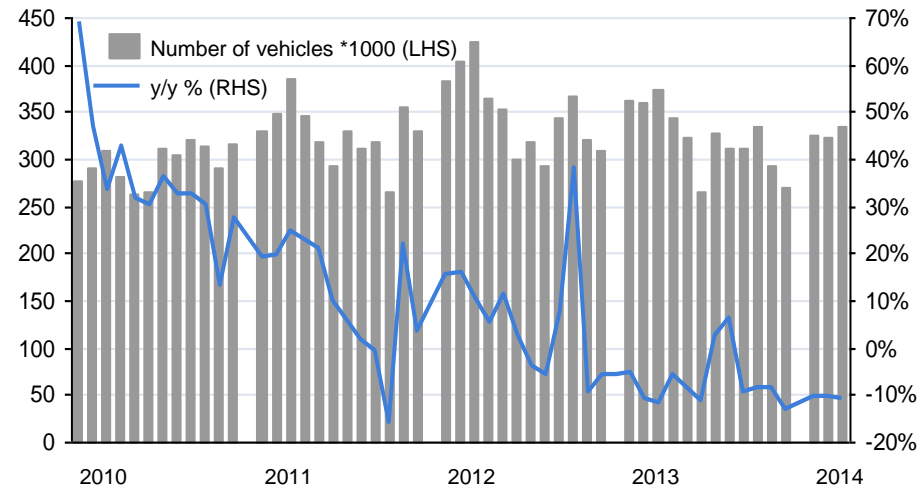
## PMIs (manufacturing) - India and SEA countries



## Gross fixed capital formation - India



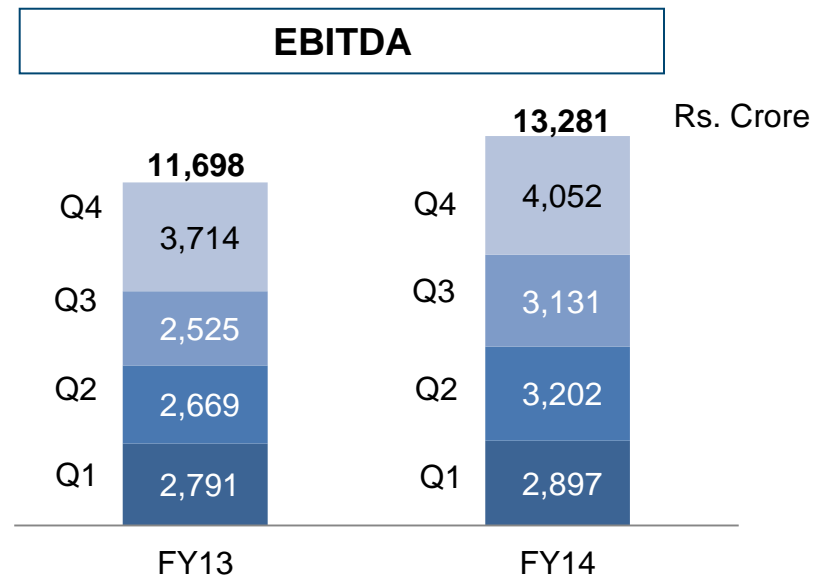
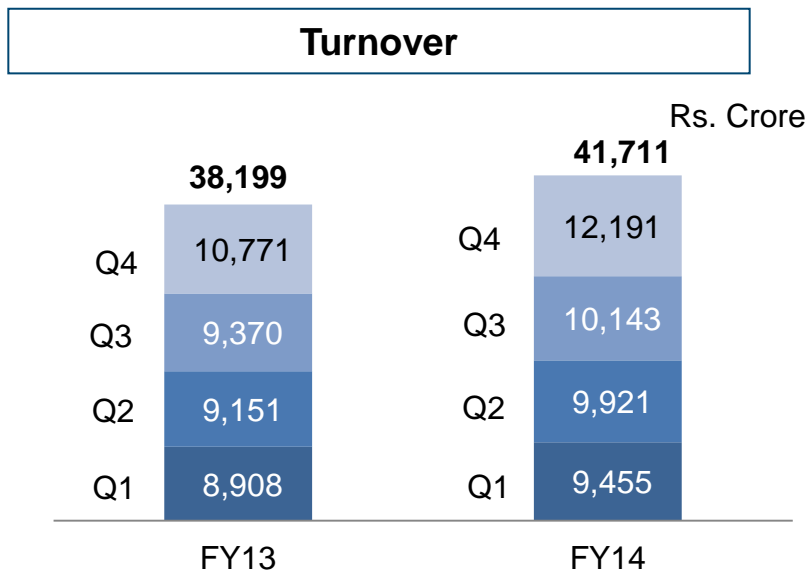
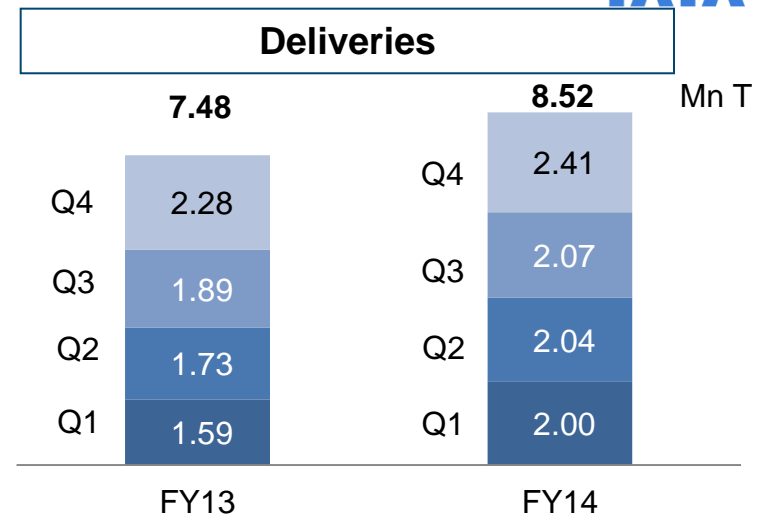
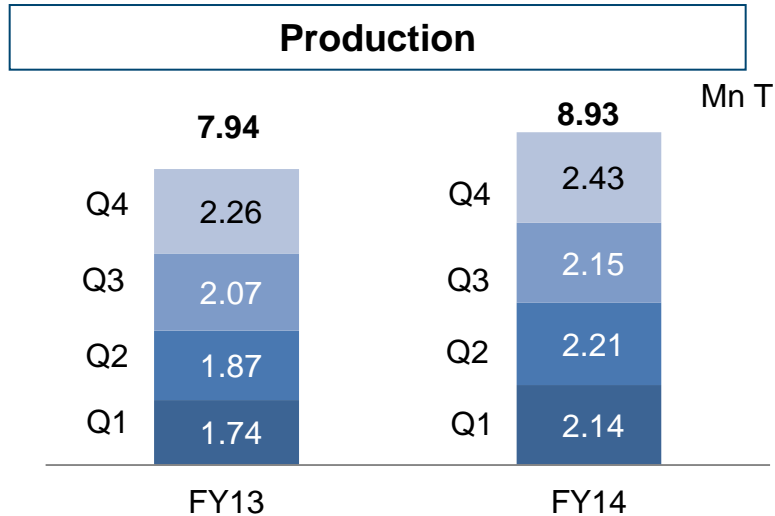
## Vehicle production - India (PV and CV)



**Steel consumption in India flat; affected by slowing economy**

# Performance of Tata Steel India

Financial Year Ended 31<sup>st</sup> March'14



**EBITDA margin increased to 32%**

# Brownfield expansion has helped deliver more value



- ❑ Brownfield expansion of 2.9mtpa fully ramped up in H2FY'14
- ❑ New facilities like LD3, TSCR, Pellet Plant have stabilised
- ❑ CGL#3 commissioned
- ❑ Coke Oven Battery no. 11 started



**Higher Volumes**



**Greater Efficiencies**



**Enhanced Product-Mix**

# Improved product mix and value addition to drive higher realisations



- ✓ Focus on high-end sales in Auto segment
- ✓ Investing in brands and retail distribution
- ✓ Strong inroads into the Industrial Products segment
- ✓ Downstream processing to move up the value chain
- ✓ Further value addition through Subsidiaries and JVs

