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# Tata Steel Group- Creating a Sustainable Future

**Consolidated Financial Performance April – September '08**

Analyst Meet – Mumbai

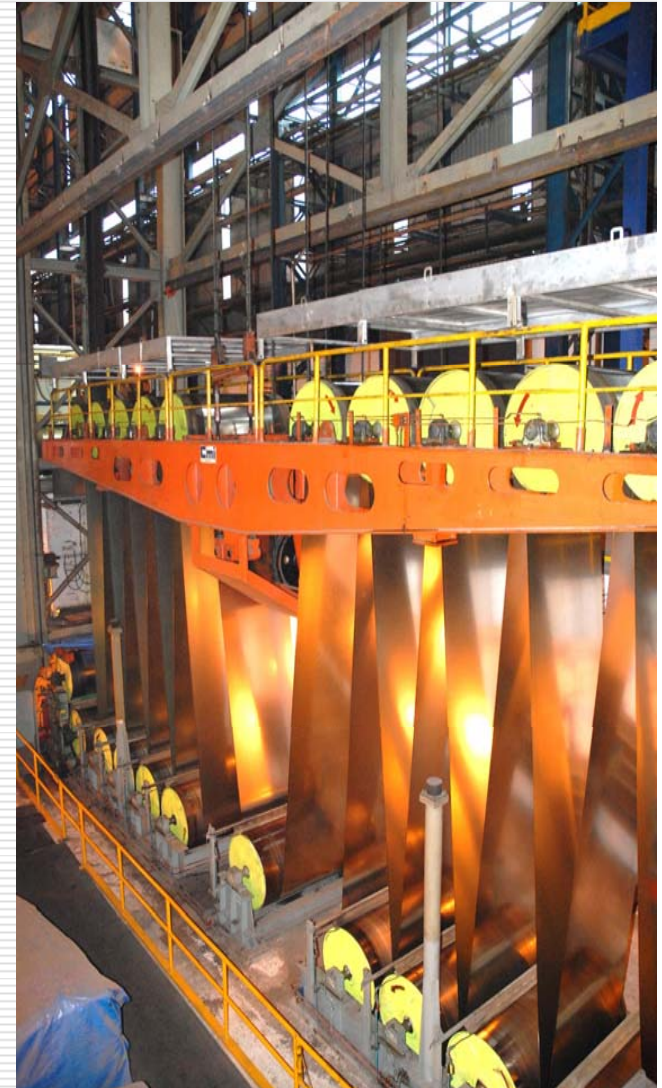
December 2, 2008





# Agenda

- ❑ Key Highlights
- ❑ H1'09 Performance & Near Term Outlook - India & South East Asia
- ❑ H1'09 Performance & Near Term Outlook – Europe
- ❑ Consolidated Financial Performance
- ❑ Financial Crisis and Steel Industry
- ❑ Tata Steel Group's response to Financial Crisis
- ❑ Growth plan and projects





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# Key Highlights

## Committed to Group Vision 2012

- We aspire to be a global steel industry benchmark for Value Creation and Corporate citizenship

Focusing on ~

- **Value Creation**

*Increase Tata Steel Group ROIC to 30%*



- **Safety**

*Reduce LTIF (Lost Time Injury Frequency Rate) to 0.4*



- **Environment**

*Reduce CO2 emissions to 1.5 tons/ton of liquid steel*



- **Employer of Choice**

*Rank top quartile across all industries*





## Deming Application Prize Awarded to Tata Steel

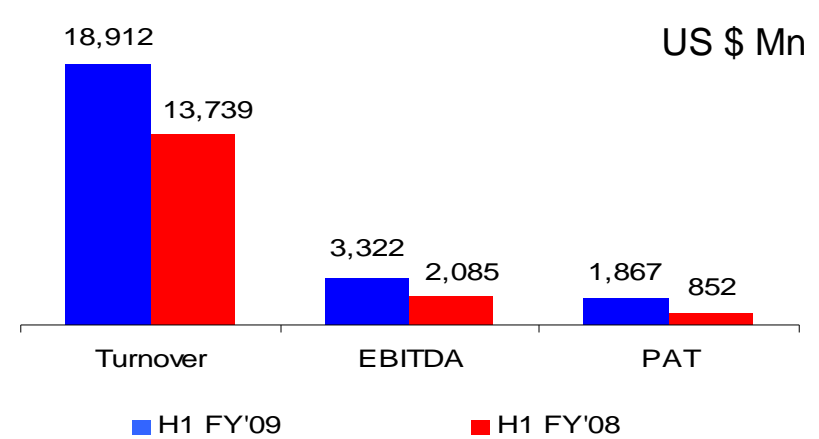
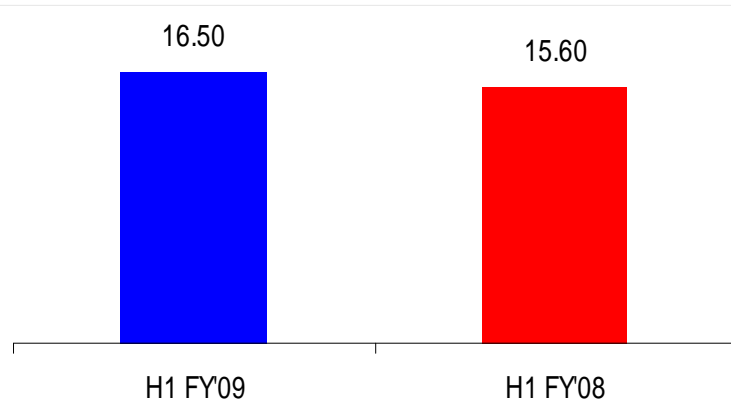


Tata Steel India becomes the first integrated steel company in the world, outside Japan, to be awarded the Deming Application Prize for Excellence in Total Quality Management for the year 2008

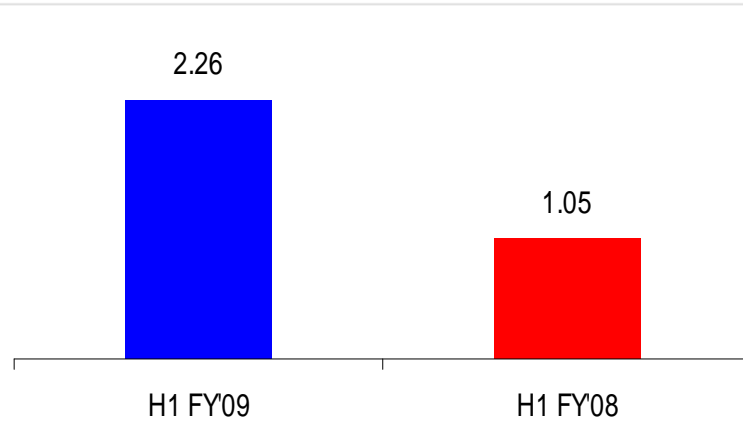


## Consolidated Financial Performance : H1'09 vs. H1'08

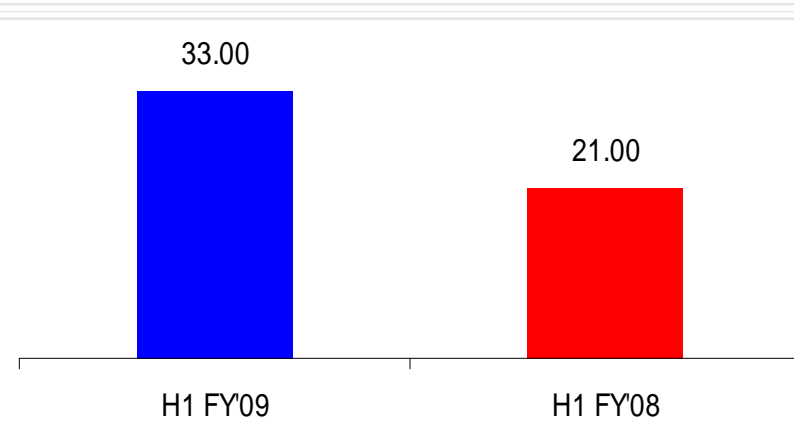
Deliveries ( mt)



Diluted EPS (US \$)



ROIC (%) - Annualized



H1 FY08 are Performa nos. considering effect of actuarial gains or losses in pension funds at TSUK in retained earnings



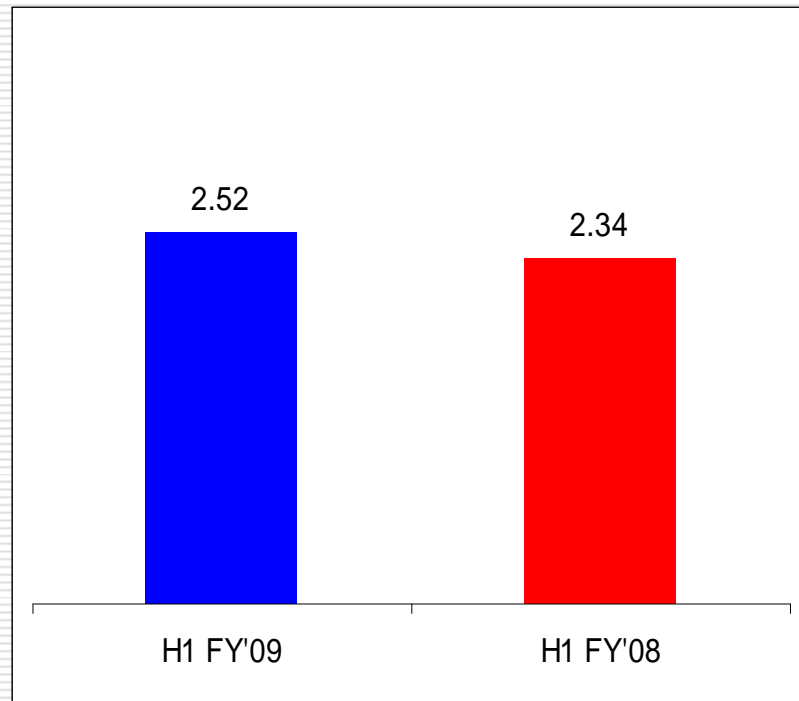
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# **Half Year Performance Analysis & Near Term Outlook – India & South East Asia**



