TATA STEEL

TATA

For immediate use **PRESS RELEASE**

Mumbai, August 07, 2019

Tata Steel reports consolidated financial results for the quarter ended June 30, 2019

Key Highlights:

- Health and Safety: Red risk incidents for Tata Steel Group reduced by 60% over 1QFY19
- Consolidated steel production as well as deliveries jumped 11%YoY to 7.15 mn tons and 5%YoY to 6.34 mn tons, respectively; India[1] production surged 23%YoY to 4.50 mn tons while deliveries grew 18%YoY to 3.96 mn tons
- Consolidated revenues stood at Rs.35,947 crores while India[1] revenues grew 13%YoY to Rs.21,129 crores
- Consolidated adjusted EBITDA was Rs.5,530 crores and India[1] adjusted EBITDA was at Rs.5,117 crores
- Consolidated reported PAT was Rs.702 crores. India[1] reported PAT was Rs.1,567 Crores
- The liquidity position of the group remains robust at Rs.12,409 crores comprising of cash and cash equivalents and undrawn bank lines
- Following the termination of the definitive agreement with HBIS Group to divest 70% stake in our South-East Asia business, Tata Steel has today executed a Memorandum of Understanding to divest 70% of its shareholding in Tata Steel Thailand to Synergy Metals and Mining Fund (“Synergy”). As a next step, Synergy will carry-out confirmatory due diligence and both parties shall engage to complete the definitive agreements in an expeditious manner.

Tata Steel India and Consolidated Highlights

Key profit & Loss account items	India[1]			Consolidated[2]		
	1QFY20	4QFY19	1QFY19	1QFY20	4QFY19	1QFY19
Production (mn ton)[3]	**4.50**	**4.49**	**3.64**	**7.15**	**7.21**	**6.45**
Deliveries (mn ton)	**3.96**	**4.72**	**3.34**	**6.34**	**7.52**	**6.02**
Turnover	**21,129**	**24,901**	**18,774**	**35,947**	**42,424**	**35,494**
Adjusted EBITDA[4]	**5,117**	**5,689**	**5,370**	**5,530**	**7,814**	**7,063**
Adjusted EBITDA (Rs. Per ton)[4]	12,908	12,061	16,068	8,725	10,394	11,740
PBT before exceptional items	2,406	3,628	3,470	1,791	4,241	3,347
Exceptional Charges	10	67	(335)	16	11	(329)
PAT from Continuing Operations	1,567	2,309	1,856	683	2,353	1,923
PAT from Discontinued Operations	-	-	-	19	(58)	11
Reported PAT (A)	**1,567**	**2,309**	**1,856**	**702**	**2,295**	**1,934**
Other Comprehensive Income (B)				**(326)**	(101)	1,747
Total Comprehensive Income (A+B)				**376**	2,194	3,681
Diluted EPS after exceptional items (in Rs., not annualised)				**5.83**	**20.44**	**16.66**

__1.__ India includes Tata Steel Standalone, Tata Steel BSL and Tata Sponge Iron on proforma basis without inter-company eliminations; Tata Steel BSL financials are consolidated from 18th May, 2018 __2.__ Consolidated figures don’t include NatSteel Holding and Tata Steel Thailand as it is classified as ‘Asset held for sale’; __3.__ Production numbers for consolidated financials are calculated using Crude steel for India and liquid steel for Europe __4.__ EBITDA restated to exclude share of JV and Associates, and adjusted for fair value changes on account of exchange rate movement on investments in Tata Steel Holdings and revaluation gain/loss on external/ internal company debts/ receivables at Tata Steel Global Holdings

Business Environment

During the quarter, steel prices across geographies declined with weakening economic activities and uncertainty around the ongoing US-China trade conflict. This coincided with a sharp rise in iron ore prices due to supply disruptions and elevated coking coal costs. As a result, steel spreads dropped by around US$ 80-100/ton in key markets.