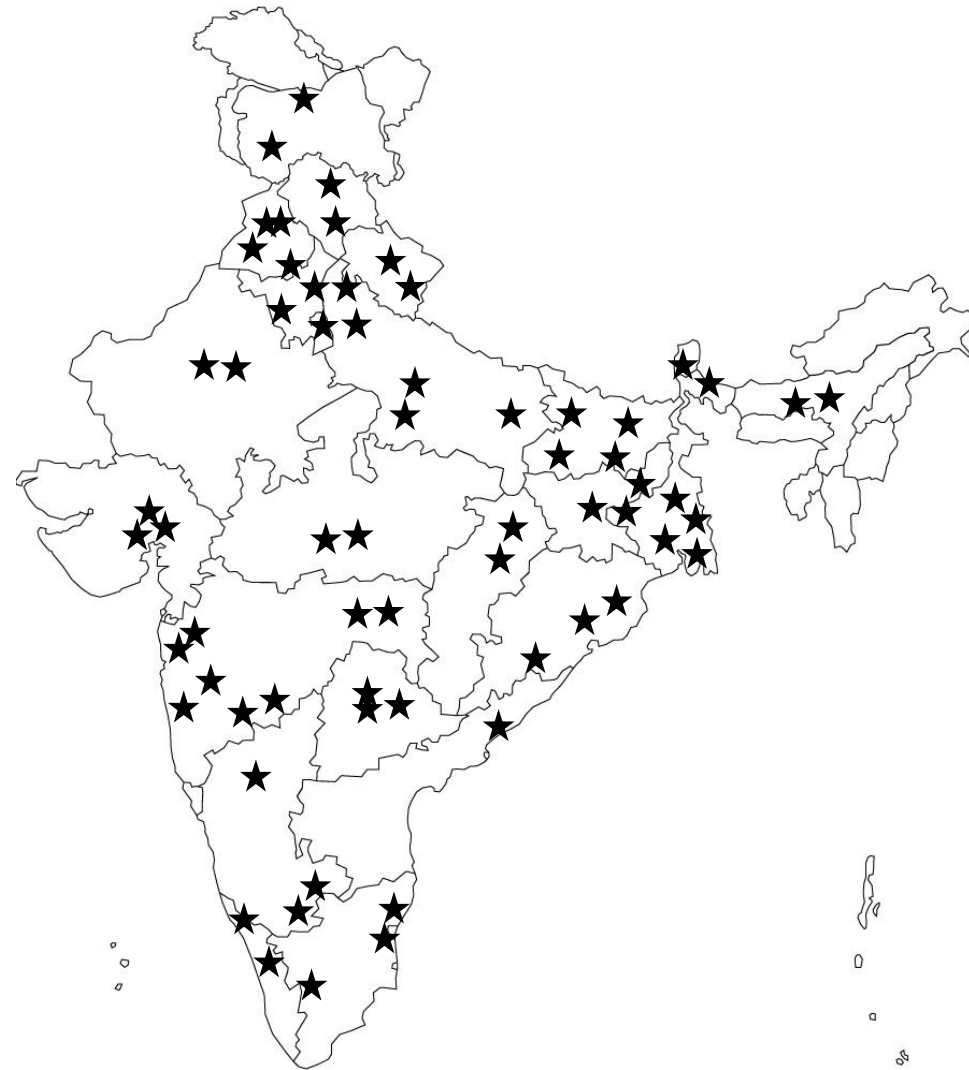




# Market penetration and branding to improve customer connect

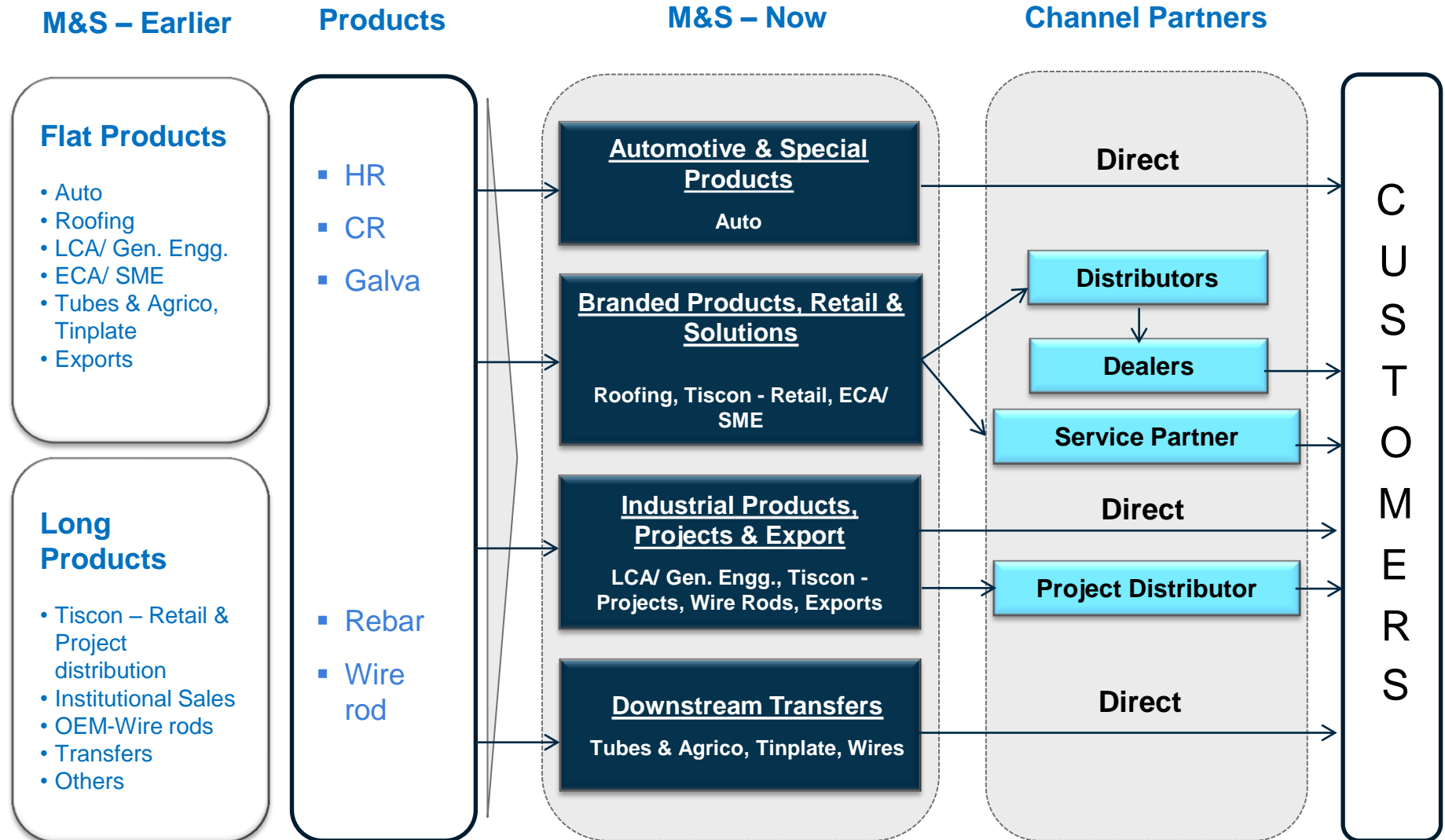


- Marketing network strengthened
  - 62 Distributors
  - ~6,000 Dealers
  - 48 Service Partners
- Strategically located finishing facilities to serve the growth markets
- Continuous innovations to service our customers effectively
- Strong portfolio of 7 brands in Steel and 3 brands in Ferro Alloys
- 4500+ consumer connect programs in a year