## Key Highlights – Tata Steel India

Saleable Steel Production

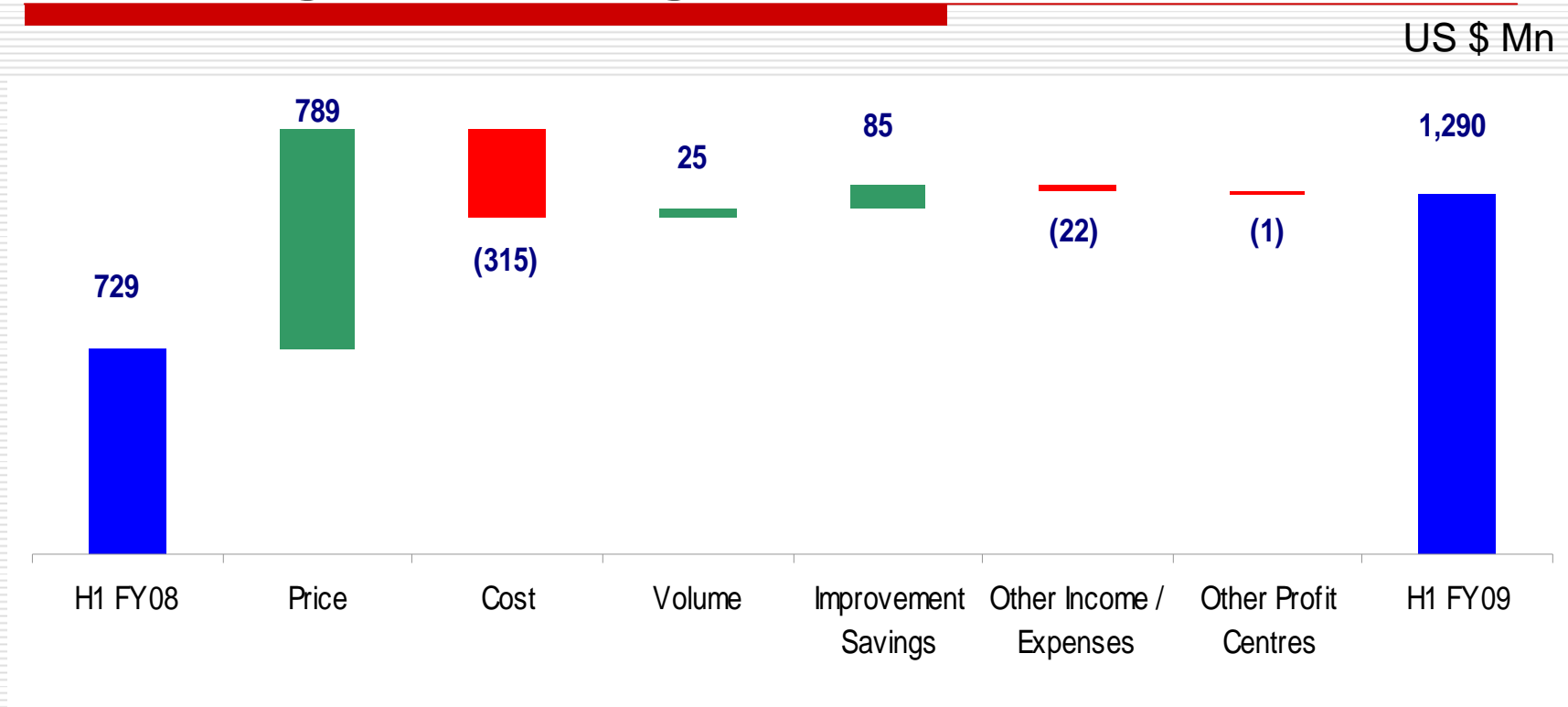


Mn tonnes

	H1 FY'09	H1 FY'08	FY'08
Crude Steel Production (mt)	2.61	2.43	5.01
ROIC (%)	114	84	98
Safety ( LTIF)	1.12	1.84	1.70
Environment ( CO <sub>2</sub> Emissions/ t)	2.13	2.11	2.00

Financial Year – April - March

## Operating Profit Bridge – Tata Steel India



- 'H' BF reached its rated production within 100 days of start up
- Use of Jhama Coal instead of costlier anthracite coal in Sinter Plant
- Flat Product Division – Best ever monthly production of 1.44 mt in CRM in August'08



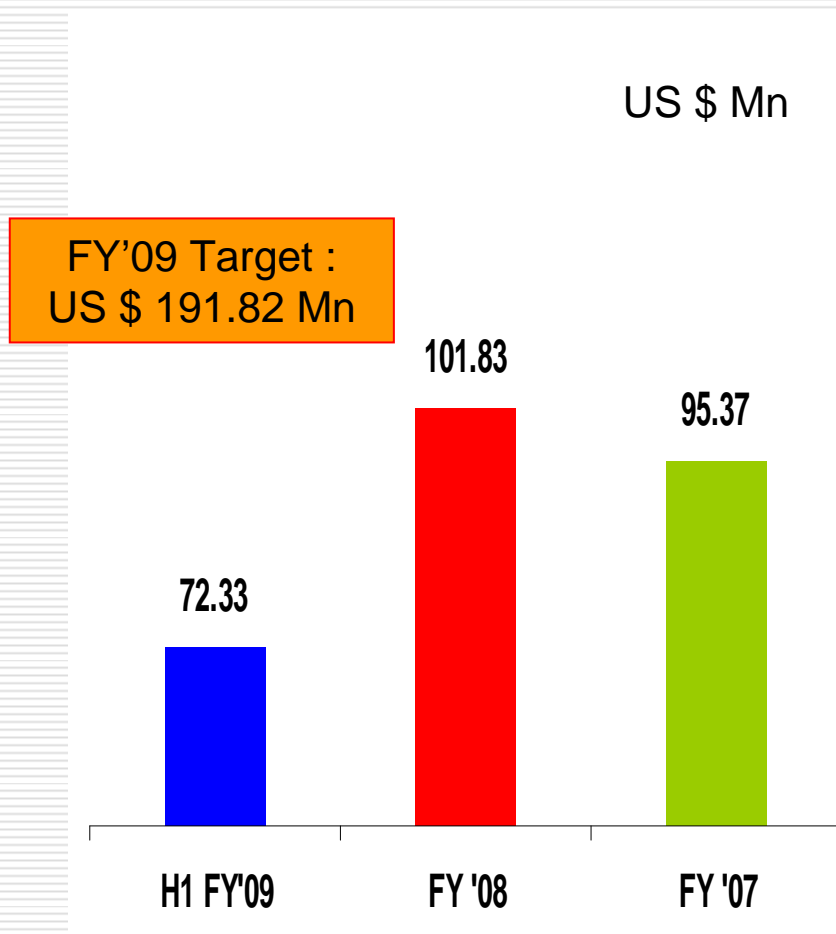
## Marketing Initiatives in India

- ❑ Retail Color Coated Brand “Durashine” launched by Tata Blue Scope
- ❑ Trial Process initiated for auto manufacturers, Nissan and Volkswagen
- ❑ Launched seismic resistance TMT rebars “TATA TISCON S.D” in retail segment in entire North East India
- ❑ Launched long product service center for cut and bend , ready to use rebars at Bangalore
- ❑ Six exclusive shops called “Steelium Zone” opened for retail customers across India





## Key Performance Improvements – India



### ❑ Critical Chain Project Management ( TOC)

- Expeditious Project Execution
  - Stelmor cooling up gradation
  - Slab caster up gradation
  - Reduction in shut down time in LD#2

### ❑ Solution for Sales (TOC)

- Distributor replenishment module
- Dealer replenishment module

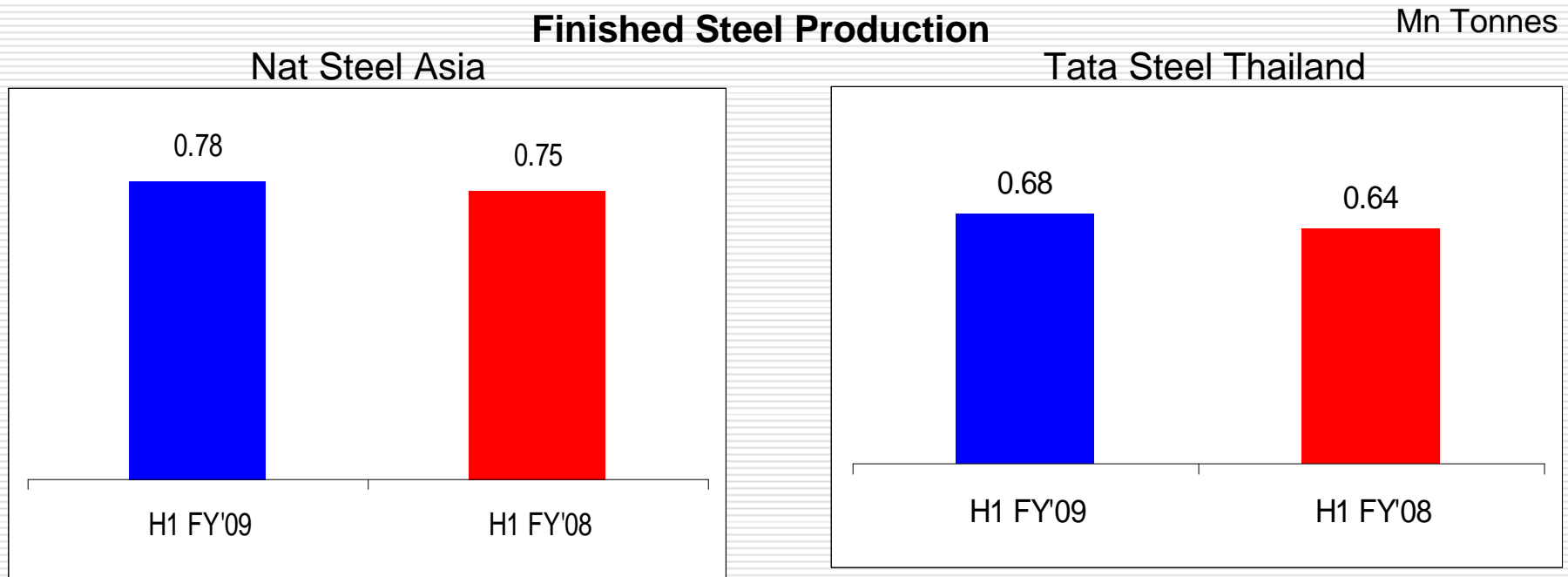


## Near Term outlook - India

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- India affected due to de leveraging in Europe and US
  - Monetary tightening in the earlier part of the year
- Monetary easing is expected to ease liquidity in the near future
- Lack of liquidity has impacted demand growth, in the near term
- Construction sector most affected
  - but will rebound faster with increased govt. spending on infrastructure
- Demand pick up expected in mid 2009
  - Current level of prices are close to the bottom

## Operating Highlights – South East Asia



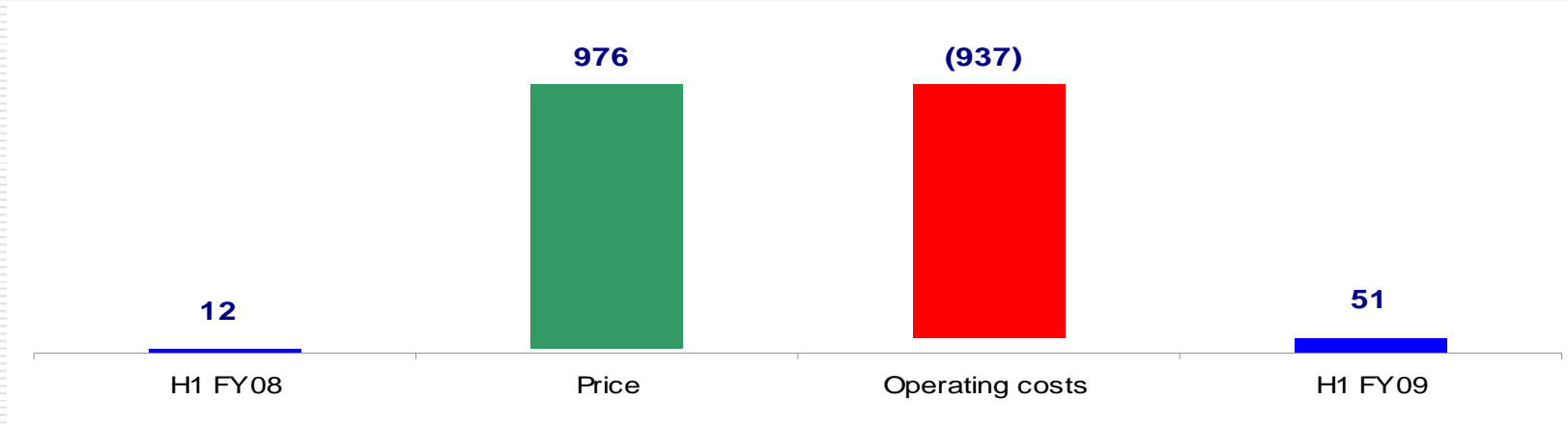
- High local mesh sales to HDB Govt Housing Projects in Singapore
- Strong demand from Australian subsidiaries
- Electricity consumption per billet ton improved to 393.3 kwh/ t vs. 399.1 kwh/ t in FY08
- Increase in finished goods production by 6.3% over H1 FY'08
- Progress of 'Mini Blast Furnace' is on schedule



