
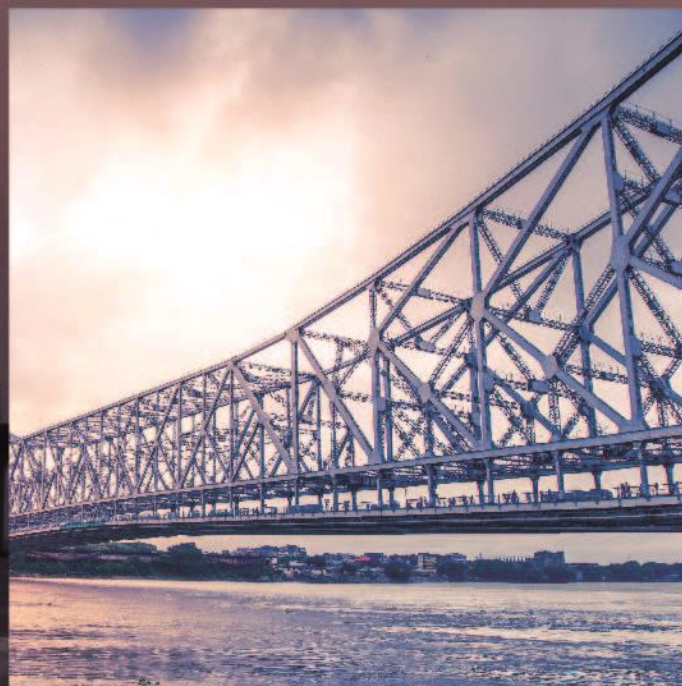


**TATA STEEL**

 WeAlsoMakeTomorrow




Building bridges  
to the future

**SINCE 1907**

**Results Presentation**

**Financial quarter ended June 30, 2020**

**August 13, 2020**



## Safe harbor statement

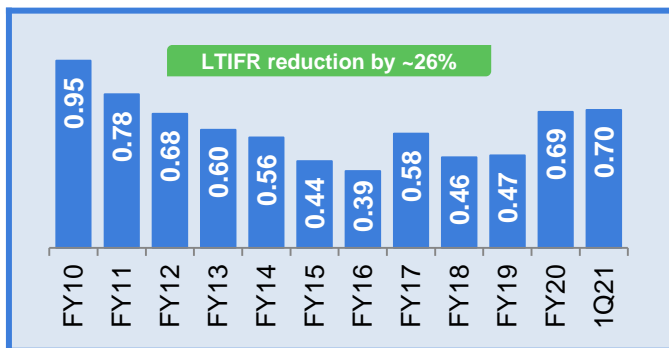
*Statements in this presentation describing the Company's performance may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ materially from those directly or indirectly expressed, inferred or implied. Important factors that could 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.*

# Committed towards excellence in Safety, Health & Sustainability



## Safety

- Trained >25,000 employees on Standard Operating Guidelines for carrying out operations following COVID-19 outbreak
- Launched safety campaign on 'Slip-trip-fall'; taken various initiatives to improve awareness and behaviour of employees and contract workforce



## Health

- Conducted COVID health screening covering 54,500 employees and contract workforce
- Created 'PODs', a regularly sanitised modular workplace arrangement of maximum 10 self-sufficient team members, to ensure adequate social distancing



## Sustainability

- Signed Memorandum of Understanding with Shell for identifying opportunities in CO<sub>2</sub> abatement
- Air quality in Jamshedpur and Kalinganagar improved from moderate to satisfactory zone as per Air Quality Index



# Supporting our communities during COVID-19 pandemic



## #Thought for Food

- >27 Lacs meals served
- 48,000 ration + hygiene packets distributed

## #Stitch in Time

- >1 Lac masks produced
- >Rs.7 Lacs income disbursed amongst 191 households who were engaged in mask making

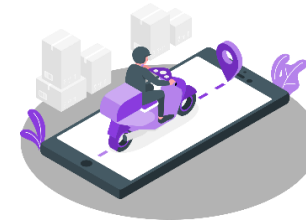


## #Cash for Work

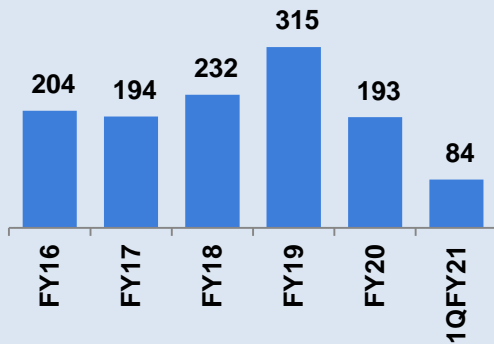
- >Rs.23 Lac income disbursed through creation of kitchen gardens, wall-writings, paintings, paper bags, musical instruments and woodcrafts
- About 2,900 households supported

## #From the Farm

- 203 farmers supported throughout value chain including online delivery platforms
- >Rs.7 Lacs income disbursed



Spent >Rs.1,000 crores on CSR (by TSL Standalone over last 5 years)



We engaged with about 8,80,000 lives through our CSR program in 1QFY21



## #Digital Bridges

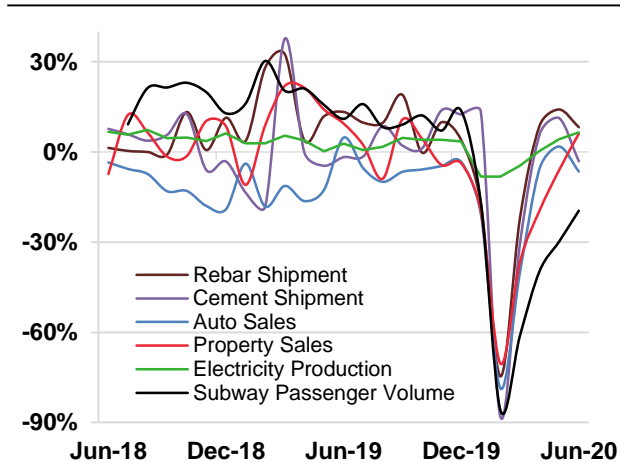
- >26,000 people reached out through Mobile Medical Units and Tele-consultations
- 575 Sahiyas and Anganwadi workers reached out



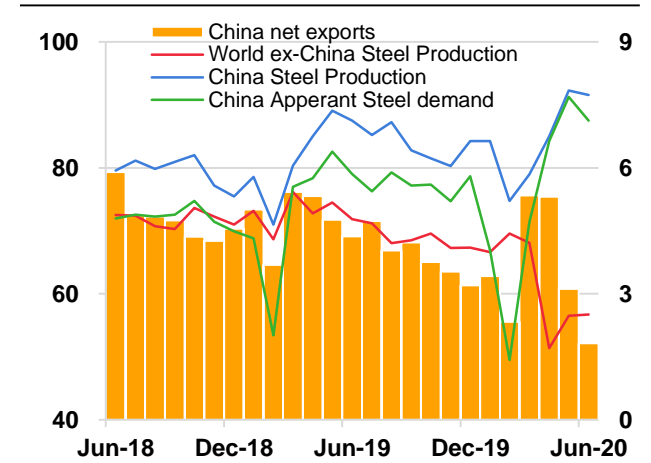
# Global macro environment

- Economic activity is gradually recovering, supported by relaxation in lockdowns and economic stimulus
- World-ex China adjusted steel production amid weak demand, however, China Steel production increased and has edged above one billion tons on annualized basis
- China's major activity indicators suggest a V-shape recovery; robust Chinese steel demand, normalizing steel inventories and declining net steel exports from China have led to an improvement in Asian steel prices
- Iron ore prices have increased sharply with supply side disruptions and strong demand from China; regional gross spot spreads decreased to unsustainable level in May-Jun'20 before improving marginally in Jul'20
- Economic recovery remains exposed to further COVID-19 outbreaks and rising geopolitical tensions