★ *Distributor location*

# Marketing & Sales team is realigned to customer segments

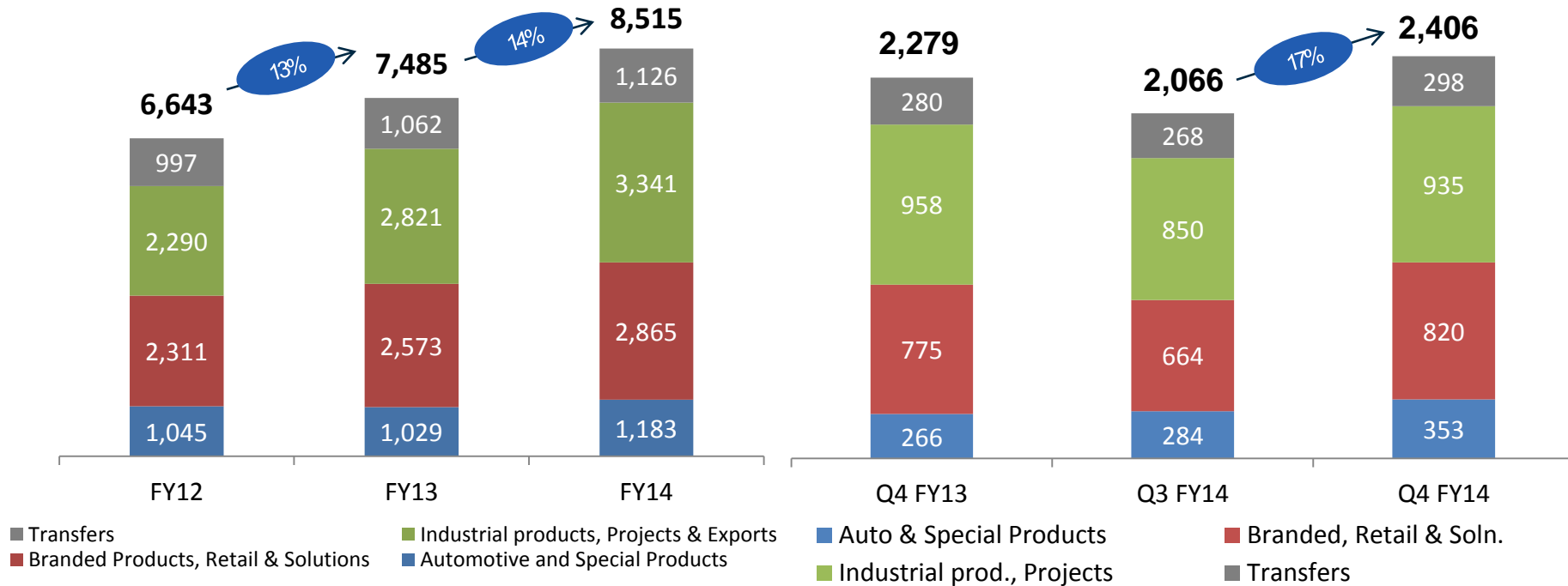


# Significant increase in sales volumes despite poor markets



Higher sales in all Verticals (kt)

Quarterly Sales (in kt)



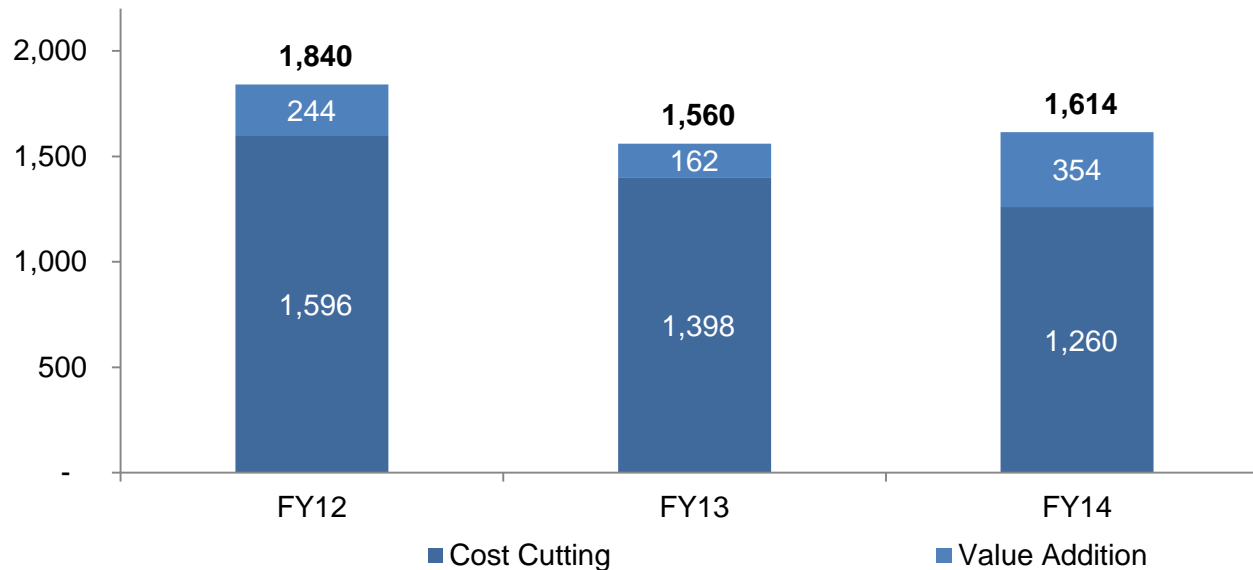
- Proactive market development has helped in expanding our domestic customer base – exports constitute only 2% of total sales in FY'14
- Highest ever automotive products sale in FY'14 at 1,183Kt which is 15% higher than FY'13 despite ~5% de-growth in auto market

# Unrelenting focus on improving efficiencies & reducing costs



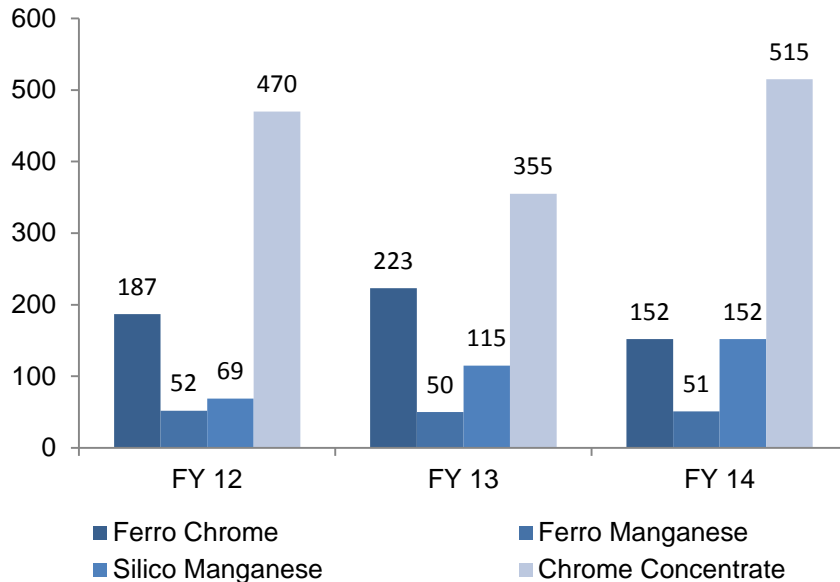
## Savings on Improvement Initiatives

All figures in Rs. Crore

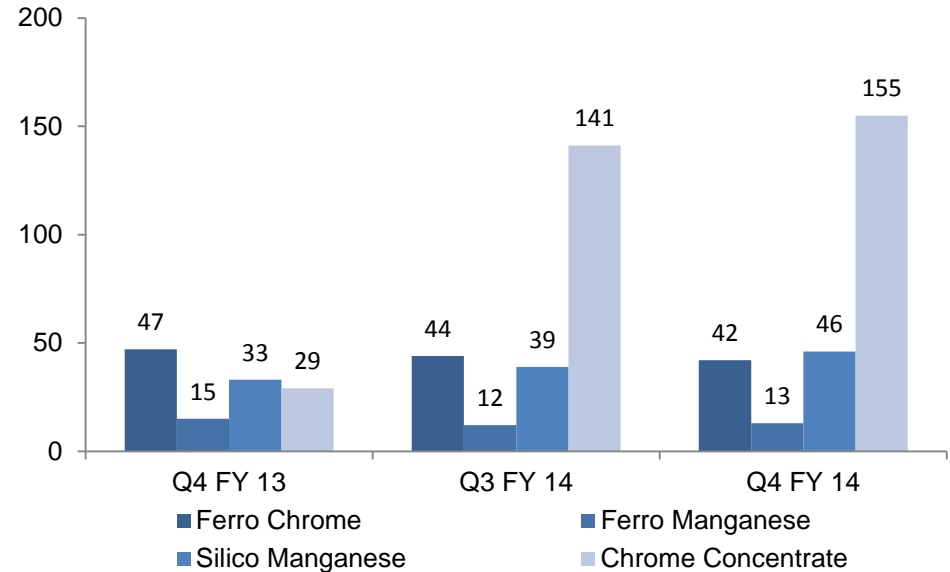


- Improving yield at raw material units
- Reduction in fuel consumption rates in the blast furnaces and optimisation of solid fuel rate at sinter plant
- Optimised procurement of raw materials
- Faster turnaround time in various production processes
- Improvement in logistic and various other services

