Strategic Objectives and Strategies

Strategy at Tata Steel is driven by continuous efforts to stay alert to changing market requirements and to respond through initiatives that drive change.

India: Creating long-term value

Kar Vijay Har Shikhar – Continuous improvement programme

Kar Vijay Har Shikhar ("KVHS") is a fast paced, analytics based process with in-built rigour and review systems. The methodology is a well-defined six step process involving TQM and statistical tools. Some of the key themes through which improvements are taken up are – Throughput, Value-in-use, Energy Efficiency, Opportunistic Plays, Logistics & Supply Chain.

Last year, KVHS was effectively launched in marketing and sales for the Indian operations. In the current financial year, the primary focus was on mines and production processes in India. Through KVHS, several innovative and breakthrough projects were launched including, several 'first time' ideas in Tata Steel – Load Haul Dumpers at Jharia Mines, Synthetic Collector for improving Clean Coal yield, Excavator Hanger at West Bokaro, Desiliconisation trials at Blast Furnaces, TBD Resleeving Machine at LD#1(first time in Asia), Quick Tap Drop System at LD#1, Seven Roll Feeder installation at SP#3, Micropelletisation of Super Fines for use in Sinter Making, Paving Bricks from LD Slag. Some of these have been implemented while others are in trial phase. Sustainability has been recognised as a critical area for overall improvement, hence sustainability activities like mine life, solid waste utilisation and energy efficiency have been added to the portfolio of initiatives under KVHS.

The KVHS journey has been a balanced mix of activities for EBITDA maximisation, process improvement, innovation and capability building. Going forward, the KVHS group has the responsibility of finding avenues for improved cash flow which remains a challenge for the Group.

Branded product portfolio

Tata Steel has been a pioneer in de-commoditising and branding steel for over a decade now in India. The existing portfolio of Tata Steel's brands spans sectors that include construction (Tata Tiscon and Tata Structura), roofing (Tata Shaktee), panels & furniture (Tata Steelium and Galvano) and agricultural implements (Tata Agrico). These brands, put together, contribute ~30% to the top line of the Company.

"Tata Astrum", the brand for Hot Rolled (HR) Sheets and Coils, is the latest offering from the Company's stable. This is the first time the Company has made a foray into branding

Moving towards a common vision, Jamshedpur, India of HR steel. In line with the capacity expansion plans, a pan-India market mapping exercise was carried out to understand the consumption pockets, patterns and needs of the customers for HR steel. The Company identified this segment as an Emerging Corporate Account (ECA) with a requirement for small tonnages.

In order to better understand the needs of the segment, a structured pilot programme called Emerging Corporate Value Management (ECVM) was launched. As an outcome of this, the Company mapped 4,500 customers falling into 37 application based segments and appointed 47 distributors to serve them.

"Tata Astrum" is being supplied to customers in processed form from service centres, which have a tie-up with distributors and conform to the Tata Steel quality standards. "Tata Astrum" expects to grow its market share in this segment in the future.

Tinplate and Tata Sponge

In continuation of growth efforts, Tata Steel made successful open offers to increase its stake in Tinplate Company of India Ltd (TCIL) by 14% and Tata Sponge Iron Ltd (TSIL) by 11.26% respectively. Pursuant to these open offers, TSIL has become a subsidiary of the Company.

TCIL is today the largest producer of tin coated and tin free steel sheets for the packaging industry in India, with a capacity of 379,000 tonnes per annum.

TSIL is a manufacturer of sponge iron with an installed capacity of 390,000 tonnes per annum and a power producer with generating capacity of 26 MW. TSIL is also developing coal blocks in Angul, Odisha and is continuing with its efforts to improve its upstream synergies, providing a platform for alternate steel making in the future.

Europe: Elements of Strategy

"To be the long-term preferred partner in our chosen markets by unlocking the potential of steel".

This is the mission that Tata Steel in Europe has defined for itself in order to fully contribute to the Group's vision. As part of the mission, five key strategic priorities have been identified:

a) Customer focus

- A single sales and marketing function with particular industry focus on automotive, construction, lifting & excavating, energy & power.
- A major 'Supply Chain Transformation' project aimed at improving customer service levels.
- Invested in projects to improve product mix and service offering.

b) Innovation

- 14 new products launched in the Financial Year 2012-13, with the majority in automotive.
- A new chair for research into low carbon materials technology at the University of Warwick, jointly funded with the Royal Academy of Engineering.
- Implementation of a Project and Portfolio Management Tool known as 'Trakker' to manage the Company's new product development process, involving regular monthly reviews. In January 2013, Tata Steel Europe won CA Technologies' Innovation Award for the use and further development of the 'Trakker' Portfolio Management Tool.

c) Operational excellence

Over the last two years Tata Steel Europe has aligned its industrial footprint with market conditions. The Company continues to upgrade its plants with the aim of improving asset performance and cost competitiveness. Some of the significant initiatives underway or completed include:

- Implementation of a multi-year improvement programme at the IJmuiden steelworks. Once complete, IJmuiden's annual effective capacity will rise from 7.2 million tonnes to 7.7 million tonnes of liquid steel.
- The No. 4 Blast Furnace at the Port Talbot steelworks in the UK has been restarted following the completion of the rebuild project.
- The restructuring of the Scunthorpe works, announced in May 2011, was implemented according to plan over the following 10 month period.
- Investment in the108m long rail facility at Hayange was completed during the year re-inforcing its position as a top class rail manufacturer.