In India, steel prices declined as subdued economic activity, seasonal slowdown and liquidity issues weighed on domestic consumption. Higher net imports further exacerbated the demand supply balance.

In Europe, the steel industry faces significant headwinds in terms of lower economic growth, uncertainty around Brexit and the trade conflict. This coupled with rising share of imports and elevated raw material prices has led to a sharp decline in steel spreads.

In this business environment, the company has delivered a 11%YoY volume growth for production and 5%YoY for deliveries.

Key Operating and Financial Highlights of full year and the quarter:

Indian operations:

- India[1] steel production grew by 23% YoY to 4.50 mn tons in 1QFY20 with consolidation of Tata Steel BSL for the full quarter and higher capacity utilization at both Tata Steel Standalone and Tata Steel BSL.
- India[1] steel deliveries jumped 19% YoY to 3.96 mn tons in 1QFY20 as slowdown in the automotive sector was countered by higher sales in other segments.
- Industrial Products and Projects segment sales grew by 26%YoY. Branded products & Retail segment sales grew by 20%YoY.
- Automotive segment grew by 12%QoQ with the acquisition of Usha Martin Limited's steel business.
- India[1] revenues from operations for the year increased by 13%YoY to Rs.21,129 crores driven by higher volumes. India[1] adjusted EBITDA for the quarter was Rs.5,117 crores. Adjusted EBITDA margin stood at 24.2% and adjusted EBITDA/t was Rs.12,908/t.
- Tata Steel Kalinganagar is the first and the only Indian manufacturing plant to be included in the list of the World Economic Forum's Global Lighthouse Network, a community of manufacturers showing leadership in applying Fourth Industrial Revolution technologies to drive financial and operational impact.
- Tata Steel BSL continues to improve capacity utilization and operational performance with higher PCI injection, improved power cost and improvement in blends.

European operations:

- During the quarter, Tata Steel Europe liquid steel production was impacted by planned shutdowns and unplanned outages. This coupled with sluggish demand adversely impacted delivery volumes.
- Tata Steel Europe continues to strengthen sales mix. It launched three new products during the quarter; higher-value differentiated product sales exceeded 39%.
- Revenue from operations decreased to Rs.14,495 crores in 1QFY20 in line with lower deliveries. Operational issues and pressure on steel spreads impacted 1QFY20 profitability. However, Tata

1. India includes Tata Steel Standalone, Tata Steel BSL and Tata Sponge Iron on proforma basis without inter-company eliminations

Steel Europe has initiated a transformation plan with an aim to make it self-sufficient and cash positive.

Key corporate developments:

- Tata Sponge Iron Limited, a 75.91% subsidiary of Tata Steel, completed the acquisition of steel business of Usha Martin Limited on April 09, 2019. Subsequently, the company obtained the required statutory approvals to operate its captive iron mines. The supply of iron ore from the captive mines has commenced from July 2019 and is expected to ramp up in next couple of months. The company is currently focusing on integration and stabilization of various operating units and in realizing identified synergies in various areas of operations, procurement and supply chain. The company is also working to bring the newly acquired business in line with Tata Steel's benchmark performances in the areas of environment, safety and operations.
- Tata Steel Kalinganagar Phase II expansion project is underway. The 2.2 mn tons CRM complex and pellet plant has been prioritized to improve product mix and reduce costs.
- Tata Steel BSL, a subsidiary of Tata Steel, has acquired 99.99% holding in Bhushan Energy Limited in accordance with the approved resolution plan under the Corporate Insolvency Resolution Process of the Insolvency and Bankruptcy Code, 2016.

Management Comments:

Mr. T V Narendran, CEO & Managing Director:

"The steel sector is facing significant headwinds which has affected spreads and overall profitability. However, our strong business model in India has helped us counter the overall market weakness, including the slowdown in the automotive sector, by growing volumes in multiple customer segments. Our focus on operational excellence has also helped in containing the impact on margins. Increased government spending and efforts to address the liquidity crunch should help revive demand and steel prices in India in the second half of the year. While TSE performance has been affected by market and operational issues, we are implementing a transformation plan which aims to reduce operating costs, rationalize capex and working capital and improve overall cashflows.