## Segmental Deliveries (in kt)



## Quarterly Sales (in kt)



- ❑ Highest ever production of Chrome Concentrate
- ❑ Higher realisation achieved with stronger domestic demand and favourable export prices
- ❑ Greater inroads into domestic market : Launch of new brands 'TATA FERROMAG' and 'TATA TISCROME'

# KPO Project update



Blast Furnace

27.03.2014



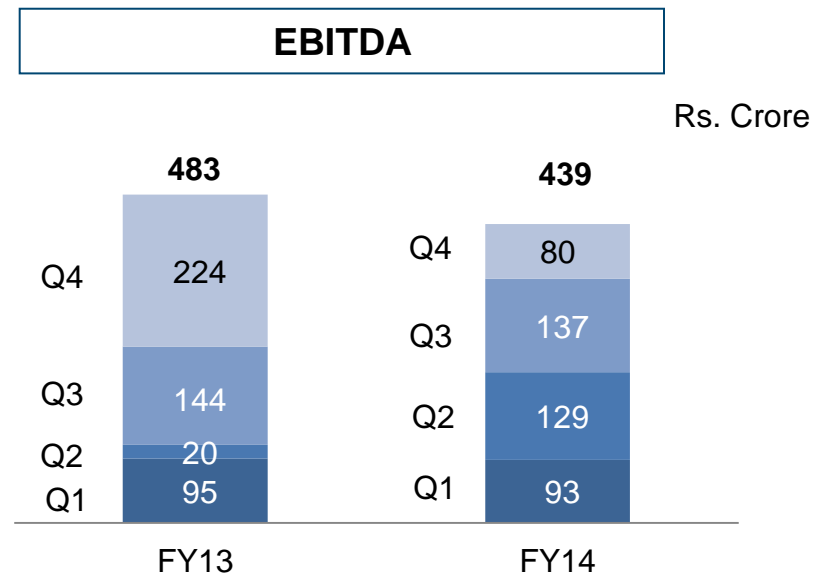
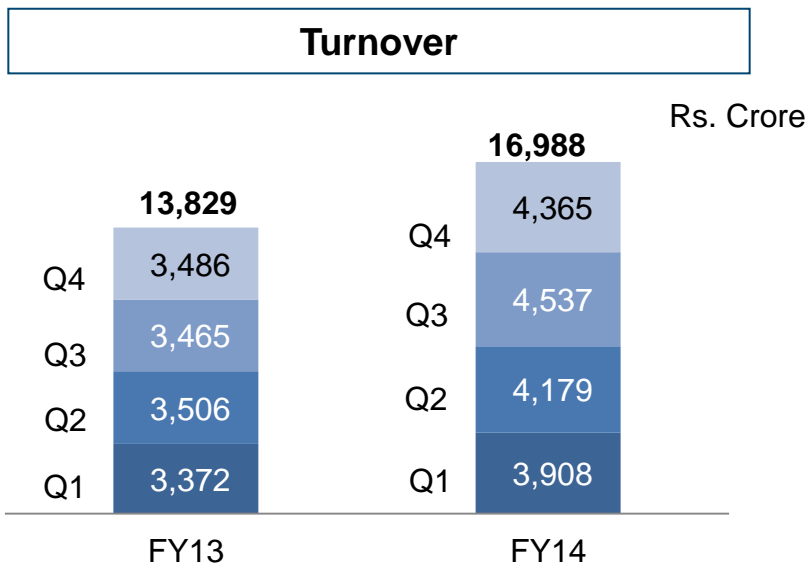
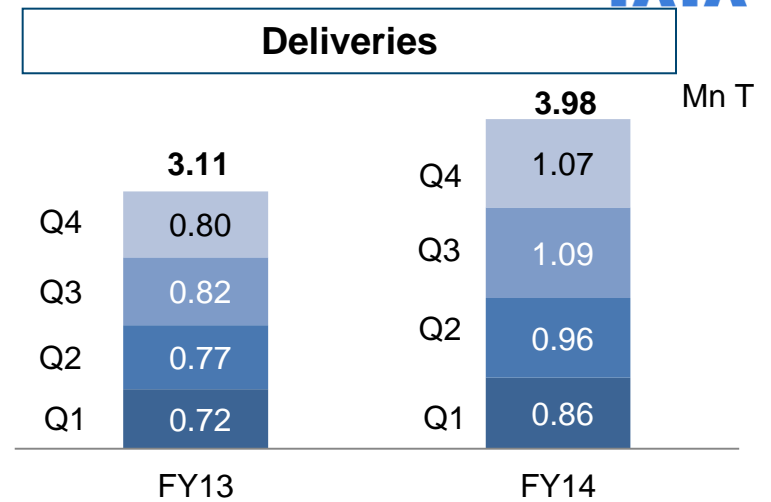
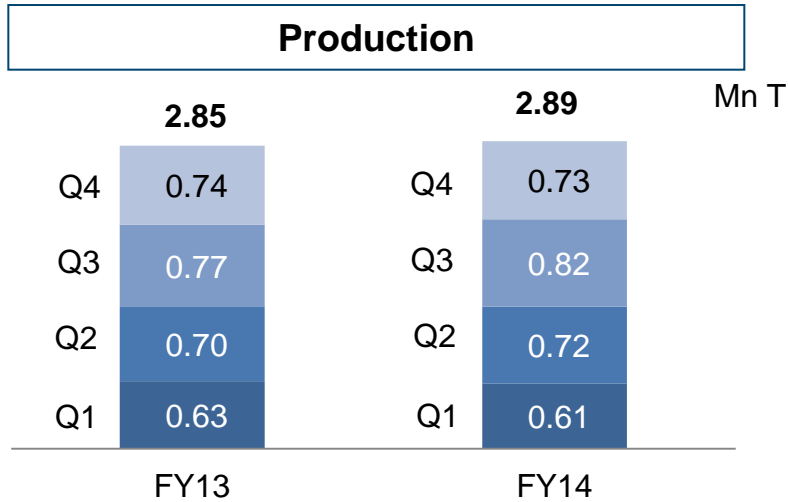
Site View



- ❑ Project work continues with commissioning expected in Q4 FY 2015
- ❑ We have spent Rs.16,350 crores on the project as of March 31, 2014 of which about Rs.8,000 crores were spent in FY'14 and Rs.1,800 crores in Q4FY'14
- ❑ We continue investing in CSR initiatives such as promoting education, schools and community libraries, enhancement of vocational skills and livelihood enhancement projects

# Performance of Tata Steel South East Asia

Financial Year Ended 31<sup>st</sup> March'14



## NatSteel Holdings

- ❑ Key plant modernisation and automation projects completed in Singapore
- ❑ Operations restructured to improve profitability
- ❑ Highest ever profits achieved by Thailand wires business (SIW)
- ❑ Profitability affected by price pressure due to imports
- ❑ 38% increase in volume on the back of ramp up in China, current annualised runrate of 1.5 mtpa

## Tata Steel Thailand

- ❑ Despite political turmoil, operations turned profitable at PAT level after 4 years
- ❑ Domestic sales increased by 10% over the last year with highest ever rebar sales
- ❑ Optimisation of variable costs through increased domestic scrap procurement
- ❑ Working capital requirements reduced by 20%