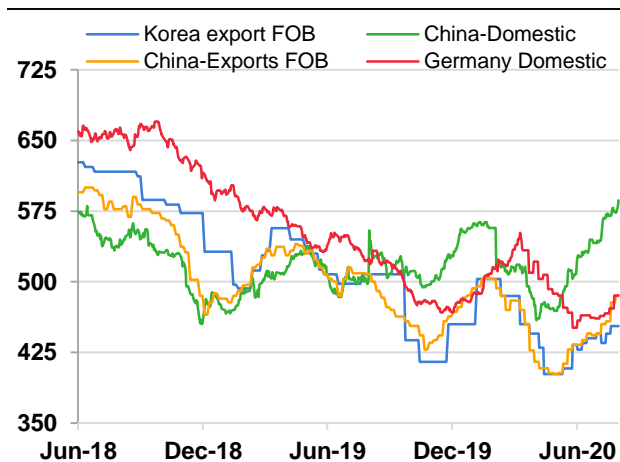
China – major activity indicators (%YoY change)



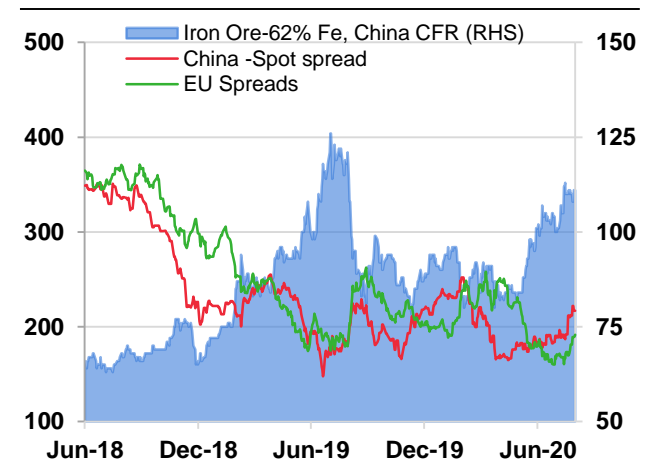
Steel Production, demand and Chinese net exports (mn tons)



Global HRC prices (\$/t)



Iron Ore prices and spot HRC spreads (\$/t)



Sources: World Steel Association, IMF, Bloomberg, Steelmint, JP Morgan, Morgan Stanley and Tata Steel

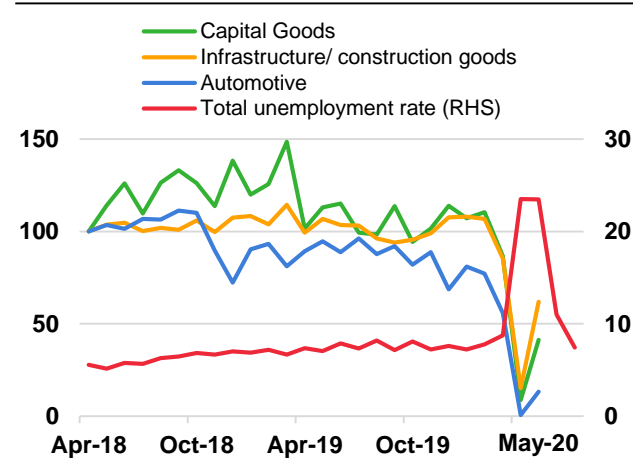
Note: China HRC spot spreads = China HRC exports FOB – (1.65x Iron Ore Fe 62% China CFR+ 0.7x Premium Hard Coking Coal China CFR); EU HRC spot spreads = 1t HRC (Germany) - 1.6t iron ore (fines 65%, China spot, R'dam) - 0.7t premium hard coking coal (Australia spot, R'dam) - 0.1t scrap (HMS, R'dam)

# Business environment in India and Europe

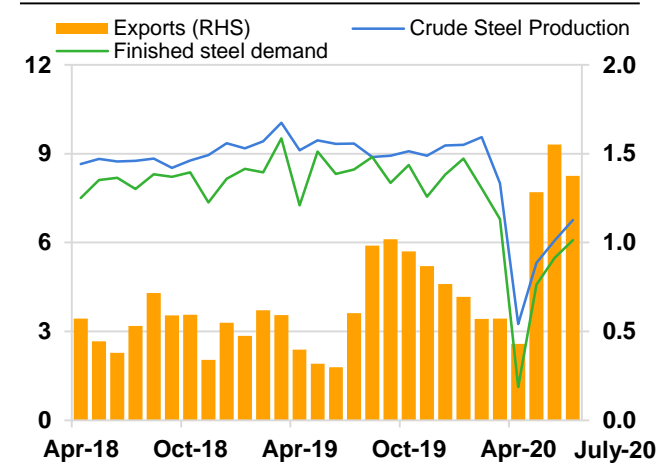
## India:

- Apparent steel consumption declined by 55%QoQ and 56%YoY to 11.14 mn tons in 1QFY21 as economic activities declined sharply in Apr-May'20 amid complete nationwide lockdown
- Recovery begun from Jun'20; apparent steel demand improved in Jun'20 and July '20 to 67% and 75% of FY20 average monthly demand
- Steel prices are improving since Jun'20 on demand recovery and surging regional steel prices

India key sectors growth\*



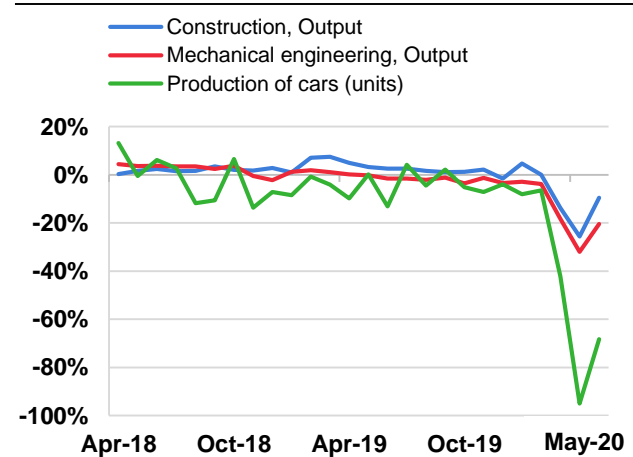
India steel volumes (mn tons)