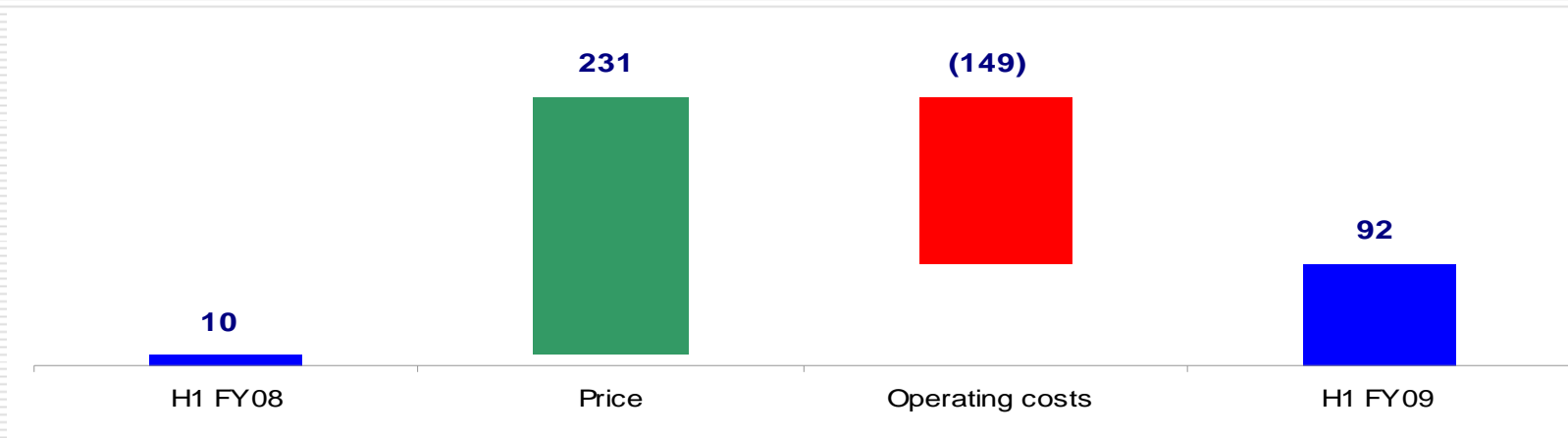
# Operating Profit Bridge- South East Asia

US \$ Mn

## Nat Steel Asia



## Tata Steel Thailand





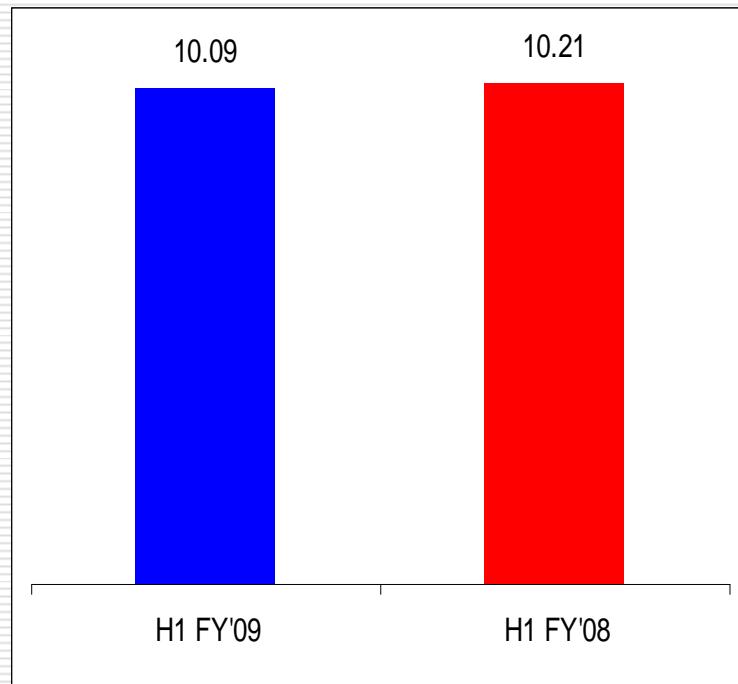
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# Half Year Performance Analysis & Near Term Outlook – Europe



## Key Highlights – Tata Steel UK

Liquid Steel Production



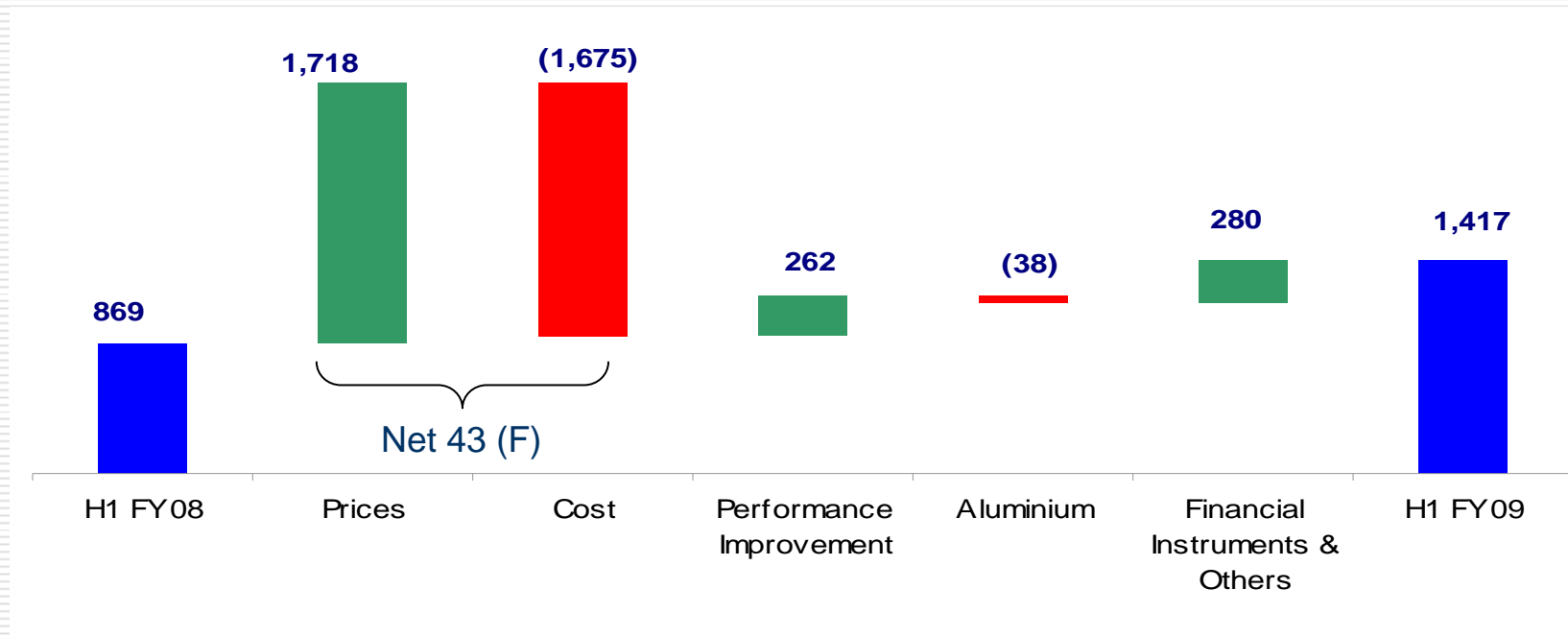
Mn tonnes

Financial Year – April - March

	H1 FY'09	H1 FY'08	FY'08
Liquid Steel Production (mt)	10.09	10.21	20.30
Steel Deliveries (mt)	11.90	11.50	23.10
ROIC (%)	22	14	12
Safety ( LTIF)	1.90	1.90	2.40
Environment (CO <sub>2</sub> Emissions/t)	1.90	1.85	1.85

## Operating Profit Bridge – Tata Steel UK

US \$ Mn



- New monthly production records achieved in IJmuiden on HSM, CM21 and DVL1 in the three months to Sep'08
- Start up of IJmuiden new cold mill 22 line in the three months to Sep'08
- Completion of commissioning of the Starsign project to facilitate continuous rail rolling

## Near Term Outlook – Europe

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- ❑ Demand slowdown has been significant in Europe
- ❑ Production cuts by all major players by 25% - 30%
- ❑ Steel prices have reduced by US \$ 250 – 300 / t in Southern Europe
- ❑ Liquidity across the supply chain is a key concern – actions by the Central Banks likely to start showing signs next quarter
- ❑ Major trigger would be increased government spending



## Synergies Realized in H1 FY'09

US \$ Mn

Tata Steel India	Reported	Exit rate
Manufacturing	20	50
Procurement	2	5
<b>Total</b>	<b>22</b>	<b>55</b>
Tata Steel UK	Reported	Exit rate
Manufacturing	34	61
Procurement	2	4
Corp Center	8	16
Financing	50	100
<b>Total</b>	<b>94</b>	<b>181</b>
TSL( India & UK)	Reported	Exit rate
<b>Total</b>	<b>116</b>	<b>236</b>



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# Consolidated Financial Performance



## Consolidated Financial Performance

US \$ Mn

H1 FY'09	Tata Steel	TSUK (Corus)	NSA	TSTH	Tata Steel Group (*)
Deliveries (mt )	2.4	11.9	1.6	0.6	16.5
Turnover	2,856	14,148	829	591	18,912
EBIDTA	1,390	1,767	74	103	3,322
EBIDTA margin	49%	12%	9%	17%	18%
PBT					2,320
PBT margin					12%
PAT**					1,867
PAT margin					10%
ROIC ( pretax )					33%
Diluted EPS (US\$) ***					2.26

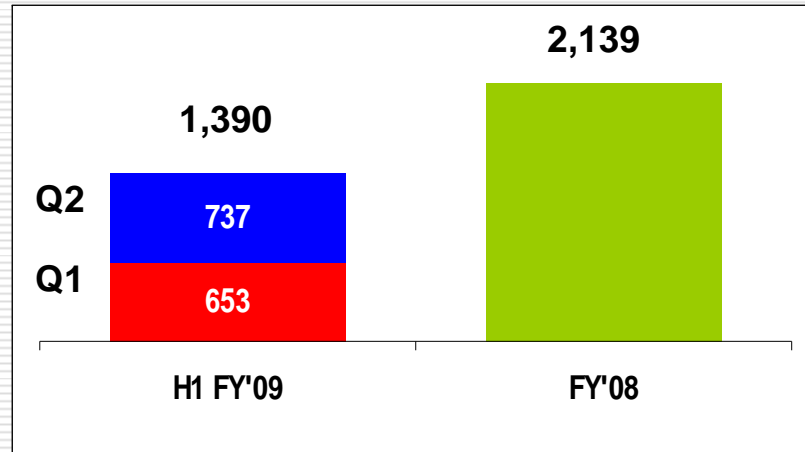
(\*) Includes other JVs, Subsidiaries & share of profit of Associates of the Tata Steel Group