# Agenda



Corporate Social Responsibility

Consolidated Highlights

Indian and South East Asian Operations

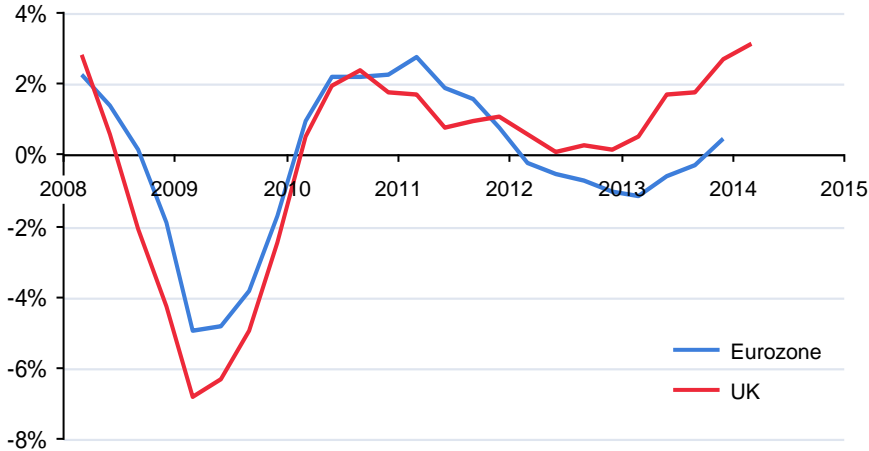
**European Operations**

Group Financial Performance

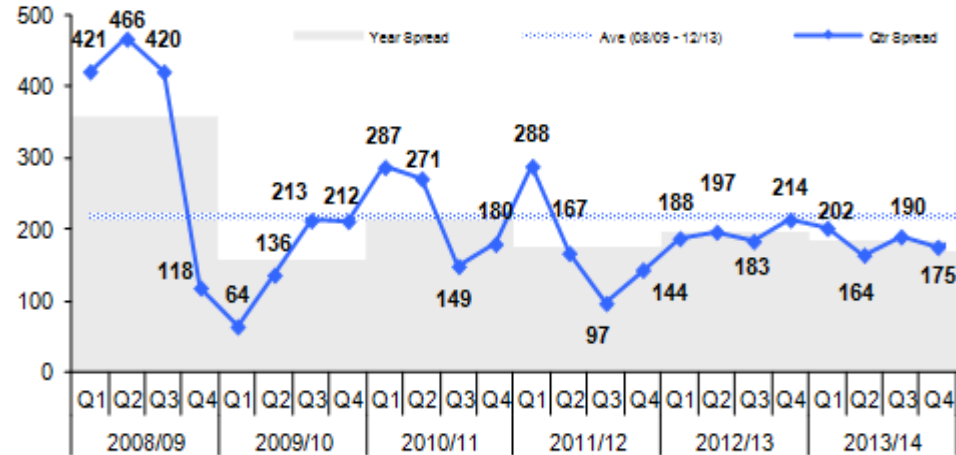
Key Developments

# European economy and steel market

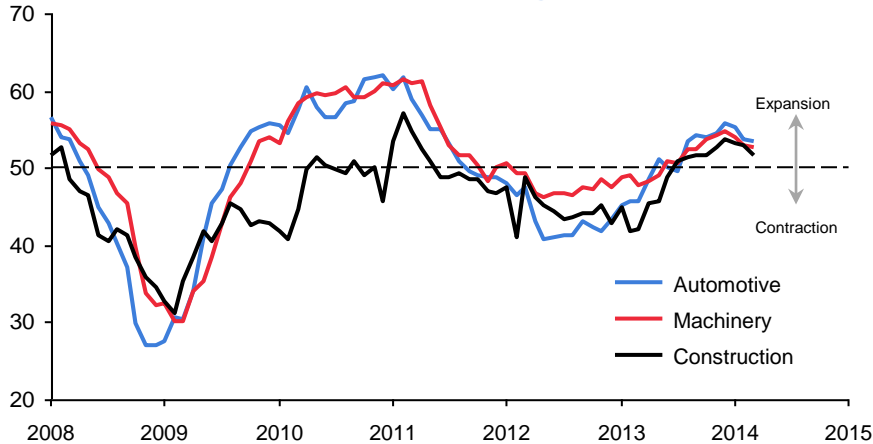
## GDP – Eurozone and UK (y/y% chg)



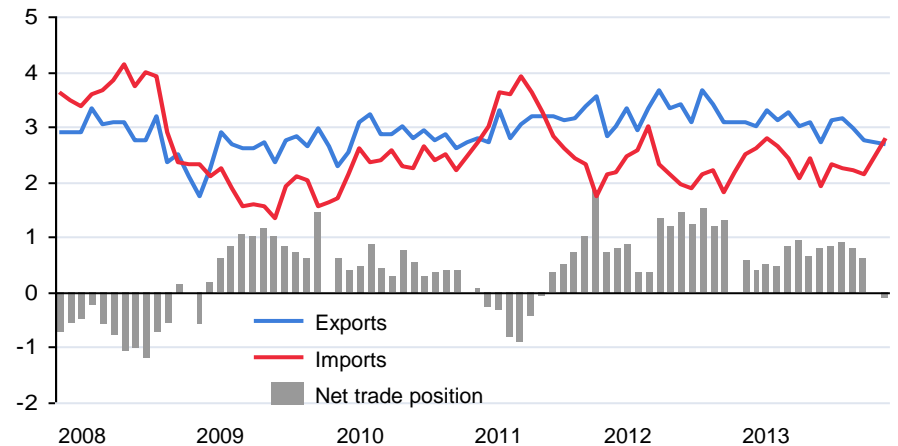
## Market spreads – Lagged (€/tonne)



## PMIs for main steel using sectors in EU



## EU trade balance (Mt)



**EU economy is showing signs of recovery**

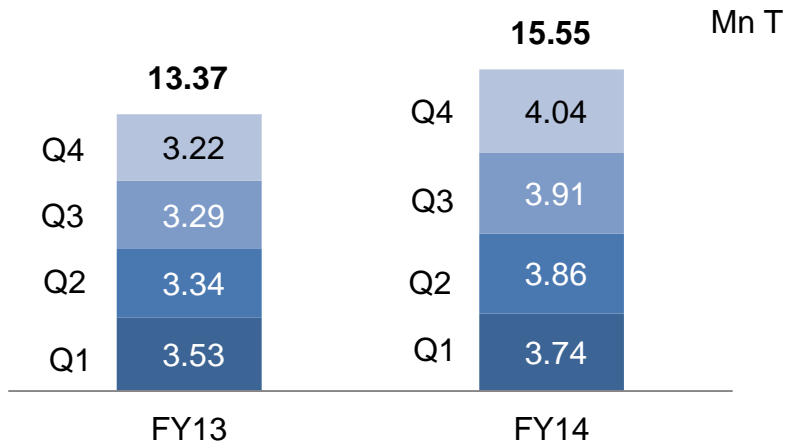
\* HRC Spread = Price of 1t of HRC (Germany) - 1.6t of iron ore (Fines, 64% Fe, Brazil contract, SSF, Rotterdam delivered) - 0.7t HCC (Australia quarterly contract, Rotterdam delivered) - 0.1t Scrap (E3, Germany)

# Performance of Tata Steel Europe

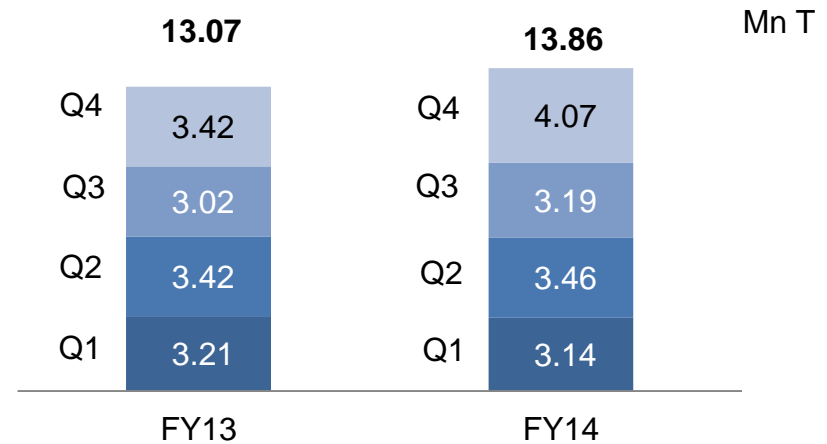
Financial Year Ended 31<sup>st</sup> March'14