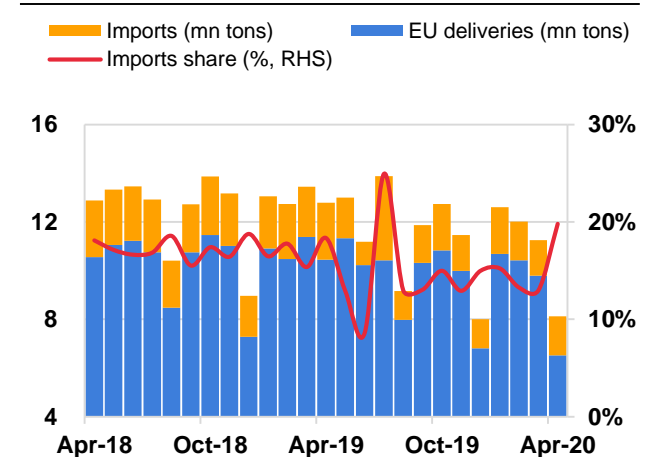
## Europe:

- COVID-19 has further impacted the already struggling steel demand with automotive sector impacted the hardest; there are signs of slow recovery
- Despite fall in imports, share of steel imports to total consumption in EU remains elevated
- Spot spreads fell sharply as steel prices decreased in 1QFY21 amid weak demand, decrease in coking coal price was more than offset by rising Iron ore prices

EU key steel consuming sectors (monthly, YoY % change)



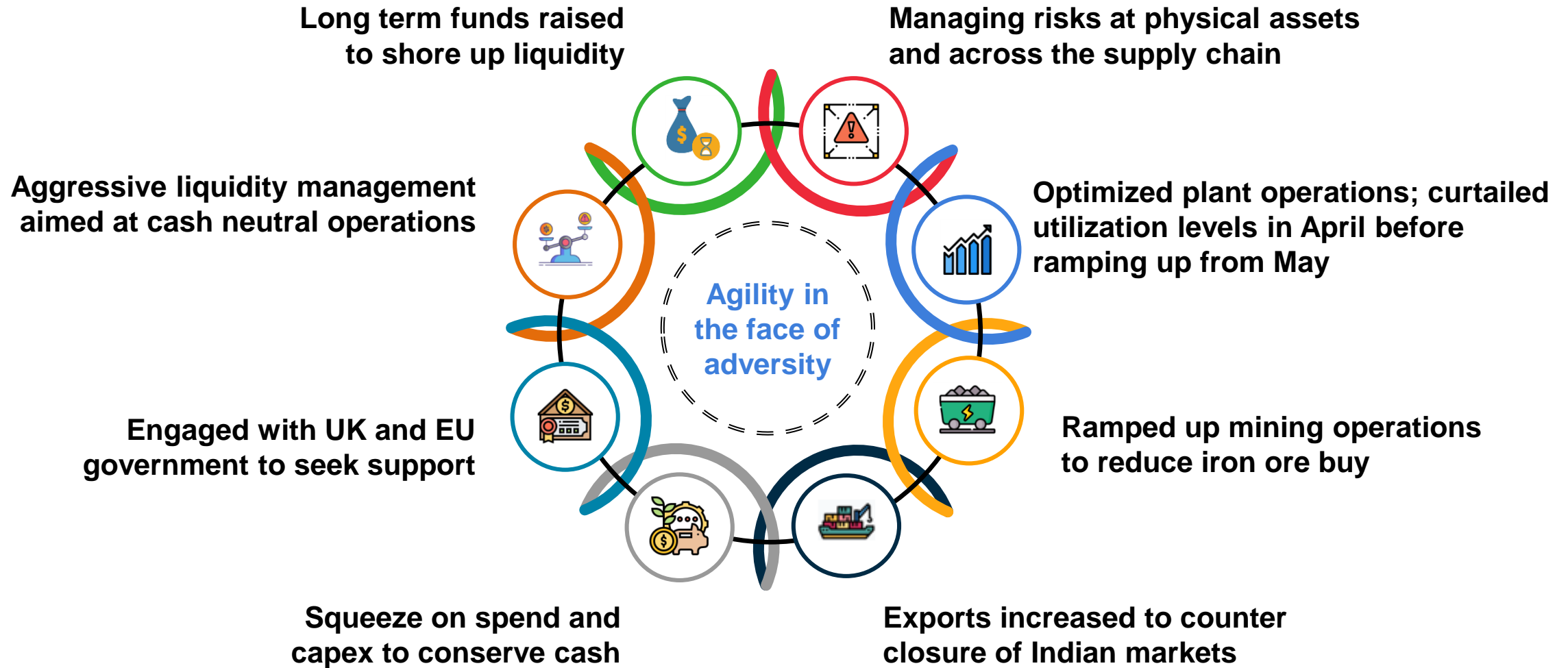
EU market supply



Source: Bloomberg, IMF, SIAM, Joint plant committee, MOSPI, CMIE, World Steel Association, Eurofer, Eurostat and Tata Steel

\*Figures of Industrial Production for Capital Goods and Infrastructure/Construction are rebased to Apr'18=100 using FY12 index based sector weights; number of units produced as per SIAM is rebased to Apr'18=100

# Recalibration amid the challenging environment



## Key performance highlights & updates



Capacity utilization in India ramped up to normalized levels towards end of June

01



Overall India sales volumes in June '20 at 115% of FY20 average monthly deliveries