(\*\*) Profit after taxes, MI and Share of Associates (\*\*\*) Not Annualized

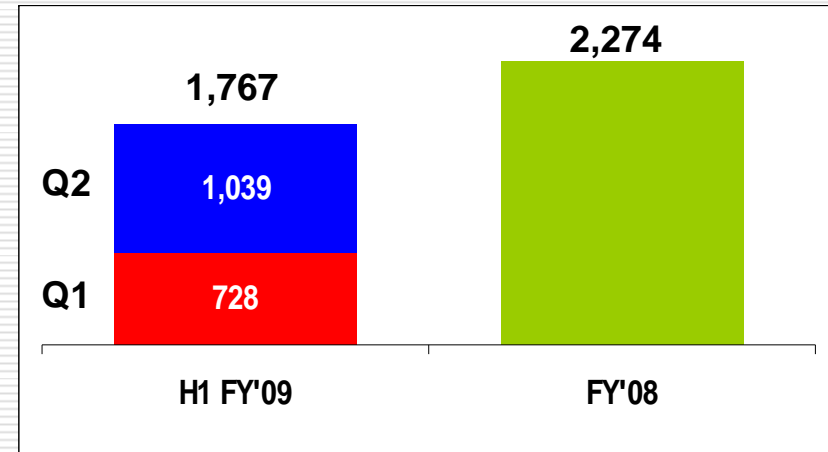


# Tata Steel Group – EBITDA Performance

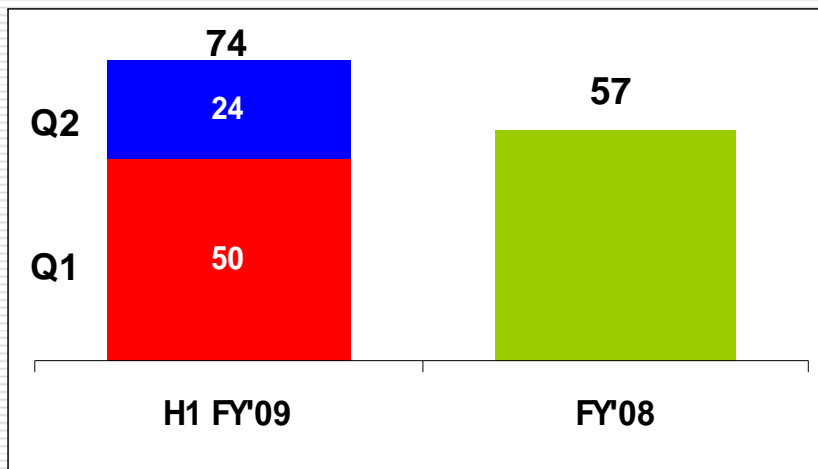
**EBITDA – Tata Steel India**



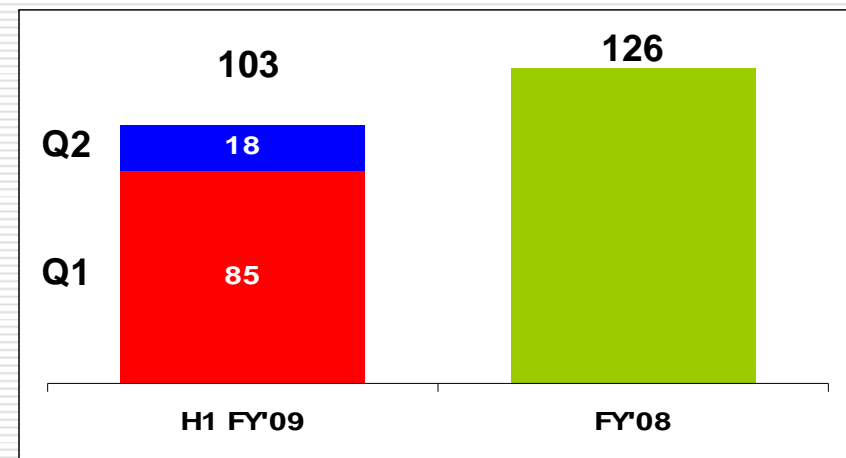
**EBITDA – Tata Steel UK**



**EBITDA – Nat Steel Asia**



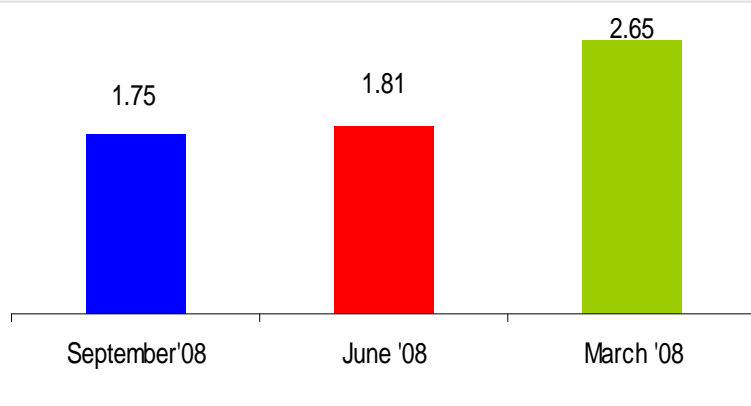
**EBITDA – Tata Steel Thailand**



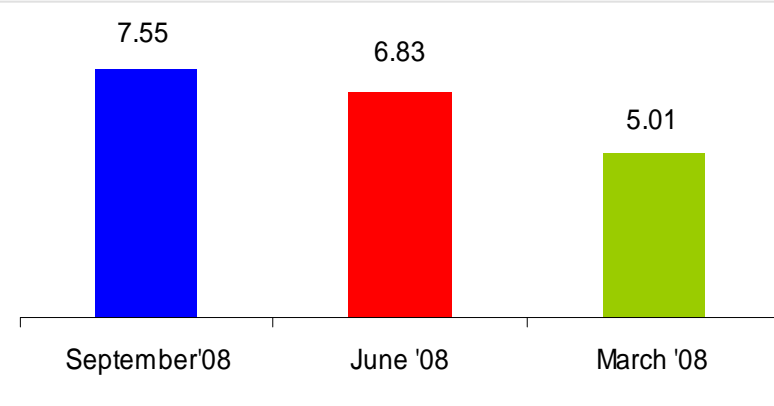


# Financial Ratios

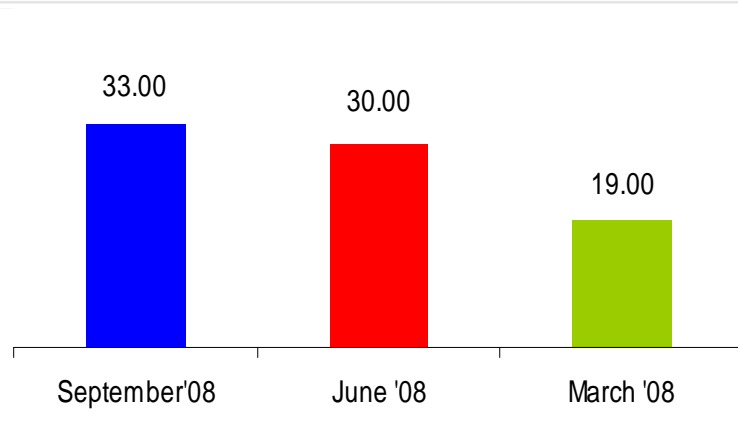
Net Debt / EBITDA



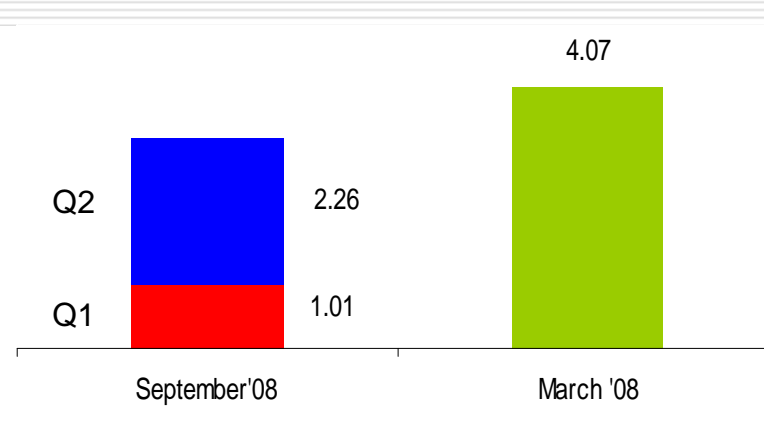
Interest Cover



ROIC (%) – Pre Tax – (Annualised)

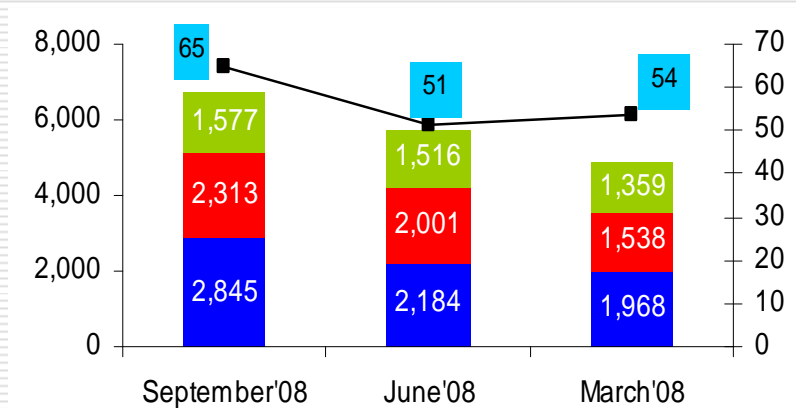


Diluted EPS – (Not Annualised) ( \$ )

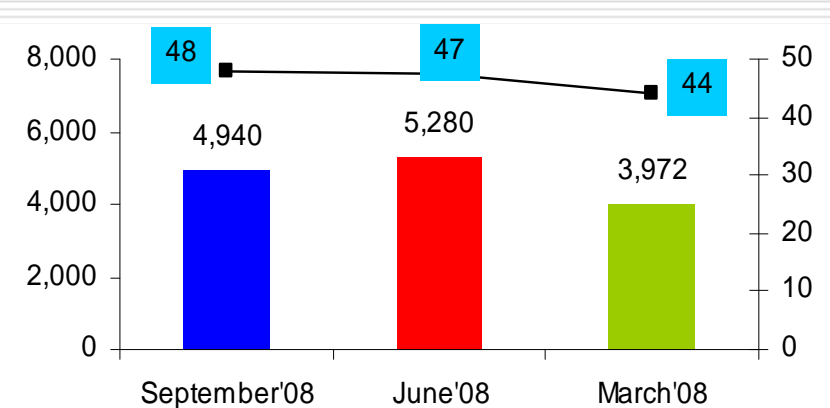


# Working Capital Management – Tata Steel Group

**Inventory In US \$ Mn**



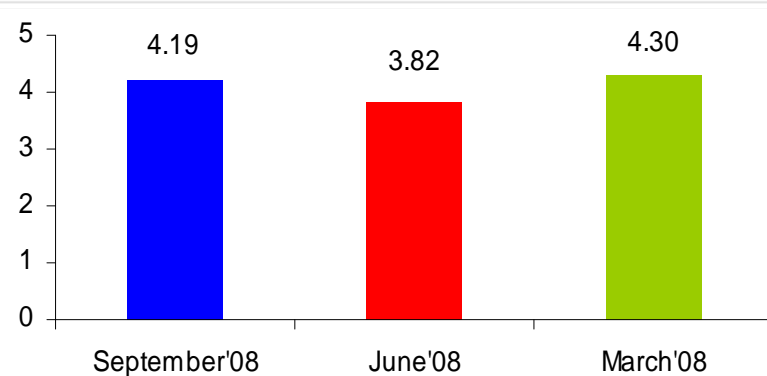
**Debtors in US \$ Mn**



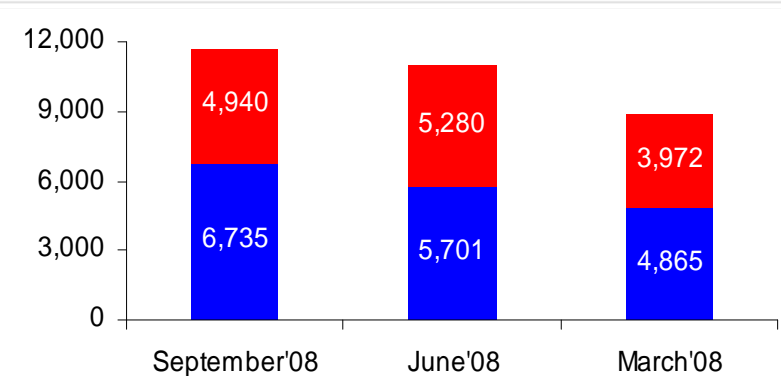
■ FG ■ RM ■ Stores & Spares --- Days of Sale