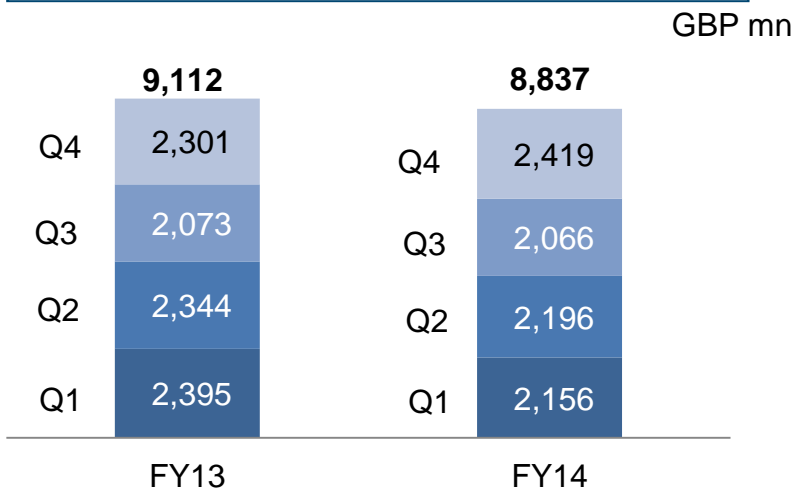
## Liquid Steel Production



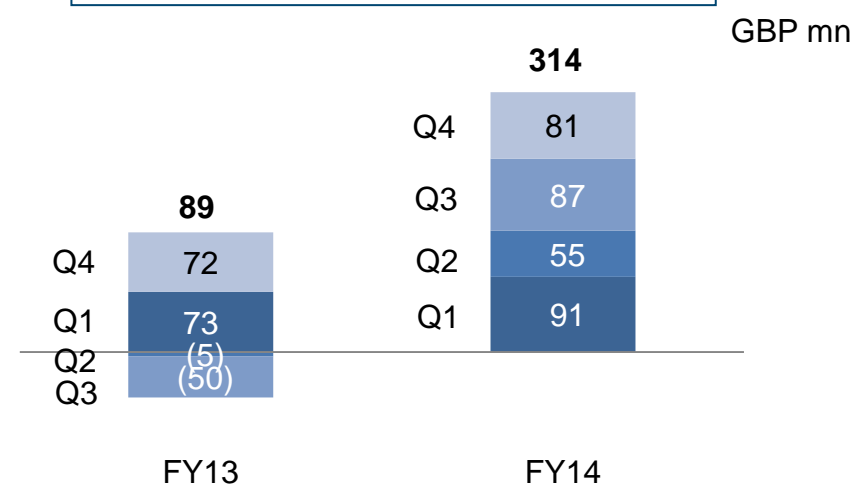
## Deliveries



## Turnover



## EBITDA



**Improvement in EBITDA margin by 2.6%**

# Operational Excellence improvements in the year



- ❑ Re-established asset base enabled return to normal liquid steel production (2.2mt more in FY'14 than in FY'13)
- ❑ Focus on cost reduction initiatives to continue
  - Savings in operating costs approached £200 million in FY'14
- ❑ Intensifying focus on cash
  - Working capital release over the quarter and improvement in turnover ratios
- ❑ Higher EBITDA and EBITDA/t over FY'13 despite lower spreads
- ❑ Most improved EBITDA margins compared to main European competitors



# Customer Focus and Innovative products & services



- ❑ Developing 'New Home Markets' – markets where we see good growth for our differentiated products. Sales increased by about 50% over last 3 years
- ❑ Launched 30 new products, as planned, in FY14 – Volume of new products sold increased by about 75% in FY14
- ❑ Sale volumes of differentiated products rose by 16% year-on-year
- ❑ Network Rail has chosen to source >95% of its rail from Tata Steel until at least 2019
- ❑ Close partnership with JCB Landpower led to development of its most productive tractor
- ❑ Toyota Certificate of Recognition for our important contribution in the area of quality