02



Free cashflow generation in the face of COVID-19 disruption

03



Maturity profile extended by raising long term debt of Rs.5,935 crores

04



Liquidity increased to Rs.20,144 crores as a contingency buffer

05

Net debt reduced despite unprecedented disruption



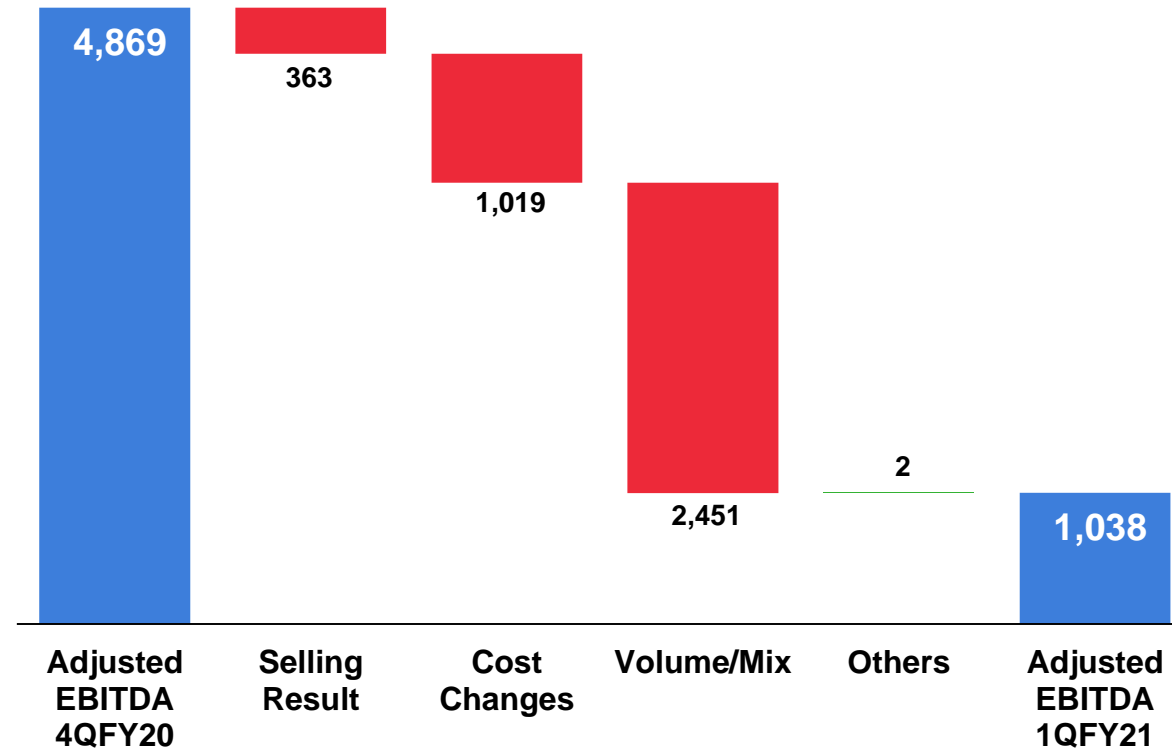
## Consolidated financial performance

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	1QFY21	4QFY20	1QFY20
<b>Production (mn tons)<sup>1</sup></b>	<b>5.14</b>	<b>7.37</b>	<b>7.15</b>
<b>Deliveries (mn tons)</b>	<b>4.93</b>	<b>6.50</b>	<b>6.34</b>
<b>Total revenue from operations</b>	<b>24,289</b>	<b>33,770</b>	<b>35,947</b>
Raw material cost <sup>2</sup>	9,614	13,296	16,127
Change in inventories	786	(1,540)	(2,365)
<b>EBITDA</b>	<b>597</b>	<b>4,669</b>	<b>5,515</b>
<b>Adjusted EBITDA<sup>3</sup></b>	<b>1,038</b>	<b>4,869</b>	<b>5,530</b>
<b>Adjusted EBITDA per ton (Rs./t)</b>	<b>2,105</b>	<b>7,491</b>	<b>8,725</b>
Pre exceptional PBT from continuing operations	(3,396)	1,906	1,803
Exceptional items	58	(3,406)	16
Tax expenses	1,272	(263)	1,124
<b>PAT from Continuing Operations</b>	<b>(4,609)</b>	<b>(1,236)</b>	<b>695</b>

Note: Consolidated numbers doesn't include NatSteel Holdings and Tata Steel Thailand as these have been classified as "Discontinued operations"; 1. Production Numbers: Tata Steel Standalone, Tata Steel BSL & Tata Steel Long Products - Crude Steel Production, Europe - Liquid Steel Production; 2. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products, 3. Adjusted for fair value changes on account of exchange rate movement on investments in T Steel Holdings and revaluation gain/loss on external/ internal company debts/ receivables at TS Global Holdings

## Consolidated Adjusted EBITDA<sup>1</sup> movement

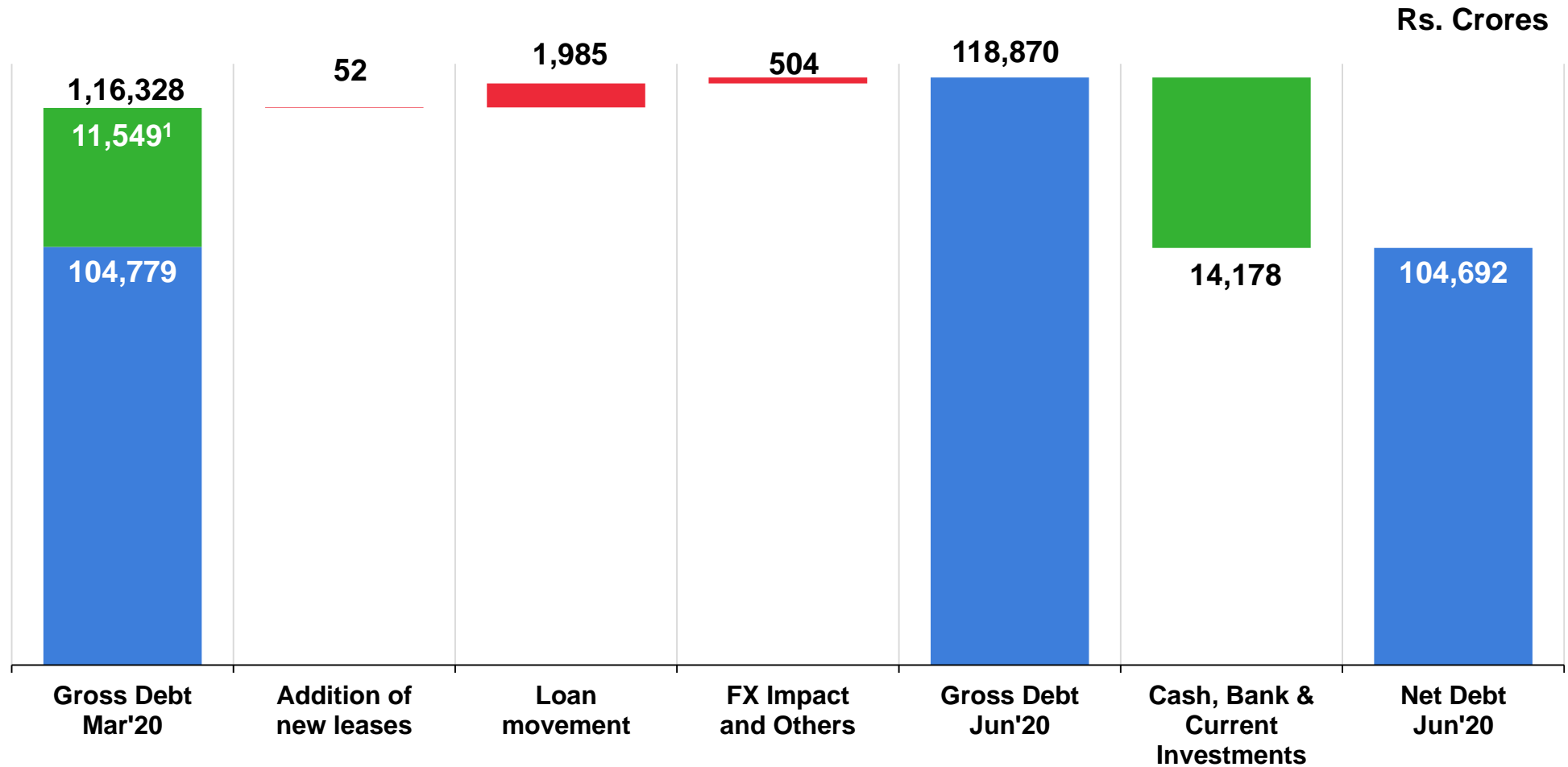
₹ Crores



- Selling results reflects sequentially declining steel realisation across geographies
- Impact of cost savings negated by idle/ abnormal cost owing to lower level of capacity utilization across geographies
- Volume/mix impact primarily due to lower steel volumes and adverse product mix across geographies