--- Days of Sale

**Finished Inventory In Mn Tons**



**Total Value In US \$ Mn**



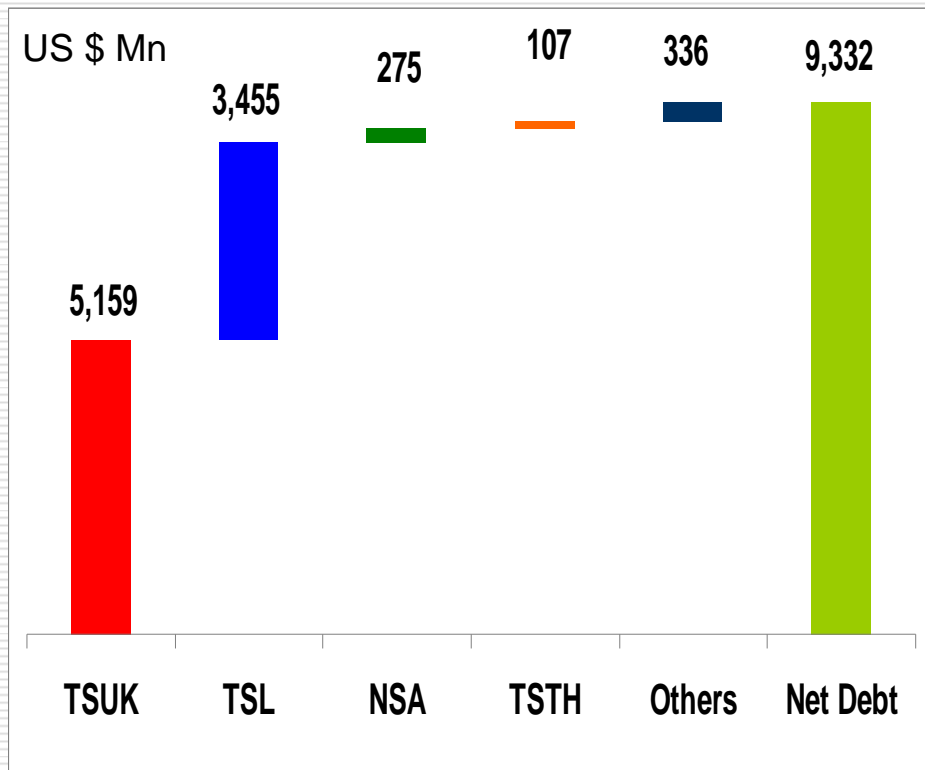
## Financing Position Update

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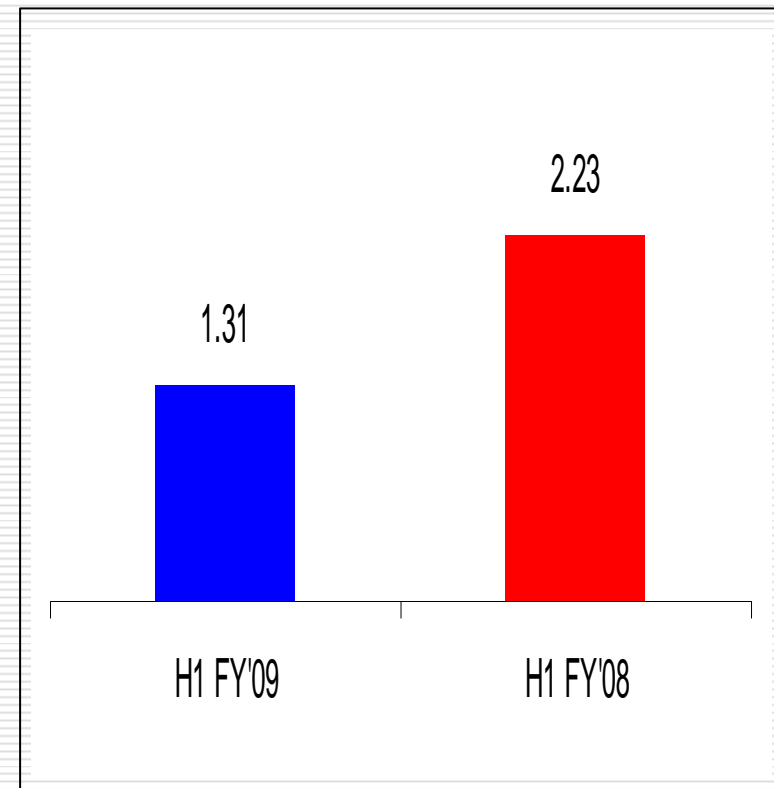
- ❑ No bridge / short term loans outstanding – all debt syndicated
- ❑ Around 10% ( GBP 295 Mn ) of TSUK debt prepaid in the last 6 months – hence **no repayment obligation till December 2009**
- ❑ Foreign Currency exposure on India Balance Sheet covered, Europe largely swapped in Euros
- ❑ All 3 Credit Ratings re- affirmed – no change ; Outlook revised one notch in all to reflect unfavorable external environment
- ❑ No Group level covenants and no cross default for TSUK to TSL
- ❑ Covenants not linked to Ratings as per SFA
- ❑ All Covenants are within limits for the financial year. Internal actions being worked on for sufficient headroom on covenant compliance in 2009-10

# Tata Steel Group : Debt Position

**Net Debt Position as on 30<sup>th</sup> Sep'08**



**Net Debt / Equity**



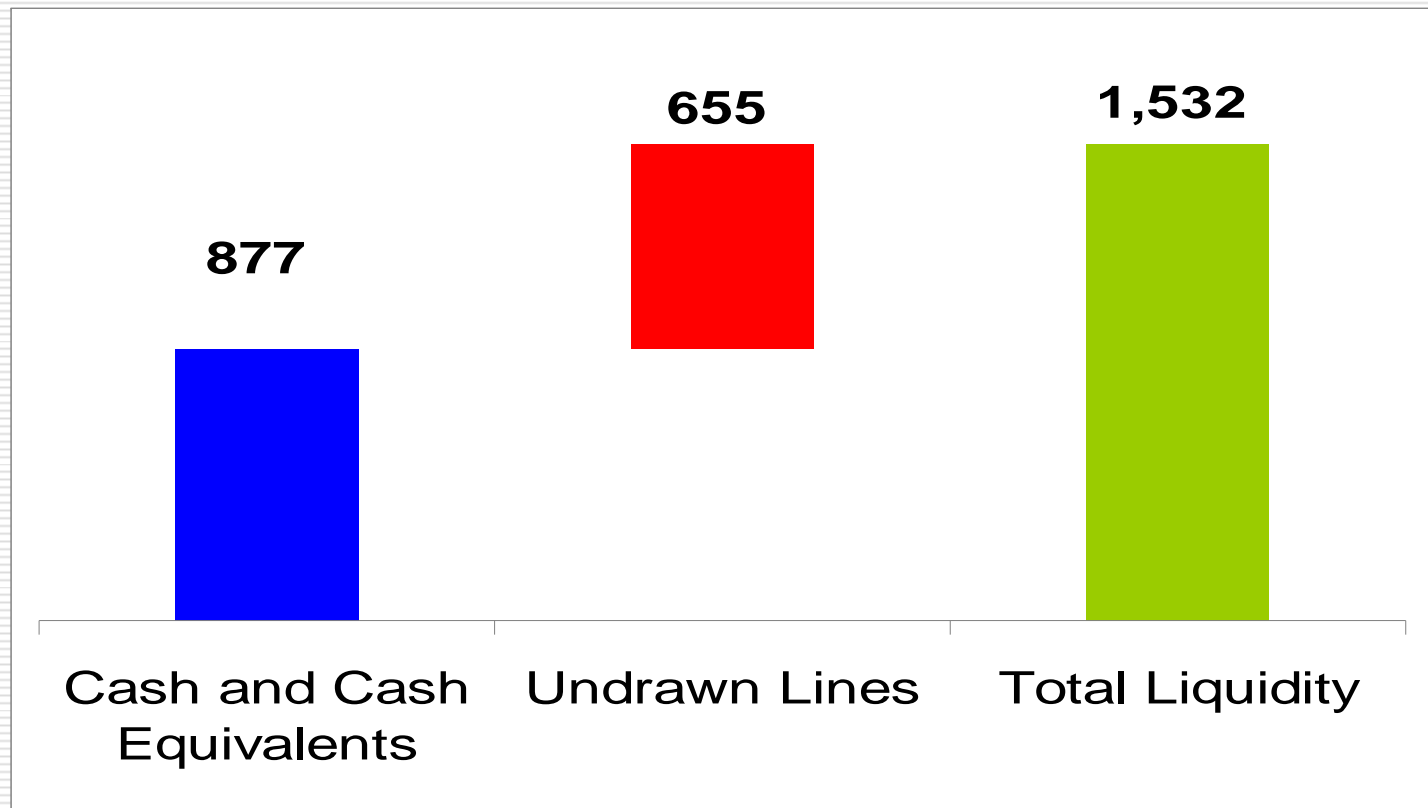
\* Net Debt excluding CARS and Working Capital Loans taken in entities