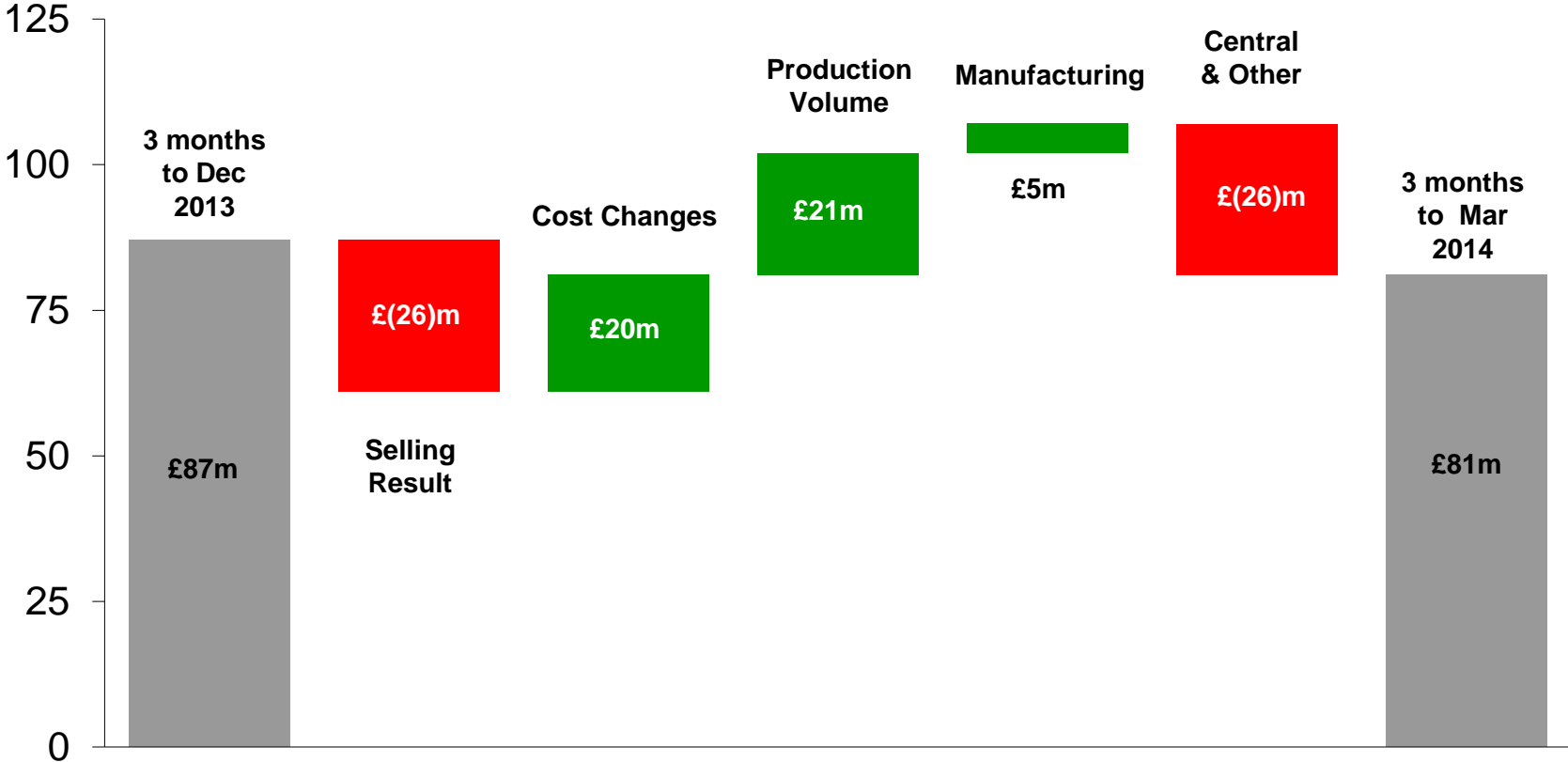


# European operations

## EBITDA bridge Q4 FY2014 vs. Q3 FY2014

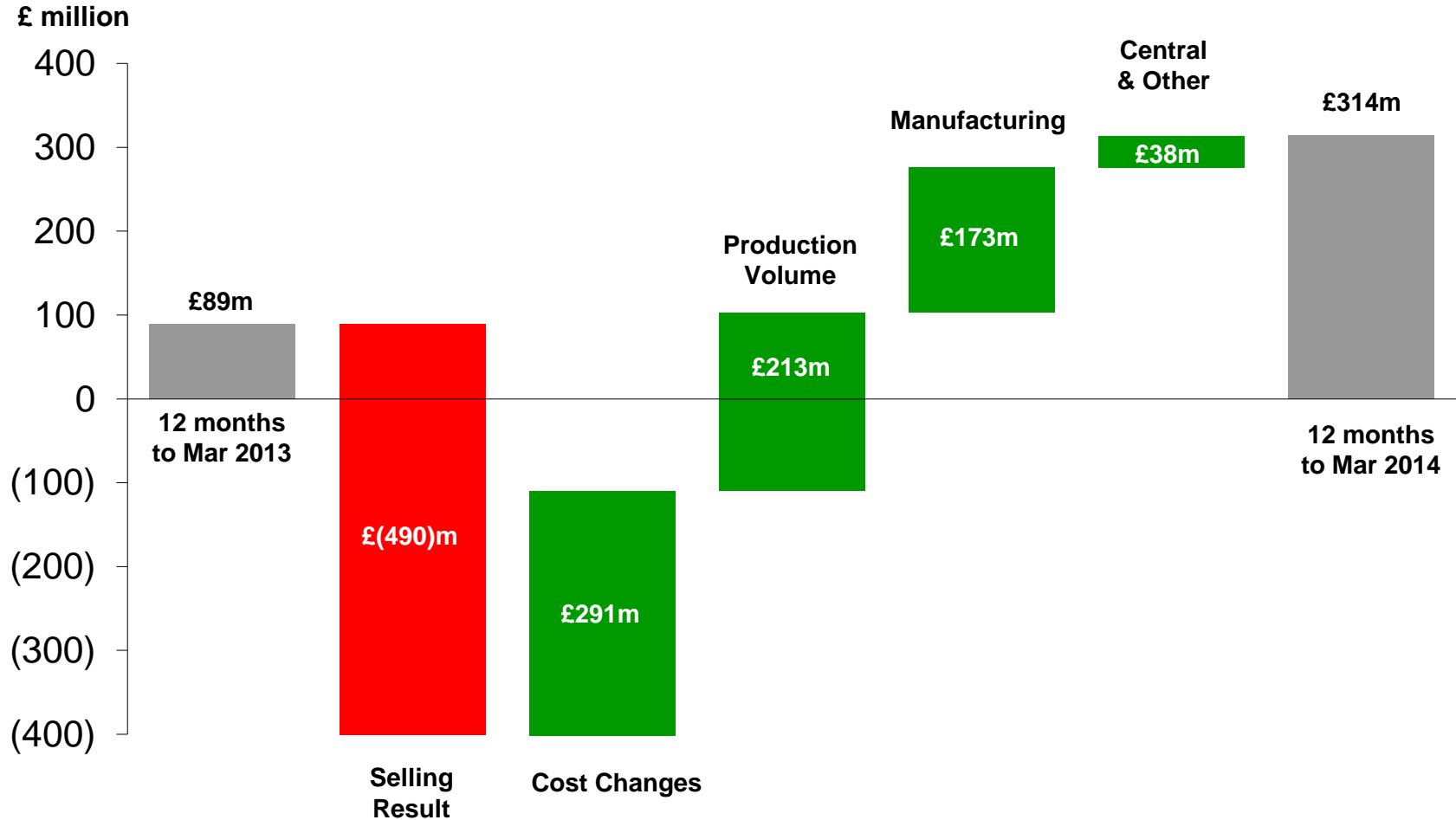


£ million



# European operations

## EBITDA bridge FY2014 vs. FY2013



# Agenda



Corporate Social Responsibility

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**Group Financial Performance**

Key Developments



# Key financial highlights



- ☑ Strong operating performance in India and Europe:
  - Group sales volume increased by 10% in FY'14 and increased by 20% Q/Q.
  - Group EBITDA increases by 29% to Rs. 16,377 crore in FY'14
  - Group Profit after tax doubles on a sequential basis and rises to Rs. 3,595 crores
  
- ☑ Improvement in performance by subsidiaries and JVs including Tata Sponge, Tata Metaliks, Tinplate, Dhamra Port, Tata Bluescope
  
- ☑ Restructuring of portfolio to unlock value :
  - Initiated the process for sale of land in Mumbai for Rs.1,155 crores
  - 50% stake sale in Combulex BV, a 50/50 joint venture in the Netherlands to the JV partner
  - In April 2014, Tata Steel International (Australasia) Ltd. sold to Steel and Tube Ltd.

# Group Financial Performance – Q4 FY14



Figures in Rs. Crore unless specified

Figures in Rs. Crore unless specified	Q4 FY14				Q3 FY14	Q4 FY13	
	India	Europe	SE Asia	Others & Elimn	Group	Group	
Deliveries (Mn T)	2.41	4.07	1.07	0.08	7.62	6.38	6.56
Turnover	12,191	24,376	4,365	1,496	42,428	36,736	34,650
Raw Mat consumed	2,743	9,344	76	440	12,603	11,633	8,755
EBITDA	4,052	817	80	-32	4,917	3,921	4,368
EBITDA/tonne (Rs.)	16,831	2,006	754	n.m.	6,449	6,150	6,655
EBIT	3,590	-16	18	-148	3,445	2,399	2,898
					Q4 FY14	Q3 FY14	Q4 FY13
Profit Before Tax*					2,436	1,395	-5,576
Profit After Tax, Minority Interest and Associates' Income *					1,036	503	-6,529

\* PBT and PAT includes exceptional loss of Rs. 46 crores and Rs. 7,413 crores for Q4 FY14 and Q4 FY13 respectively