1. EBITDA adjusted for revaluation gain/loss on external/ internal company debts/ receivables at Tata Steel Global Holdings

## Consolidated Debt movement



Free cashflow generation drives reduction in net debt

Long term funds raised to lengthen maturity profile; liquidity buffer increased

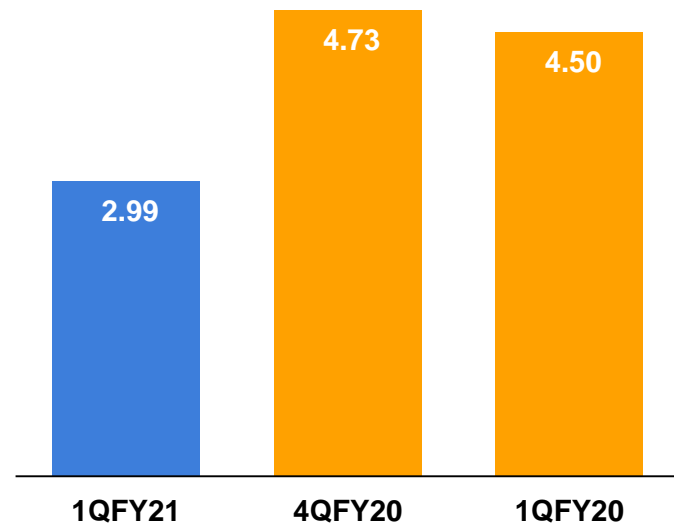
1. Cash, bank & current investments

Note: Consolidated numbers doesn't include NatSteel Holdings and Tata Steel Thailand as these have been classified as "Asset Held For Sale"

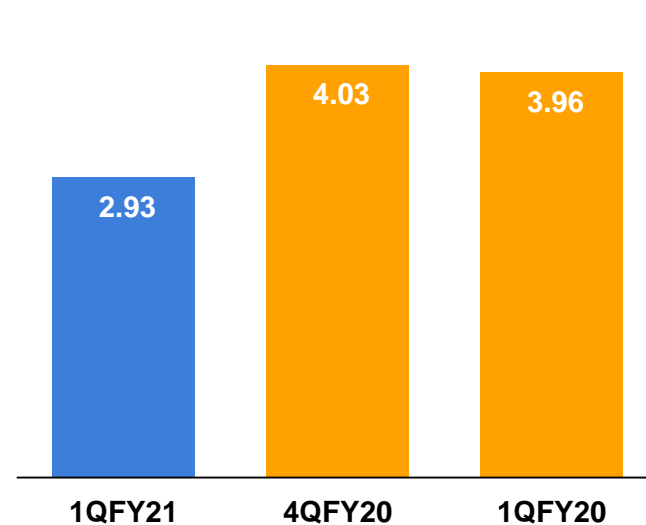
# Tata Steel India<sup>1</sup>: Production and delivery volumes

- 1QFY21 sales volumes in India declined by 27%QoQ due to nationwide lockdown amid COVID-19 outbreak; exports were significantly ramped to 1.46 mn tons by tapping new markets and leveraging our supply chain capability
- Crude steel production decreased by 37%QoQ as the capacity utilization was curtailed in Apr'20 due to the lockdown, before gradually ramping back from mid-May'20 onwards
- With relaxation in lockdown measures, overall deliveries in June'20 improved significantly to ~115% of FY20 average monthly overall deliveries; domestic deliveries in Jun'20 reached ~75% of FY20 average monthly domestic deliveries

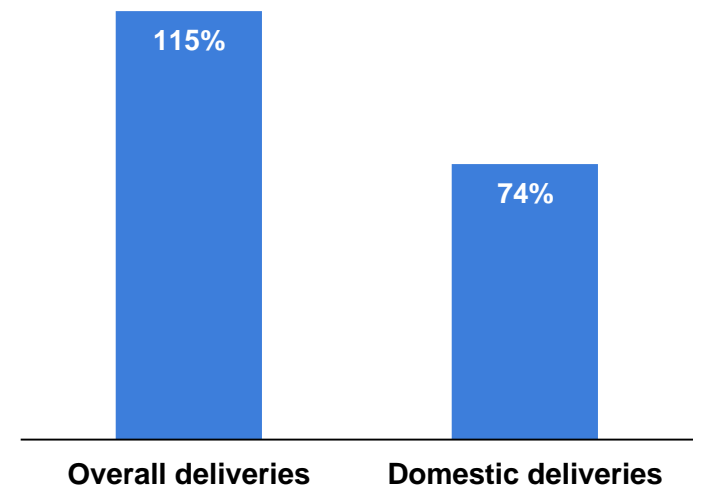
Crude Steel Production (mn tons)



Total deliveries (mn tons)



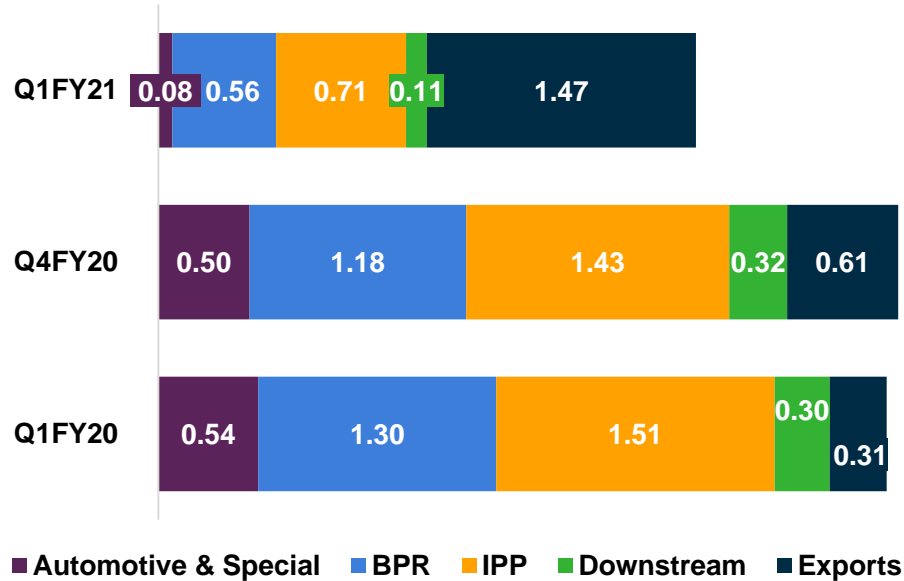
June '20 deliveries as a % of FY20 average monthly deliveries



1. Tata Steel India includes Tata Steel Standalone, Tata Steel BSL (TSBSL) and Tata Steel Long Products (TSLP) on proforma basis without inter-company eliminations; Tata Steel Long Products has been included from 09th April, 2019.