# Liquidity Position of Tata Steel Group

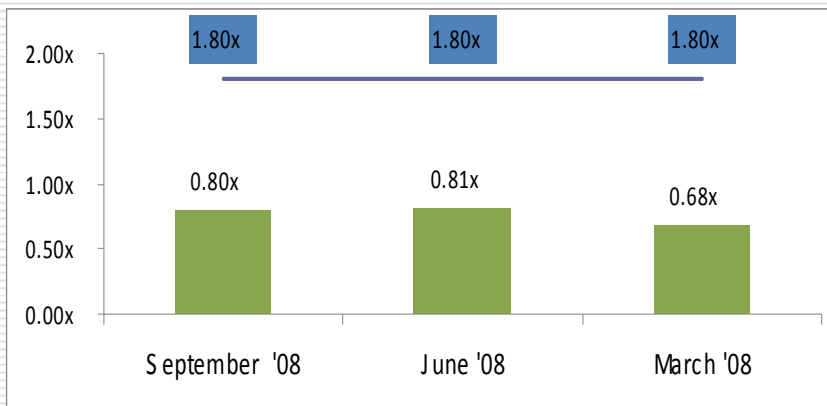
Position as on 28<sup>th</sup> Nov'08

US \$ Mn

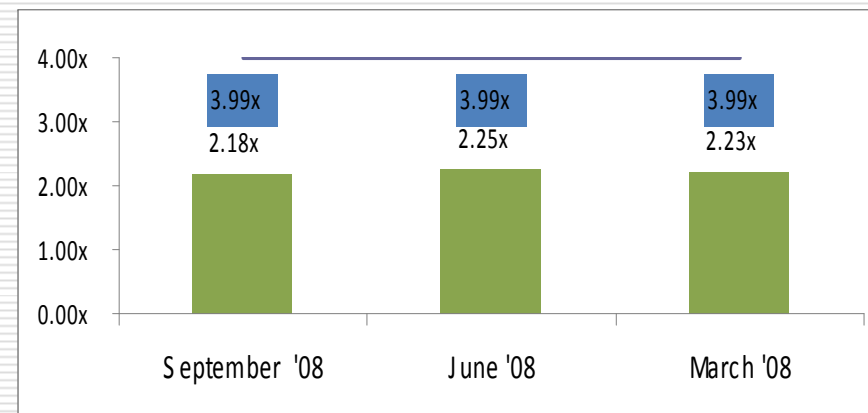


# Covenants – Tata Steel India H1 FY'09

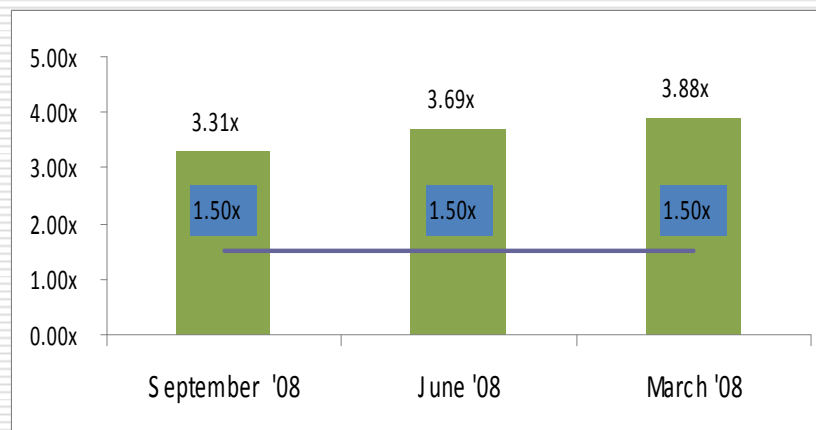
**Financial Debt / Net Worth**



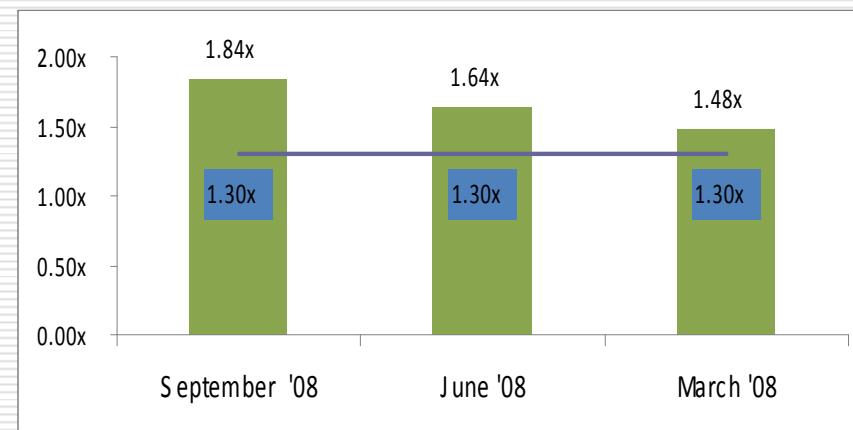
**Financial Debt / EBITDA**



**Net Income / Prospective Debt Service**



**Net Income / Peak Debt Service**



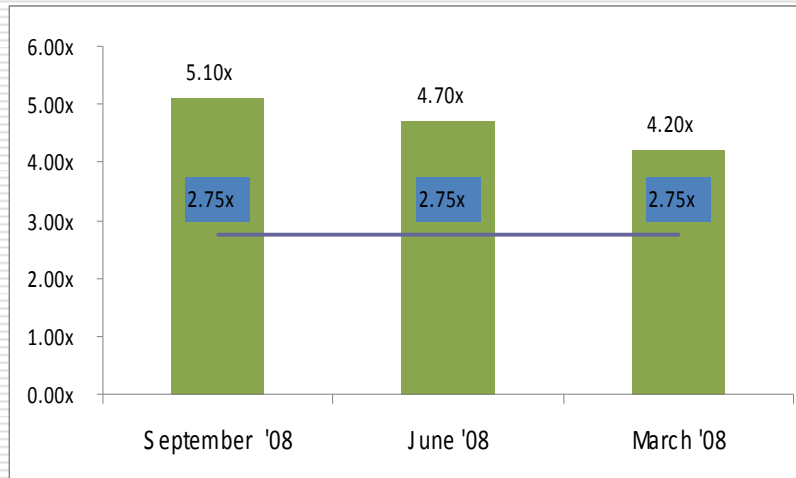
■ Tata Steel India position  
■ Covenant

\* Peak Debt service excluding CARS

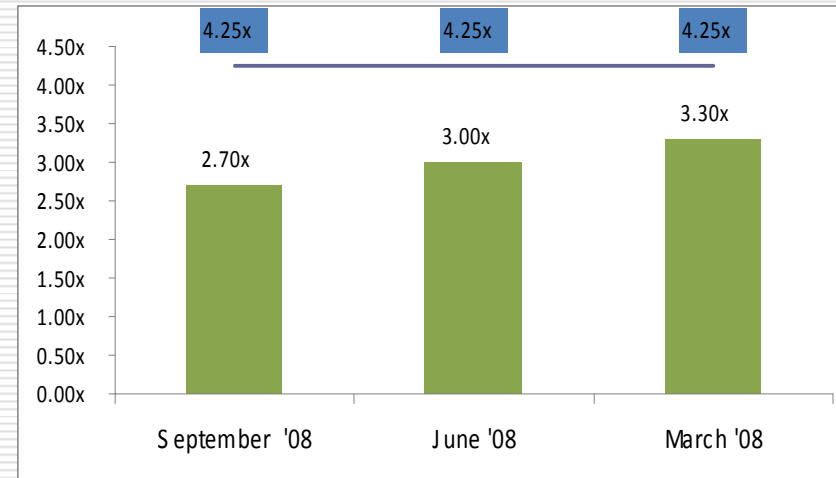


# Covenants – Tata Steel UK H1 FY'09

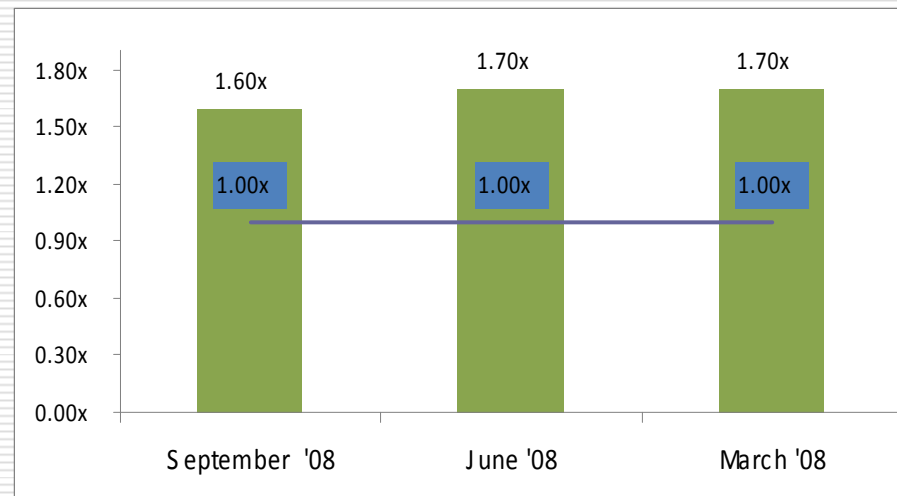
### EBITDA / Finance Charges



### Net Debt / EBITDA



### Cash Flow / Net Debt Service



■ Covenant  
■ Tata Steel UK position

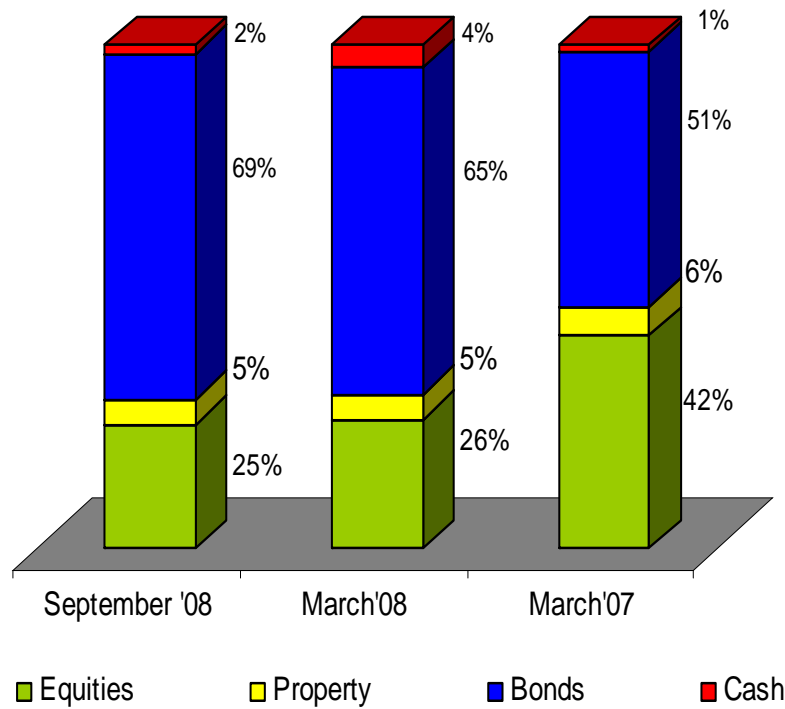
## Corporate Credit Rating Update

	Standard & Poor		Moody's		Fitch	
	Previous	Current	Previous	Current	Previous	Current
TS India	BB / Stable	BB / Stable	Ba1 / Stable	Ba1 / Negative	BBB- / Stable	BBB- / Negative
TS UK	BB- / Positive	BB- / Stable	Ba3 / Stable	Ba3 / Negative	BB / Stable	BB / Negative

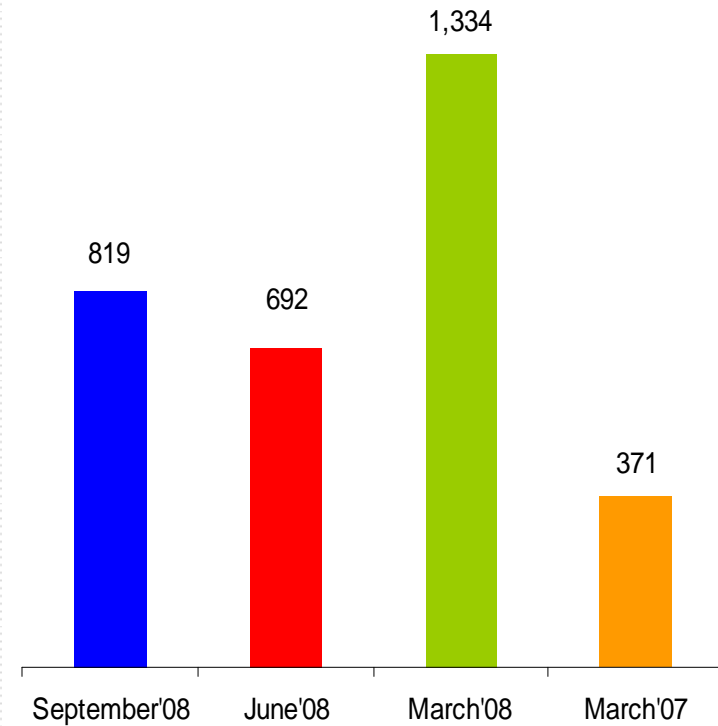
# TSUK Pensions - BSPS

£ Mn

Asset Mix in BSPS



Combined Surplus of all TSUK Pension Funds





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# Financial Crisis & Steel Industry

