Financial capital

At Tata Steel, financial capital is generated annually from surplus arising from the current business operations and through financing activities, including raising of debt and equity aligned with market conditions and internal strategic planning, as well as optimal asset monetisation.

23.16%
PBET/Turnover

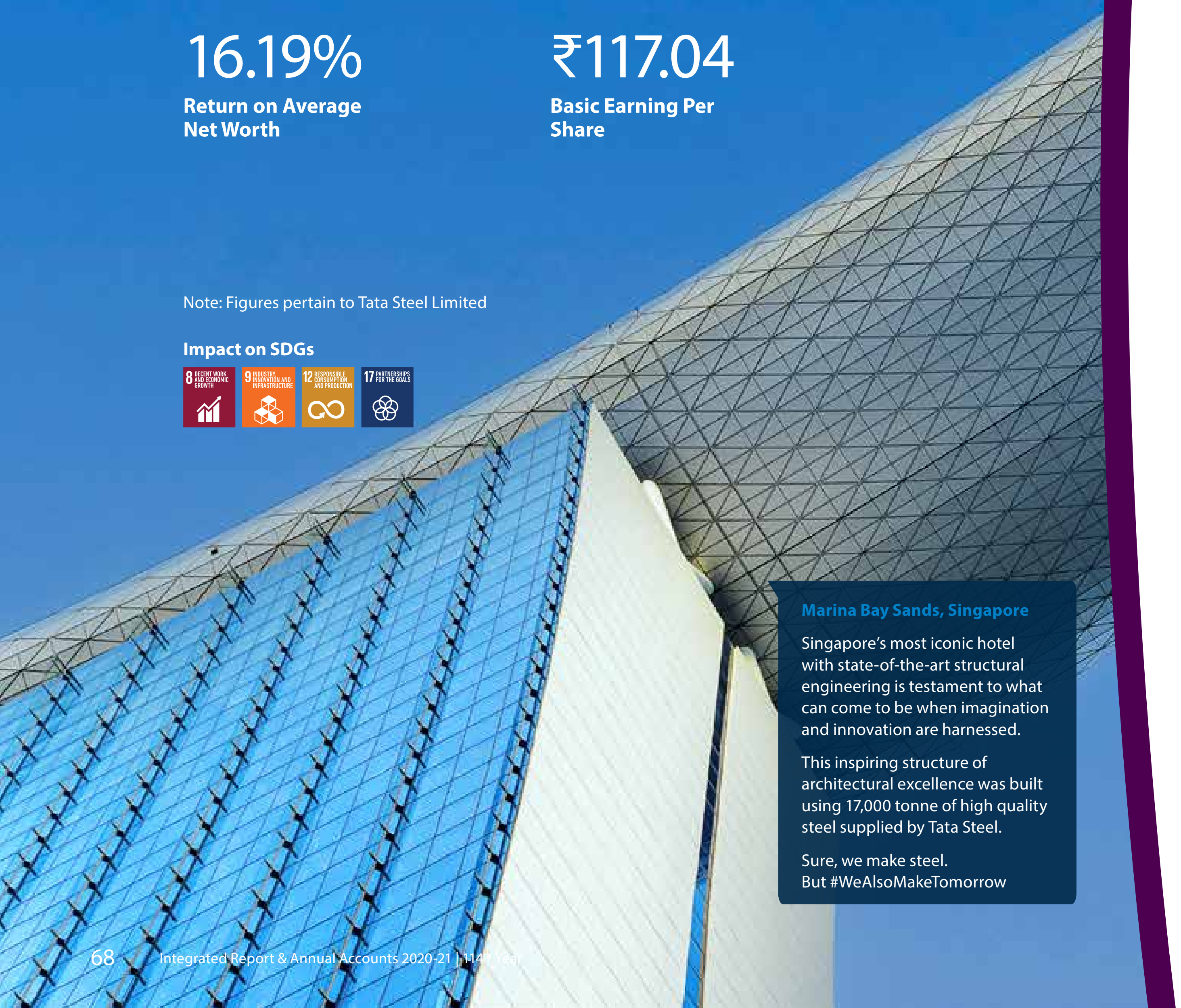
14.38%
Return on Capital Employed

16.19%
Return on Average Net Worth

₹117.04
Basic Earning Per Share

Note: Figures pertain to Tata Steel Limited

Impact on SDGs



Marina Bay Sands, Singapore

Singapore's most iconic hotel with state-of-the-art structural engineering is testament to what can come to be when imagination and innovation are harnessed.

This inspiring structure of architectural excellence was built using 17,000 tonne of high quality steel supplied by Tata Steel.