# Tata Steel India<sup>1</sup> – segmental highlights

## Segment-wise deliveries (mn tons)



- Tata Steel Kalinganagar certified and approved by a reputed PSU for commercial supplies of API grades up to X70
- CR Hi Tensile CR 780 MPa grade approved by two major automotive OEMs for upcoming models
- Nest-In developed new solutions for healthcare segment; developed 550-bed COVID-19 hospital in Kerala within 60 days

## Branded Products & Retail segment:

- Retail sales reached 92% in Jun'20 of FY20 average monthly sales with focus on physical & digital channels

- **Market Sensing:** Seizing the right opportunity to effect sales by –



- Identifying & prioritizing sales opportunity at the district level based on extent of COVID severity
- Identifying dealers in complementary businesses to increase market access



- Launched 2 Coated Brands - “GalvaRoS” and “Colornova” to meet the evolving needs of ECA customers with application in PEB, white goods and general engineering

- Supplied 100% of the steel requirement to Indian Railways for first ever ‘Made in India’ 12000 HP electric locomotive engine

- **Capability Building:** Utilizing lockdown phase to build channel capability by –



- Digital onboarding of channel members for collaboration
- Online dealer, customer & fabricator meets
- 75+ training sessions including sales pitch videos

- Aashiyana, the online platform, targeted towards ‘Individual home builder segment’, continues to grow strongly

1. Tata Steel India includes Tata Steel Standalone, Tata Steel BSL (TSBSL) and Tata Steel Long Products (TSLP) on proforma basis without inter-company eliminations; Tata Steel Long Products has been included from 09th April, 2019. Downstream indicates transfers to downstream units; ECA: Emerging Customer Accounts

## Tata Steel Standalone: Financial performance

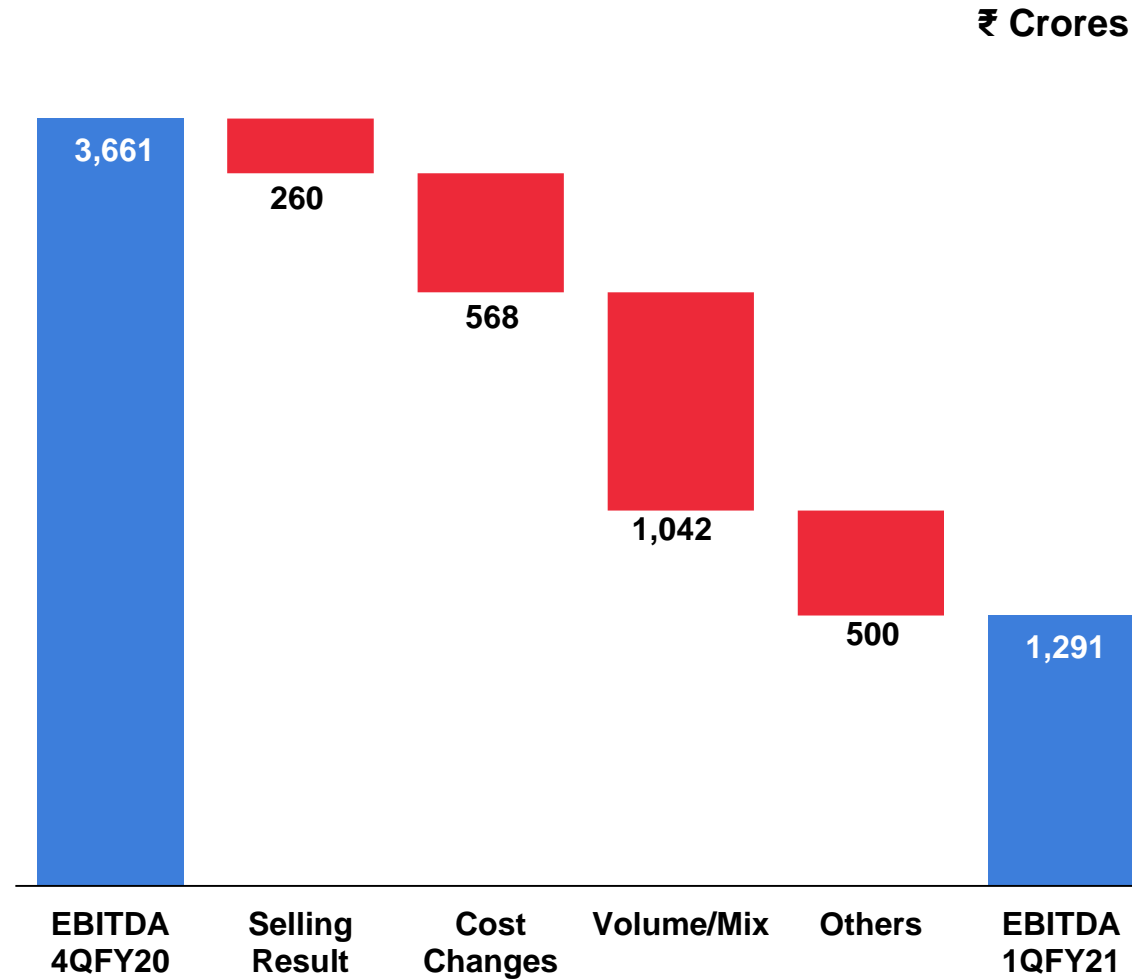
<i>(All figures are in Rs. Crores unless stated otherwise)</i>	1QFY21	4QFY20	1QFY20
<b>Total revenue from operations</b>	<b>9,339</b>	<b>14,211</b>	<b>16,091</b>
Raw material cost <sup>1</sup>	2,516	4,338	5,272
Change in inventories	45	(980)	(544)
<b>EBITDA</b>	<b>1,291</b>	<b>3,661</b>	<b>4,098</b>
<b>Adjusted EBITDA<sup>2</sup></b>	<b>1,291</b>	<b>3,661</b>	<b>4,277</b>
<b>Adjusted EBITDA per ton (Rs./t)</b>	<b>6,100</b>	<b>12,573</b>	<b>14,218</b>
Pre exceptional PBT from continuing operations	(505)	1,914	2,444
Exceptional items	2,059	(2,009)	(41)
Tax expenses	360	341	864
<b>Reported PAT</b>	<b>1,193</b>	<b>(437)</b>	<b>1,539</b>

Exceptional items in 1QFY21 primarily include gain on fair valuation of preference shares held at Tata Steel BSL amounting to Rs.2,032 crores

Lower volumes and  
adverse product mix  
impacted margins

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products; 2. 1QFY20 EBITDA is adjusted for fair value changes on account of exchange rate movement on Preference share investments in T Steel Holdings, however, there is no adjustment from 4QFY20 onwards as the investment was converted in to equity