## Financial Crisis

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- Systematic collapse of the global banking system
- Sovereign Global Rescue Package US \$ 9 Tn announced
- De- leveraging in the US has led to dollar outflow globally
- Credit contraction has affected the real economy
- Global economy especially the developed world has entered a negative growth territory
- Emerging economies are not de – coupled but can rebound much faster

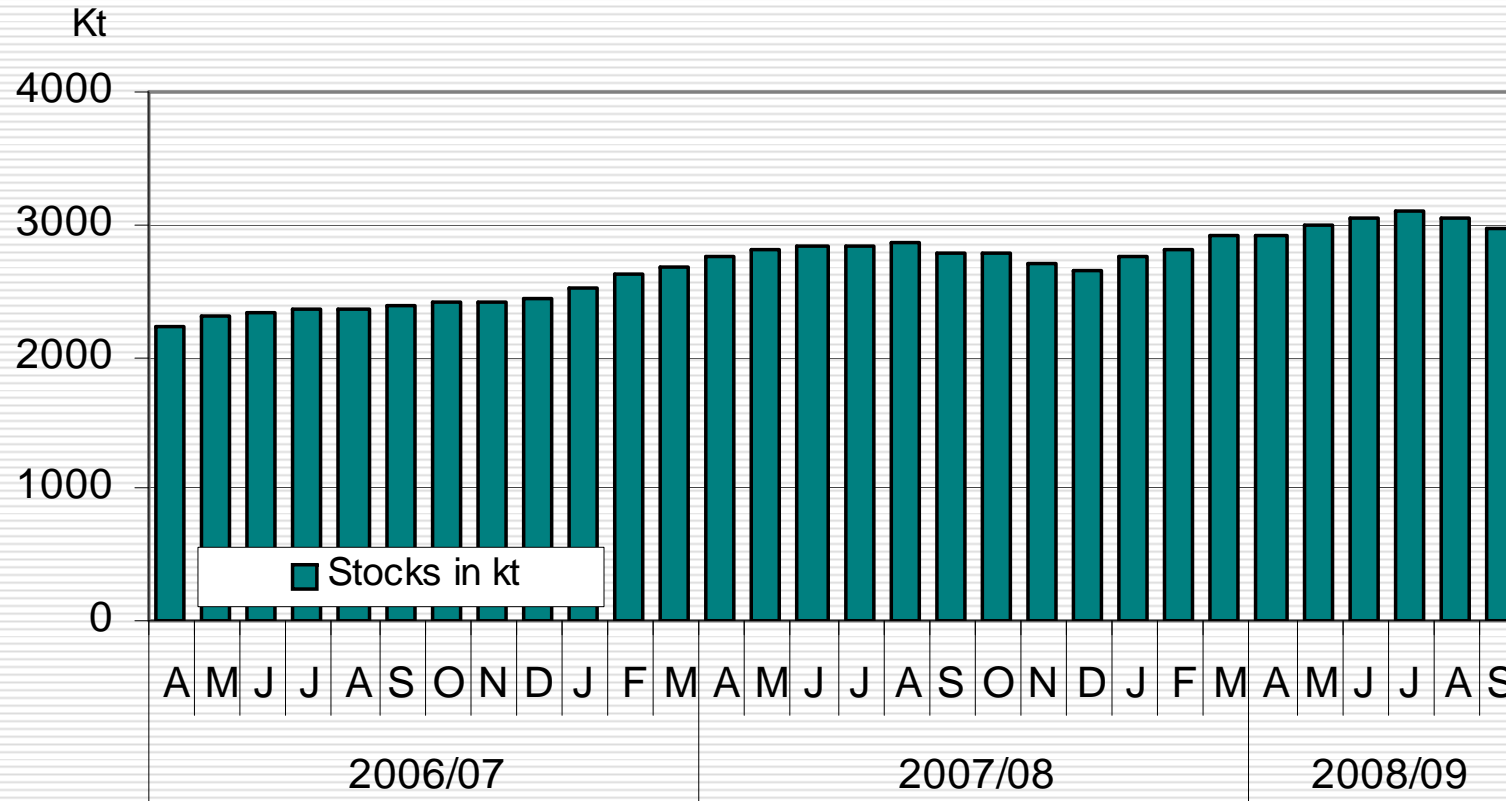
## Industry Focus

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- Production to align with underlying demand
  - Range of cuts : 30% in Europe ; 35% in US ; 15-20% in Asia
- Capital Preservation & Liquidity Management
- Performance Improvement & Cost Reduction

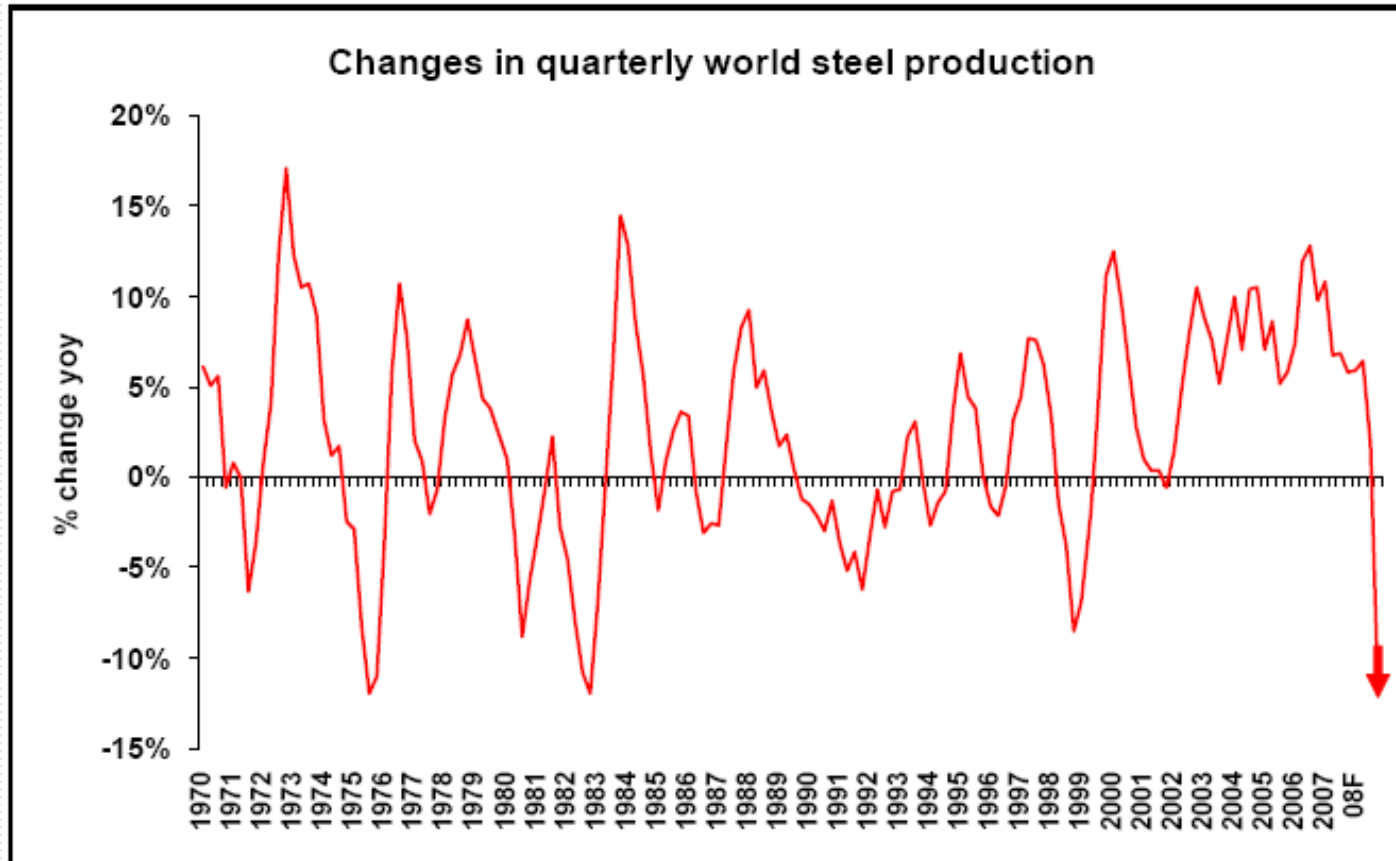


# Germany SSC Stocks





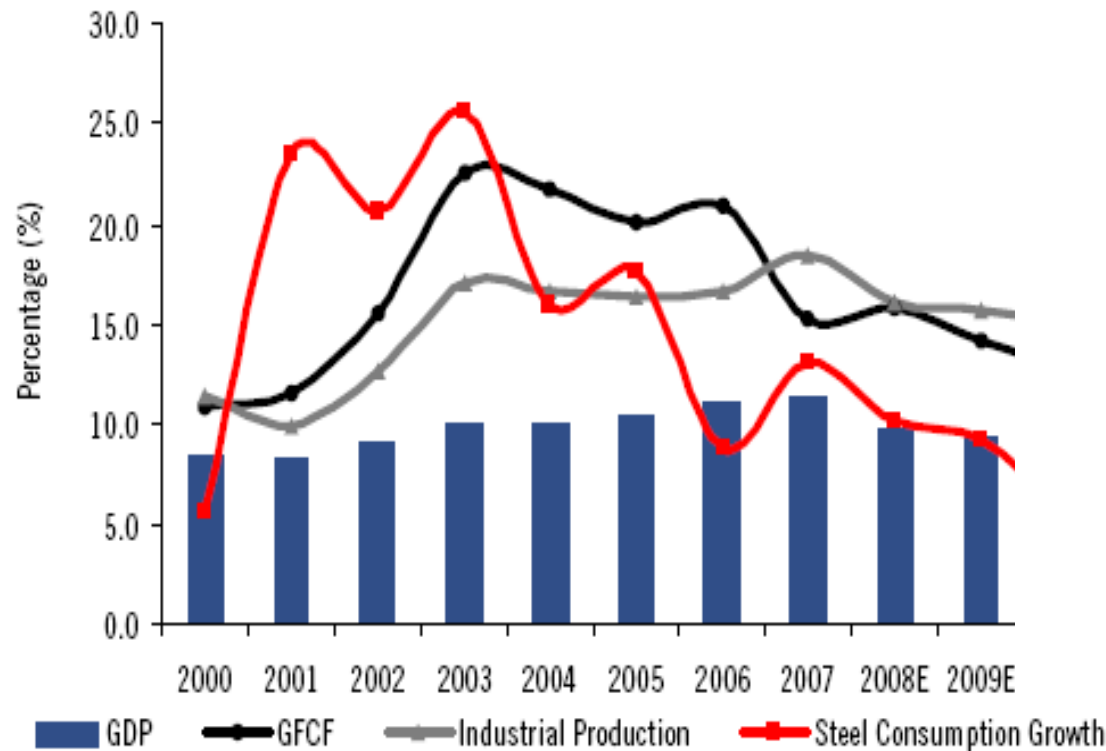
# Massive cuts in world steel production now under way