We are consolidating our presence in India through the proposed merger of Tata Steel BSL with Tata Steel and our ongoing 5 MTPA Kalinganagar Phase II expansion, which will improve our product mix and further rationalize costs. Tata Sponge is focused on the integration and ramp-up of the recently acquired 1 MTPA steel business."

Mr. Koushik Chatterjee, Executive Director and CFO:

"Amidst very challenging global economic environment including in India, higher input costs and weak demand conditions, Tata Steel reported a consolidated EBIDTA margin of 15.4% on the back of a robust India performance of EBIDTA margin of 24.2%. The EBIDTA per ton in India business increased from Rs.12,061 to Rs.12,908 that reflected a 7%QoQ increase. The European performance was impacted shutdown and downtime in Netherlands. The UK operations had a stable performance post the major repairs of the Blast Furnace earlier in the year.

Our consolidated gross debt during the quarter increased primarily due to reclassification of lease obligations as per IndAS 116 and short-term acquisition financing of Usha Martins Steel business at Tata Sponge. The Tata Sponge rights issue closed successfully and Tata Steel's holding has increased to 75.9% post the issue. The integration of the acquisition has commenced and synergies are being explored. We are also working on capital release from special initiatives on working capital, portfolio consolidation and recalibration of capital expenditure for the year. Our liquidity is strong at over

Rs.12,000 crores. Today the Board has approved the signing of a Memorandum of Understanding with Synergy Metals and Mining fund to divest 70% of our stake in Tata Steel Thailand in a 70:30 partnership for the Thailand business."

Disclaimer:

Statements in this press release describing the Company's performance may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ materially from those directly or indirectly expressed, inferred 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 or due to the environment, Government regulations, laws, statutes, judicial pronouncements and/or other incidental factors.

About Tata Steel

Tata Steel group is among the top global steel companies with an annual crude steel capacity of 33 million tonnes per annum (MnTPA). It is one of the world's most geographically-diversified steel producers, with operations and commercial presence across the world. The group (excluding SEA operations) recorded a consolidated turnover of US $22.67 billion in the financial year ending March 31, 2019. In 2018, Tata Steel acquired Bhushan Steel Ltd (now renamed as Tata Steel BSL Ltd).

A Great Place to Work-CertifiedTM organisation, Tata Steel Ltd., together with its subsidiaries, associates and joint ventures, is spread across five continents with an employee base of over 65,000.

Tata Steel retained the 'Global Steel Industry Leader' position in the DJSI 2018. The Company has been recognised as the Climate Disclosure Leader in 'Steel category' by CDP (2017). Besides being a member of the World Steel Climate Action Programme, Tata Steel has won several awards including the Prime Minister's Trophy for the best performing integrated steel plant for 2016-17, 'GreenPro' certification for products (Tata Pravesh Steel Doors, Tata Structura, Tata Pipes) by CII, Authorized Economic Operator (AEO) status (Tier 2) by the Directorate of International Customs (Ministry of Finance, Govt. of India), 'Corporate Strategy Award' by Mint (2018), Golden Peacock Award for Risk Management (2018) and Best Risk Management Framework & Systems Award (2019) by CNBC TV18. The Company also received the 'Most Ethical Company' award from Ethisphere Institute for the eight time (2019), Steel Sustainability Champion (2018) by the World Steel Association, Dun & Bradstreet Corporate Awards (2019), Golden Peacock HR Excellence Award by Institute of Directors (2018), 'Best Companies To Work For' recognition by Business Today, 'Asia's Best Integrated Report' award by the Asia Sustainability Reporting Awards (2017), among several others.

In 2018, the Company launched a corporate brand campaign #WeAlsoMakeTomorrow. (www.wealsomaketomorrow.com).

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