## Tata Steel Standalone: EBITDA movement

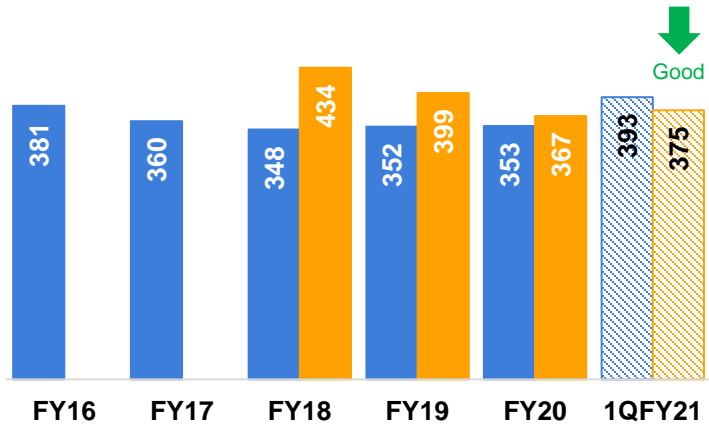


- Selling results primarily reflect decline in steel realizations due to higher exports
- Impact of cost savings negated by idle/ abnormal cost owing to lower level of capacity utilization
- Volume/mix impact is primarily due to lower volumes and adverse product mix
- Others primarily due to Nil EPCG income and lower other operating income in 1QFY21

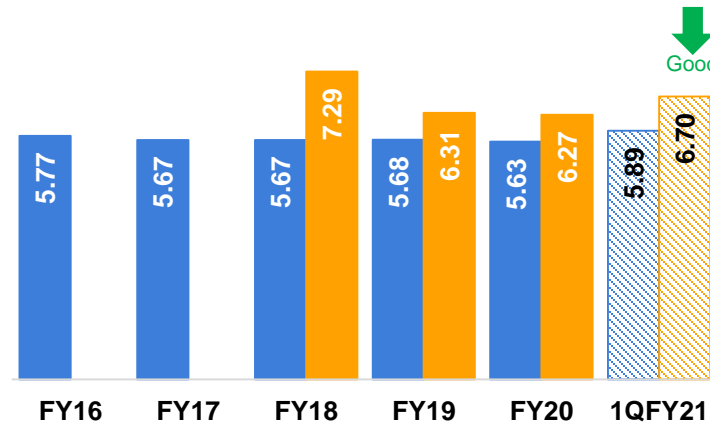
# Tata Steel Standalone: Key sustainability parameters

- Sustainability parameters were impacted during 1QFY21 due to lower than normal capacity utilization levels

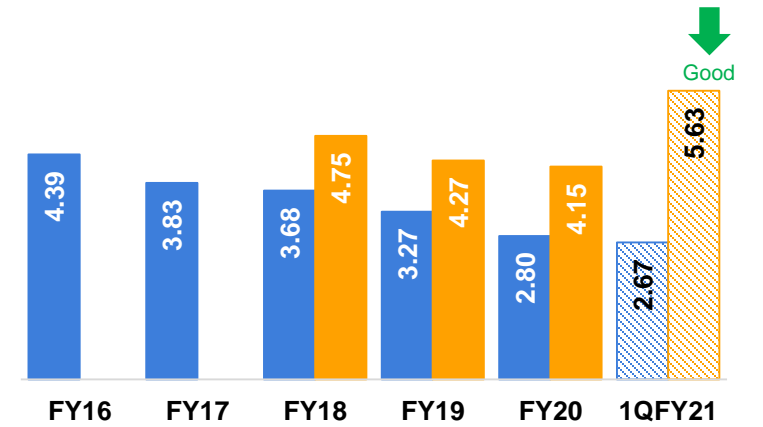
Coke Rate (kg/tcs)



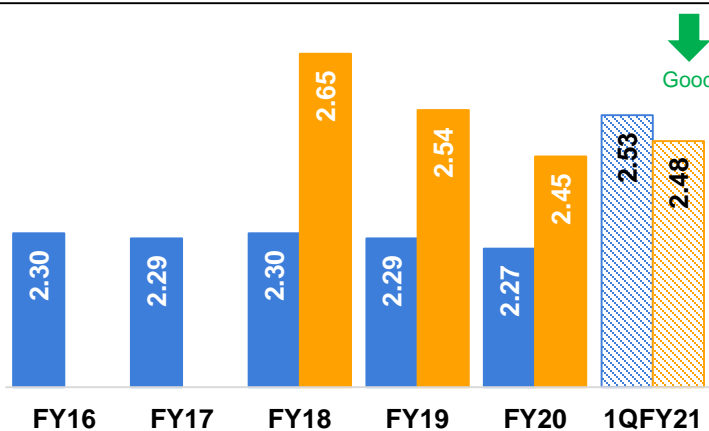
Specific Energy Intensity (Gcal/tcs)



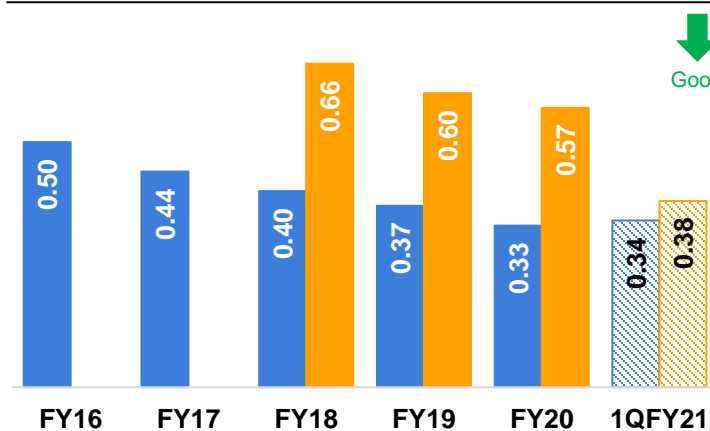
Specific Water Consumption (m³/tcs)



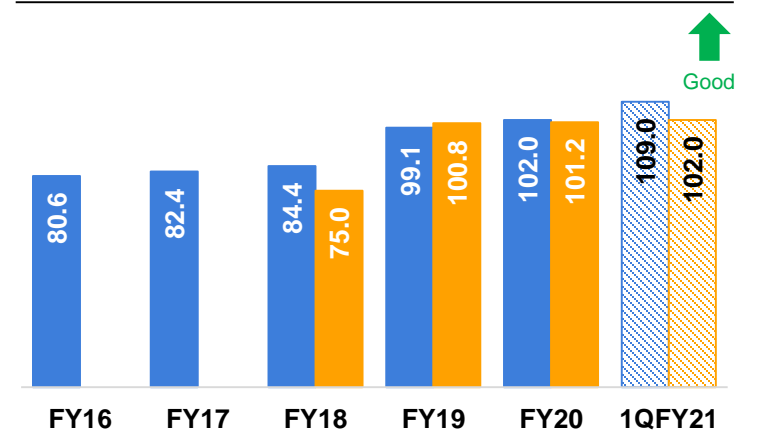
CO<sub>2</sub> Emission Intensity (tCO<sub>2</sub>/tcs)



Specific Dust Emission (kg/tcs)



Solid Waste Utilization (%)



■ Tata Steel Jamshedpur  
■ Tata Steel Kalinganagar



## Tata Steel BSL: Consolidated performance and key updates

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	1QFY21	4QFY20	1QFY20
Crude Steel production (mn tons)	0.66	1.12	1.12
Deliveries (mn tons)	0.70	0.98	0.86
Total revenue from operations	2,697	4,274	4,333
Raw material cost <sup>1</sup>	1,336	2,564	2,905
Change in inventories	261	(395)	(655)
<b>EBITDA</b>	150	775	785
<b>EBITDA/t (Rs.)</b>	<b>2,156</b>	<b>7,908</b>	<b>9,092</b>