d) Responsible behaviour

Tata Steel in Europe aims to act responsibly in all areas of its business, and in particular in relation to the environment, the communities within which it operates and its employees' safety. Significant initiatives undertaken during the year are:

- Leading role in the European Ultra Low CO_2 Steelmaking ('ULCOS') collaborative project.
- Bringing forward completion of the Company's new bag filter facility in IJmuiden's sinter plant, which is expected to reduce emissions of fine particles, heavy metals and dioxins from the sintering process by at least 75%.
- Commissioning of a new cooling system in the Port Talbot BOS plant, reducing the site's need for external power by about 15%.

e) People

Tata Steel Europe is committed to its people who are instrumental in its success. In managing its people, the focus is on the following three areas:

- Engaging employees at all levels of the organisation.
- Developing the capabilities of the workforce through training and recruitment targeted at filling capability gaps.
- Managing the employment cost base in a responsible manner.

Driving innovation at Tata Steel in Europe

The Company invests significantly in the up-skilling and development of its employees.

Restructuring initiatives

During the year the operations in Europe also undertook several restructuring initiatives.

- Proposals to restructure administrative and management functions at Port Talbot steelworks to reduce headcount.
- Proposed consolidation of the UK distribution activities into six key sites.
- Proposed closure of the Company's colour-coating operations at Tafarnaubach and Cross Keys in South Wales and of the Namascor site at Moerdijk in the Netherlands.
- The sale of non-core assets, such as Vlietjonge BV and a 50% stake in recycler HKS Scrap Metals Co, both in the Netherlands; and of the Company's third-party international steel trading business to Tata International.
- A restructuring of the Company's European Tubes business, proposed at the end of the previous financial year, was completed.

NatSteel: Improvement plans

In the current financial year, NatSteel initiated several measures to achieve its strategic objectives. These initiatives coupled with strong demand in Singapore led the Company to return its best ever performance in the last 10 years.

- NatSteel implemented numerous IT and automation projects to enhance productivity across its operations in Singapore, China and Australia.
- Singapore continues to grow its value added product line in the Reinforcement Solutions business. This year the Company completed several projects in the mesh plant in Singapore and initiated a revamp in the Cut and Bend lines. Next year, will see the execution of key projects in Scrap processing, EAF Shaft Furnace upgrade, Bar and Wire Rod Mill upgrade, with the objective of significantly improving labour productivity.
- The Company grew its footprint in the Reinforcement Solutions business by initiating operations in Xiamen, China and Johor in Malaysia. NatSteel Xiamen, known

for producing high end reinforcement bars with seismic properties, has started operations in Fuzhou, in the Fujian province of China in August 2012.
- As part of the portfolio restructuring activity in NatSteel, the Company divested its stake in the Wires business in Wuxi, China and exited from its downstream operations in Brisbane, Sunshine Coast and Townsville in Australia.

Tata Steel Thailand: Strategic approach

Tata Steel Thailand is adopting a comprehensive strategy to improve its performance. The plan is as follows:
- To run three Electric Arc Furnace (EAF) plants in an integrated manner using higher domestically sourced scrap.
- The strategy of sourcing higher domestic scraps led to segmentation of scrap vendors and deploying 'Value in Use' approach to monitor off-take in line with market demands and effective management of working capital.
- Increase sales of branded rebars, specifically Tata Tiscon in Thailand as well as in the neighbouring countries and gain market share in automotive segment.

A strategic approach at Tata Steel Thailand

Raw Material Strategy

Raw material integration is a strategy, pursued by the Company since inception. Securing raw material linkages, has assumed greater importance, given the volatility that exists in the raw material prices today. Iron ore and coking coal are two basic raw materials required for manufacturing steel. Access to raw materials through our investment provides stability in terms of quality and availability and provides a hedge against volatile prices.

The Company has made the following investments in overseas raw material projects:

Benga Coal Project: Mozambique

Tata Steel partners Rio Tinto in the Benga project, located in the Moatize basin of Mozambique. The Company holds 35% equity stake and is entitled to 40% off-take of coking coal produced in the project. The project started producing coal and made its first shipment in June 2012. The project is planned in phases. The full ramp up of Phase 1 is expected to produce 5.3 mtpa Run of Mine (ROM) coal (1.5 mtpa clean coking coal and 0.9 mtpa thermal coal).

Iron Ore Project: Canada

Tata Steel through its subsidiary Tata Steel Minerals Canada Limited (TSMC) is developing the Direct Shipping Ore (DSO) project in Canada. The Company holds 80% equity stake in TSMC with the balance 20% equity stake held by New Millennium Iron Corporation (NML), a Canadian listed mining company. Direct Shipping Ore project successfully completed trial production in 2012 with initial mining and dry processing of ~63% Fe grade iron ore. TSMC is targeting production of 1 million tonnes of iron ore in Financial Year 2013-14. The production is expected to be ramped up to about 6 mtpa.

Tata Steel in March 2013 entered into a framework arrangement through TSMC with Labrador Iron Mines (LIM) for the acquisition of a 51% stake in LIM's Howse deposit to exploit significant synergies that exist between the two mine deposits. Iron ore produced in Canada is meant to partially integrate the Company's European operations.