Sure, we make steel.
But #WeAlsoMakeTomorrow

Strategic linkage

SO1 SO2

Material issues addressed
- **Business Growth**
- **Long term Profitability**

- Executed long term export contract and export advance of $940 million
- Enhance capital allocation to strategic capex program in India, in order to complete the 5 MnT expansion in Kalinganagar
- Continued focus on EBITDA improvement initiative (Shikhar 25 - operational improvement programs)
- Driving Business Transformation through adoption of Digital Technologies
- Arrangement of liquidity buffers through issue of Rupee Bonds from Banks under RBI Targeted Long Term Repo Operations (TLTRO), raised long term Rupee Term Loans to lengthen maturity profile

How we manage our financial capital

We have a robust financial planning process that assesses the requirement of funds for sustainable business operations as well as for investment towards business sustainability and growth opportunities.

The fund requirement over business surplus and retained earnings are met by raising funds as per market conditions to reduce finance cost and having flexible terms in line with the cyclical nature of the steel industry. We work towards aligning our debt maturity profile to the long gestational nature of steel projects, and maintaining flexible capital structure in line with the business needs. This results in savings on interest cost and ensures the desired liquidity levels. Foreign exchange risks are actively managed with adequate hedging.

The funds generated are allocated to strategic investments in subsidiaries, joint ventures, inter-corporate loans and investments in capital assets. The surplus funds are invested in short-term instruments. Deleveraging is one of our key focus areas. Internal cash flows generated from operations are used to reduce our debts as per the annual targets.

Further, our operational KPIs are compared with internal and external benchmarks to achieve best production, higher productivity and yields. We continuously undertake cross-functional improvement programmes under Total Quality Management (TQM) and Shikhar25 for operational efficiency, product mix optimisation, waste reduction and recycling, energy efficiency and procurement optimisation. Our innovative marketing initiatives and various ongoing digital programmes provide better customer connect and reach, and higher realisations. These initiatives result in cost optimisation and ensure positive cash flows from operations.

Managing capital inputs

₹21,832 crore
Cash operating profit

₹3,241 crore
Raised through equity

The year under review witnessed substantial business interruptions in the first half followed by strong recovery during the second half as business sentiments improved.

- Earned cash operating profit from standalone operations of ₹21,832 crore (before changes of working capital and tax payments) primarily through better market realisations in the second half
- Contribution by shareholders through full payment of partly paid-up equity shares amounting to ₹3,241 crore
- Maintaining liquidity
  - Raised ₹4,935 crore through Rupee Bonds from banks under RBI Targeted Long Term Repo Operations (TLTRO)
  - Raised long-term Rupee Term Loans of ₹4,000 crore to lengthen maturity profile
  - Actively used trade finance products – tied up long-term export contract and export advance of $940 million

Managing capital outcomes

₹13,229 crore

Repayment of borrowings (net of proceeds)

- The Company slowed down the growth in capital expenditure and focussed on sustainable capital expenditure across its production facilities
- The Company focussed on deleveraging during the second half of the current year, therefore made repayment of borrowings (net of proceeds) amounting to ₹13,229 crore
- Higher declaration of dividend to the shareholders
- Focus on strategic investments in its subsidiaries and joint ventures, granted inter-corporate deposits and investments in mutual funds
- Standard & Poor's (S&P) reversed the credit rating downgrade undertaken at the beginning of the year. All the rating agencies have reversed to a stable outlook by the end of the year

Strategic Focus

- In anticipation of severe disruption in business cash flows, management focussed on cash flows and shore up liquidity to ensure the sustainability of operations for an elongated pandemic scenario
- Strategic cash war room for strict ground-level monitoring of the cash, targeted on fixed cost reduction, monitoring of working capital
- The key emphasis of the Management is on balancing growth ambitions and maintaining liquidity and a healthy balance sheet

Achievement

- Effective cash flow management, liquidity conservation and de-risking
- Managing liquidity facilitated debt rationalisation and restructuring
- Successful implementation of e-invoice in Tata Steel with effect from October 1, 2020, ensured no business disruption and proper compliance
- Rationalisation of Portfolios

Way Forward

Deleveraging balance sheet through internal cash flows from the business through continuous improvement initiatives driven by cross-functional teams under Shikhar25 program

Aligning debt maturity profile to the long gestational nature of steel projects

Maintaining flexible capital structure in line with the business needs

Allocate funds to efficient and value-accretive opportunities

Management of cash flows

₹508 crore

Net increase in cash and cash equivalents

During the year under review, the net increase in cash and cash equivalents was ₹508 crore as against increase of ₹449 crore in the previous year due to increase in operating profits, release from working capital, control over capital expenditure and receipt from partly paid-up equity shares. The surplus cash generated was used mainly in repayment and pre-payment of borrowings.

Increase in Turnover

₹64,869 crore

The turnover during the current period was ₹64,869 crore, higher by 7% over previous year primarily due to increase in steel prices while the deliveries were at par.

Increase in EBITDA

₹21,952 crore

The EBITDA during the current period was ₹21,952 crore, higher by 45% over previous year due to increase in steel prices and lower input cost mainly in imported coal.

Capital Expenditure

₹2,122 crore

Capital expenditure was ₹2,122 crore, lower by 55% than the previous year primarily to conserve the cash for liquidity during the pandemic.

Key performance indicators

↑ Good if increases ↓ Good if decreases