### Key updates

- Production and deliveries were impacted in 1QFY21 due to outbreak of COVID-19
- Achieved pre-COVID sales volume in June '20 with the phased opening of economic activity in India supported by ramp up of production, launch of branded products and higher exports sales
- Increased in share of business with marquee automotive OEMs; secured orders from solar panel manufacturers; increased sales in Oil & gas segment with steel supply for LPG cylinders and X-70 API grade for gas pipelines
- Started commercial production and sales of "Tata Shaktee" from Tata Steel BSL's Khopoli plant
- Free cashflow generation drives reduction in net debt by Rs.577 crores

Net debt reduced

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products

## Tata Steel Long Products: Consolidated performance and key updates

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	1QFY21	4QFY20	1QFY20
<b>Production ('000 tons)</b>			
- Crude Steel	121	156	121
- Sponge	134	201	172
<b>Deliveries ('000 tons)</b>			
- Steel	117	137	93
- Sponge	104	164	135
<b>Total revenue from operations</b>	<b>653</b>	<b>1,008</b>	<b>705</b>
Raw material cost	384	528	635
Change in inventories	3	(22)	(155)
<b>EBITDA</b>	<b>15</b>	<b>132</b>	<b>55</b>

### Key updates

- Steel sales grew by 25%YoY in 1QFY21; DRI production and sales witnessed a dip on YoY basis due to closure of markets
- Achieved higher ever steel exports sales volume of 64 KT by creating new customer base in the freight friendly markets and significantly ramping up the supply chain capability
- Enhanced presence in Tractor segment with a market share of 13% in 1QFY21 vs. 5% in 4QFY20
- Continued focus on operational excellence resulted in improved KPIs for 1QFY21 – a) 3%QoQ reduction in coal consumption at DRI Gamharia unit, b) 5%QoQ reduction in electrode consumption, and c) achieved best ever yield of 83% at Steel Melting Shop
- Free cashflow generation drives reduction in net debt by Rs.291 crores

Net debt reduced

Note: Steel business of Usha Martin Limited has been consolidated with Tata Steel Long Products from 9th April, 2019

## Tata Steel Europe: performance and key updates

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	1QFY21	4QFY20	1QFY20
Liquid Steel production (mn tons)	2.15	2.64	2.65
Deliveries (mn tons)	1.98	2.39	2.26
Total revenue from operations	11,225	13,588	14,495
Raw material cost <sup>1</sup>	5,349	5,890	7,332
Change in inventories	387	(46)	(932)
<b>EBITDA</b>	<b>(626)</b>	<b>65</b>	<b>62</b>
<b>EBITDA/t (Rs.)</b>	<b>(3,155)</b>	<b>272</b>	<b>277</b>

### Key updates

- 1QFY21 liquid steel production and deliveries were impacted by weakness in steel demand due to COVID-19 pandemic
- Oversupply in European steel markets led to adverse product mix and thereby fall in revenue and profitability
- Continuous improvement from transformation program, careful cost management and wage support from European and UK governments helped limit the EBITDA loss at £67 million
- Continued to engage with European and UK Governments to seek short and longer-term support
- Launched 7 new products in 1QFY21 for construction and packaging sectors

Sharp reduction in  
spreads affects  
margins

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products

# Business Outlook

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## Steel Demand

- Global steel demand to improve gradually as economic activity recovers with relaxation in mobility restrictions and policy stimulus; however, it will remain lower on YoY basis in 2020
  - India steel demand is expected to improve further; supported by government spending on infrastructure and stronger rural demand on the back of good monsoon
  - Steel demand recovery in EU is slower; overall 2020 demand is expected to decline by about 16%
- 

## Steel prices

- Asian steel prices are expected to improve with robust steel demand, strong Iron ore prices and lower exports from China
  - Domestic steel prices are expected to find support with recovery in steel demand; improving Asian steel prices
- 

## Iron Ore

- Seaborne iron ore prices are expected to remain elevated with strong demand from China
- 

## Coking Coal

- Coking coal prices are expected to gradually increase with recovery in global steel production, especially in India
-

## Annexure – I: Standalone QoQ Variations

Rs Crores	1QFY21	4QFY20	Key Reasons
Income from operations	9,146	13,699	Due to lower deliveries, weak realisations including adverse mix
Other operating income	193	513	Primarily due to Nil EPCG income
Raw materials consumed	2,433	3,934	In line with lower production level, and lower coal and other RM prices
Purchases of finished, semis & other products	83	403	Due to lower purchases
Changes in inventories	45	(980)	At par QoQ FG and SFG inventory volumes
Employee benefits expenses	1,310	1,371	Primarily due to change in actuarial assumptions
Other expenses	4,217	5,834	In line with lower production level and cost savings
Depreciation & amortisation	969	1,002	Lower with some assets being fully depreciated in 4QFY20
Other income	121	71	Primarily due to higher interest income on higher cash deposits
Finance cost	908	804	Due to short term loans raised in Mar'20
Exceptional Items	2,059	(2,009)	Primarily include gain on fair valuation of preference shares held in Tata Steel BSL
Tax	360	341	In-line with profitability level
Other comprehensive income	14	(485)	Primarily on account of fair value adjustments of non-current investments and re-measurement gain/loss on actuarial valuation of employee benefits

## Annexure – II: Consolidated QoQ Variations

Rs Crores	1QFY21	4QFY20	Key Reasons
Income from operations	23,813	32,867	Primarily due to lower deliveries, weak realisation including adverse mix across geographies
Other operating income	476	903	Lower primarily at Standalone and Tata Steel BSL
Raw materials consumed	9,006	12,227	In line with lower production across geographies and decline in raw material costs in India
Purchases of finished, semis & other products	609	1,069	Lower primarily at Standalone and Tata Steel Europe
Changes in inventories	786	(1,540)	Decrease primarily at Tata Steel BSL and Tata Steel Europe
Employee benefits expenses	4,546	4,735	Lower primarily at Standalone and Tata Steel Europe
Other expenses	8,837	12,633	lower in line with lower operating levels, fixed cost variablisation, gain on sales of emission rights and other cost saving initiatives, partially offset by unfavorable FX impact
Depreciation & amortisation	2,111	2,224	Lower at Standalone and Tata Steel Europe
Other income	193	1,316	Higher one-off income at Tata Steel Europe in 4QFY20
Finance cost	1,998	1,925	Primarily at Standalone and Tata Steel BSL
Exceptional Items	58	(3,406)	Primarily include write back of provision on receipt of deferred consideration and profit on liquidation on closure of group entity
Tax	1,272	(263)	Higher primarily at Tata Steel Europe due to decrease in tax losses earlier recognized for deferred tax purposes
Other comprehensive income	(4,983)	5,177	Re-measurement gain/loss on actuarial valuation and favourable FX translation impact

Note: Consolidated numbers doesn't include NatSteel Holdings and Tata Steel Thailand as these have been classified as "Discontinued operations"



### **Investor enquiries :**

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