# Group Financial Performance – FY14

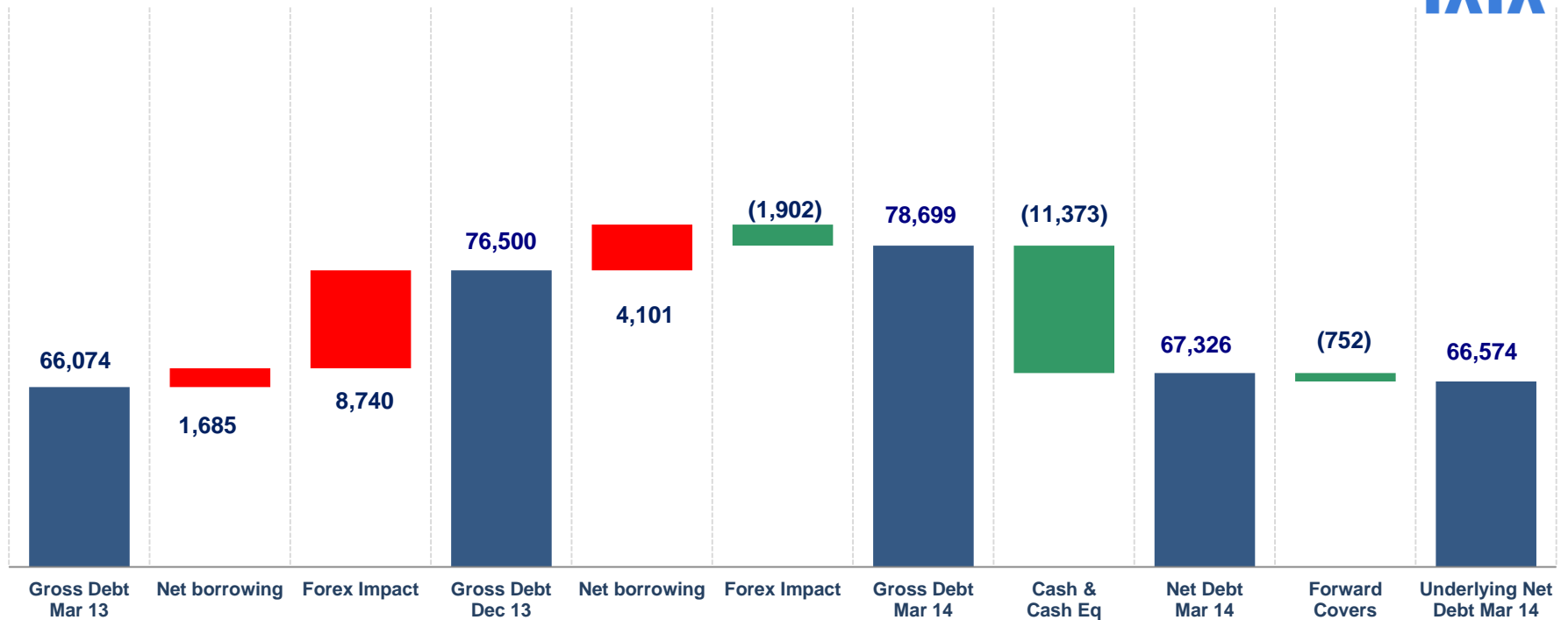


Figures in Rs. Crore unless specified

Figures in Rs. Crore unless specified	FY14					FY13
	India	Europe	SE Asia	Others & Elimn	Group	Group
Deliveries (Mn T)	8.52	13.86	3.98	0.20	26.56	24.13
Turnover	41,711	84,666	16,988	5,248	1,48,614	1,34,712
Raw Mat consumed	9,678	35,106	332	1,127	46,243	40,643
EBITDA	13,281	3,008	439	-352	16,377	12,654
EBITDA/tonne (Rs.)	15,595	2,170	1,103	n.m.	6,166	5,243
EBIT	11,352	-158	198	-857	10,535	7,078
					<b>FY14</b>	<b>FY13</b>
Profit Before Tax*					6,722	-4,133
Profit After Tax, Minority Interest and Associates' Income *					3,595	-7,058

\* PBT and PAT includes exceptional loss of Rs. 28 crores and Rs. 7,390 crores for FY14 and FY13 respectively

# Debt Movement and Pension update



Note: Figures are net of acceptances

- Total liquidity of Rs.18,000 crores
- Capex incurred in FY14: Rs.16,500 crores
- KPO financing in place
- BSPS and SPH pension funds: Net surplus\* of £298 million at the end of March 2014

# Standalone Results – QoQ Variations



All figures in Rs. Crore **TATA**

Particulars	Q4 FY14	Q3 FY14	Key Reasons
Net sales	12,042	10,040	Higher volumes and higher realisation
Other operating income	149	103	Receipt of insurance claim
Changes in inventories	296	36	Decrease in inventories
Purchases of finished, semis & other products	54	65	Declined marginally on lower purchases in Steel.
Raw materials consumed	2,743	2,215	Higher consumption of purchased coke, imported coal, Zinc and Ferro alloys on higher steel production volumes
Employee benefits expenses	798	904	Increase in discount rates for actuarial assumptions partially offset by salary increments
Purchase of power	618	638	Scheduled shutdown at FAMD, decrease in power costs partially offset by higher consumption
Freight and handling	770	717	Increased in line with higher despatches partially compensated by favorable destination mix
Depreciation and amortisation	462	456	In line with the previous quarter
Other expenses	2,804	2,633	Higher conversion charges, stores & spares consumption and one-off provision in royalty and rates and taxes, partially compensated by lower forex related losses and higher capitalisation of expenses
Other income	53	265	Absence of interim dividend from subsidiary received in Q3
Finance costs	465	453	Amortisation of discount on commercial papers and higher interest on loans and NCDs

# Consolidated Results – QoQ Variations



All figures in Rs. Crore **TATA**

Particulars	Q4 FY14	Q3 FY14	Key Reasons
Net sales	42,018	36,410	Higher revenue driven by Tata Steel India (TSI) and Tata Steel Europe (TSE) partially offset by lower volume and realisation in South East Asian (SEA) operations
Other operating income	410	326	Broadly similar
Changes in inventories	2,275	(1,508)	Decrease in inventories especially in TSE
Purchases of finished, semis & other products	4,239	4,790	Declined mostly in SEA operations
Raw materials consumed	12,603	11,633	Increase in TSI and increase in TSE due to higher production and exchange effect
Employee benefits expenses	5,364	4,986	Increase mostly in TSE due to higher variable pay element and exchange effect
Purchase of power	1,595	1,402	Previous quarter included one off credit in TSE
Freight and handling	2,644	2,233	Increased in line with higher shipments
Depreciation and amortisation	1,472	1,522	Declined in TSE due to release of excess provision on spares
Other expenses	8,698	9,191	Decline in TSE due to lower repairs to machineries and stores and spares consumption partly offset by increase in TSI
Other income	112	18	Higher interest and profit on asset disposal in TSE
Finance costs	1,169	1,108	Increase in TSE due to exchange effect and slight increase in TSI
Tax	1,365	895	Increased primarily in TSI and reduction of deferred tax assets in TSE

# Agenda



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**Key Developments**

## Benga Project, Mozambique

- ❑ Logistic issues and security considerations affect productions in Q4 FY'14
- ❑ 0.86 mt of hard coking coal shipped in FY'14 with 178 kt of HCC shipped in Q4 FY'14



## Direct Shipping Ore Project, Canada

- ❑ 1mt of iron ore produced so far. First shipment achieved on 17 September 2013 – shipments of 240kt made in FY'14.
- ❑ Logistics arrangements in place & shipments to start in July, post winter shutdown
- ❑ Key permits, approvals and environmental clearances obtained and construction of processing complex is underway



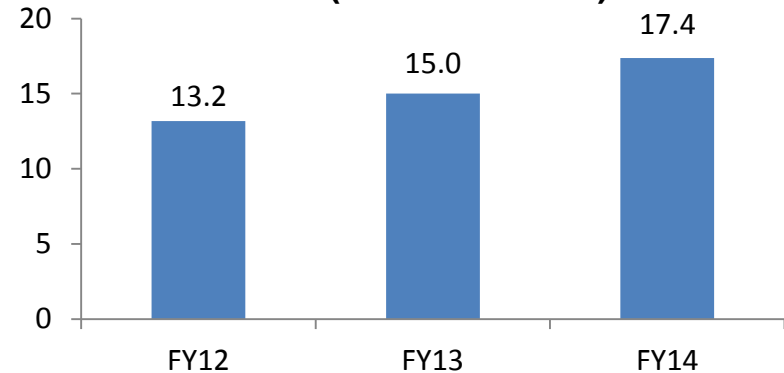


# Regulatory update

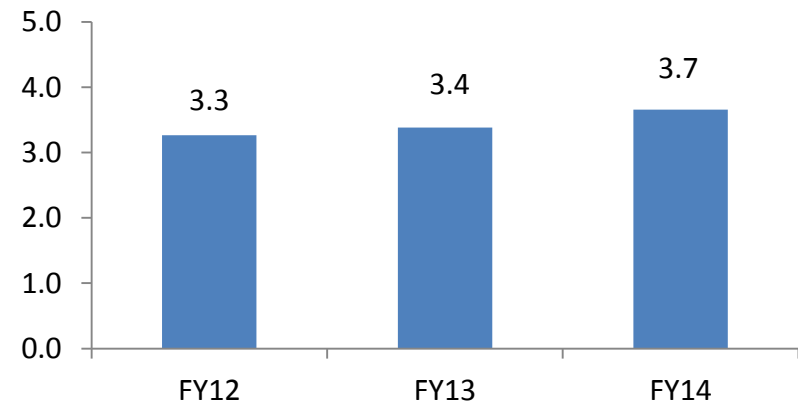


- ❑ Our iron ore and coal mining operations in Jharkhand and Orissa have been ramped up over the years
- ❑ All iron ore and coal produced from our mines is used for captive consumption
- ❑ The mines have the requisite clearances like the Mining Plan Approval, Environment Clearance, Forest Clearance etc.
- ❑ A PIL is pending in the Supreme Court against the recommendation of the Shah Commission
  - The Central Empowered Committee was asked to examine the matter and submit its recommendation
  - Last hearing was in April and the order is awaited

**Iron Ore (In Million Tons)**



**Clean Coal (In Million Tons)**



## India

- Market conditions are stable; expected to improve in H2
- Auto sector expected to register slow growth; Construction and capital goods sectors should revive with better macro-economic conditions
- Focus on domestic markets to continue

## Europe

- EU demand expected to show further recovery in Q1 (+3.9%) as activity in the steel using sectors is increasing, albeit from a low base
- Embedding customer focus, improving reliability and efficiency are key areas of focus

## South East Asia

- Construction outlook remains positive in the region. However, imports from China continue to adversely affect spread.
- The political deadlock in Thailand continues. Despite this constraints, we are expanding customer reach and increasing share of business in the rebar segment.



**Thank You**

# Contact Information



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