Source : Macquarie Research



## China Consumption Growth , 2000 – 2009 e

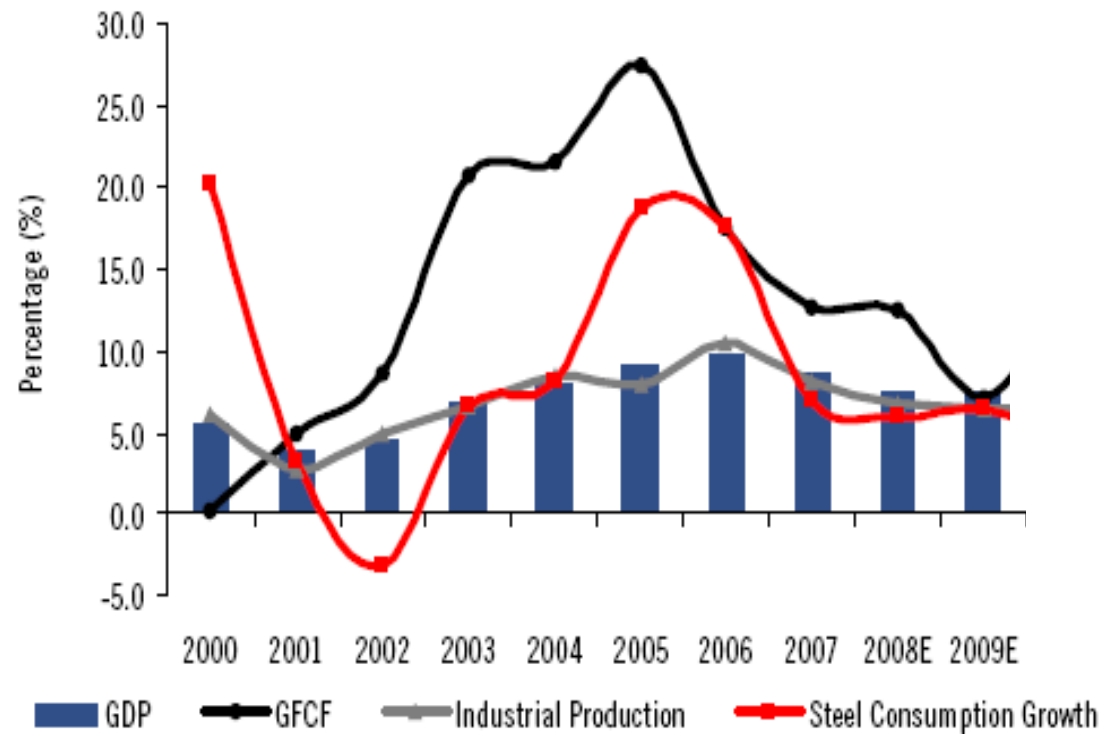


Source : IISI, UN,OECD, National Accounts, Citi

- Anticipation of a China's slowdown in consumption growth , but year to date consumption indicates growth of appr. 44 mt (10%) p.a which would have translated into a growth rate of 32% off China's 2000 consumption
- The key thematic improvements in China are
  - Closure of inefficient capacity resulting in drop of production,
  - Consolidation together with a return of demand
  - Government spending from Financial stimulus package



## India Consumption Growth , 2000 – 2009 e



□ India's steel consumption growth is anticipated to slow moderately, but remain positive over the forecast period.

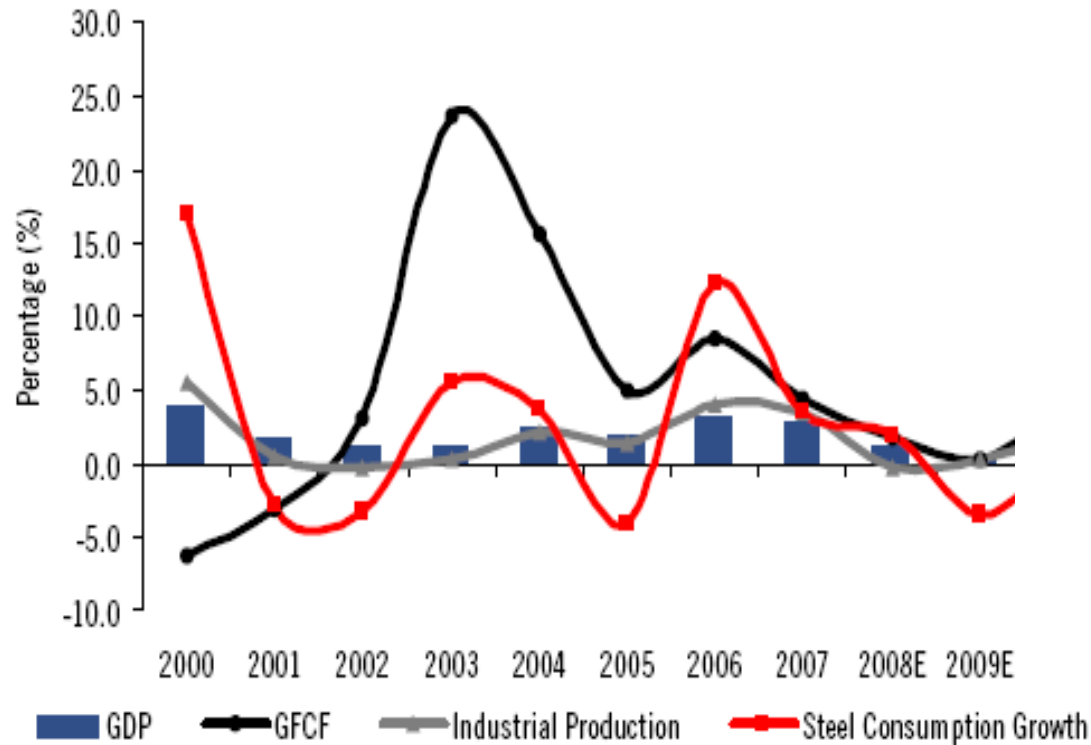
□ Domestic demand has been strong and apparent steel consumption has grown an estimated 10.6% y-o-y to 49 m tonnes for the year ended

□ India is likely to remain a net importer of steel until new capacities are commissioned.

Source: IISI, UN, OECD, National Accounts, Citi



## Europe Consumption Growth , 2000 – 2009 e



□ Europe shows clear cyclical behaviors in steel consumption.

□ 2009 Consumption levels could be lower than 2008 fuelled by both lower economic activity and inventory de stocking

Source : IISI, UN,OECD, National Accounts, Citi



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# **Tata Steel Group's Response to Financial Crisis**

## Response to the Financial Crisis – India & South East Asia

### Tata Steel India

- Continue to produce and sell as per plan (H2 > H1)
- Increased volumes on completion of 1.8 mtpa expansion at Jamshedpur
- 2.9 mtpa expansion at Jamshedpur to be on schedule

### Nat Steel Asia

- Production Cuts in select geographies
- Fixed Overheads savings underway

### Tata Steel Thailand

- Production Cuts of 25%
- Focus on liquidation of inventory
- Performance enhancement by deploying Total Operating Performance

## Response to the Financial Crisis – UK & Europe

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### Target Savings **above £ 350 m**

- Production cuts of 30% announced to align with underlying demand
- Major cost reduction drive undertaken to improve profitability
- Tightening of working capital to release cash
- Capex review across all divisions
- Introduction of niche products in the market
- Accelerate product and quality development



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# Growth Plans & Projects

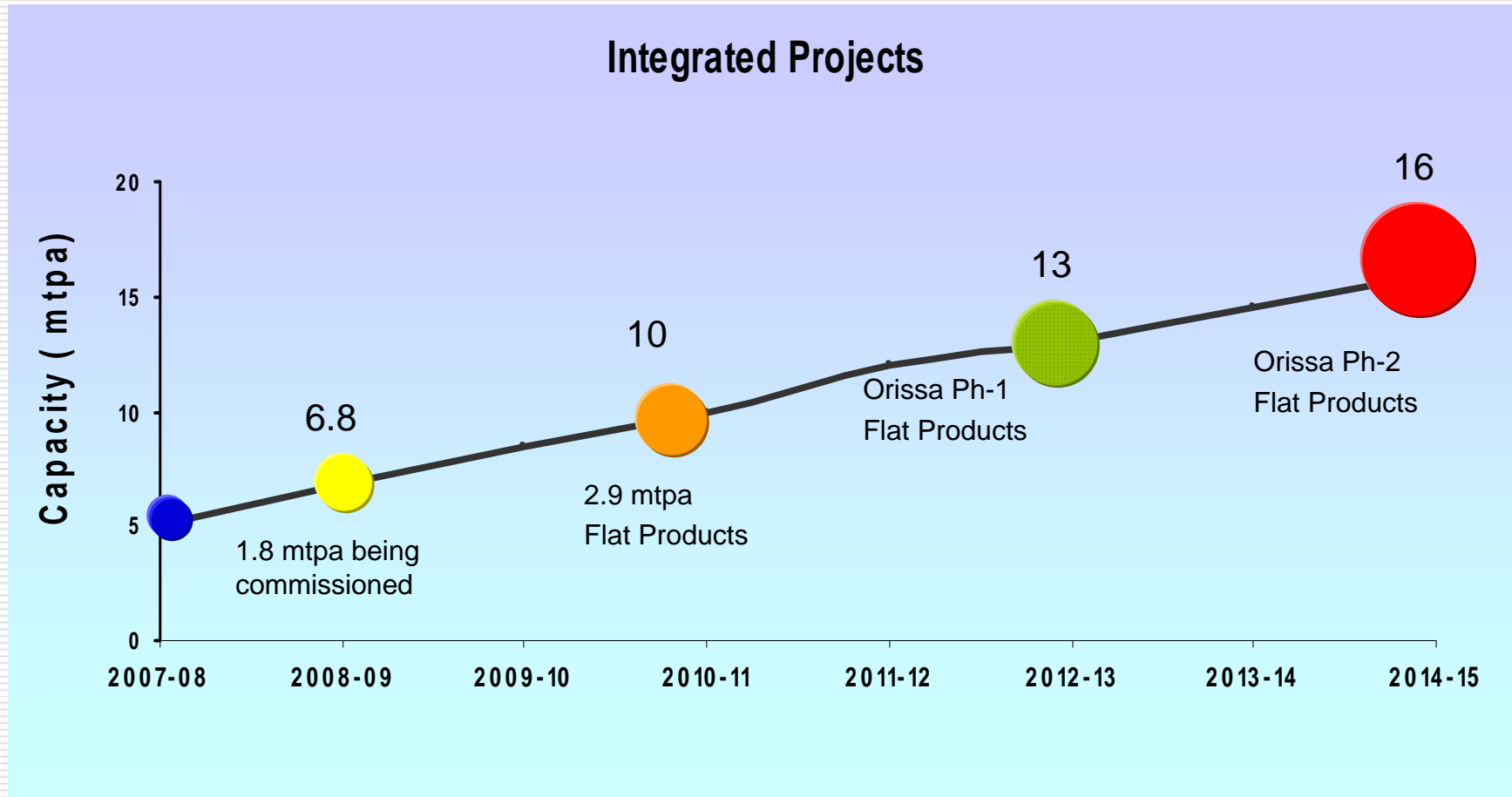
## Tata Steel Group – Growth Plan

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- Brownfield expansion at Jamshedpur to 9.7 mtpa
- Mozambique project development
- On going construction of Dhamra Project
- Initiation of Phase I at Orissa



# New Projects in Pipeline



## Acquisitions & Disposals

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- DSO Project – Canada
  - Acquired 19.9% in New Millennium Capital Corporation, Canada (NML) for US \$ 22 Mn
  - Reserves estimated to be over 100 million tonnes of direct shipping quality ore
- Disposal of Grant Rail
  - Business employed 1,000 people
  - Enterprise Valuation at £ 25 Mn
- On going negotiations for sale of Aluminium Plant



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# Thank You