Management Discussion and Analysis 2013-14

OVERVIEW

The following operating and financial review is intended to convey the management's perspective on the financial condition and operating performance of the Company at the end of Financial Year 2013-14. The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's financial statements, the schedules and notes thereto and the other information included elsewhere in the Annual Report. The Company's financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and the Generally Accepted Accounting Principles (GAAP) in India. The statistical data provided in the analysis represents changes during the calendar year.

I. INDUSTRY STRUCTURE

1. Global steel industry and the outlook

Steel Demand

After a period of 5 years, since the break out of the global financial crisis and with significant liquidity injection by several large economies, the macro data from the developed economies started showing trends of slow improvement during 2013 even though several structural weaknesses still needs to be addressed before these trends can be considered sustainable. Global growth remains below pre-crisis levels and much weaker than during the rebound that took place in 2010 and 2011.

In 2013, global steel demand grew by 3.6% to 1.48 billion tonnes due to improved performance in the developed economies especially in North America and Euro Zone in the second half of the year. However, growth in emerging markets slowed down in 2013 due to weak demand especially in developed countries and tighter financial conditions. The World crude steel production rose by 3.5% to 1.607 billion tonnes in the year 2013.

The following table shows the crude steel production volume of the top 10 steel producing nations:

in million tonnes

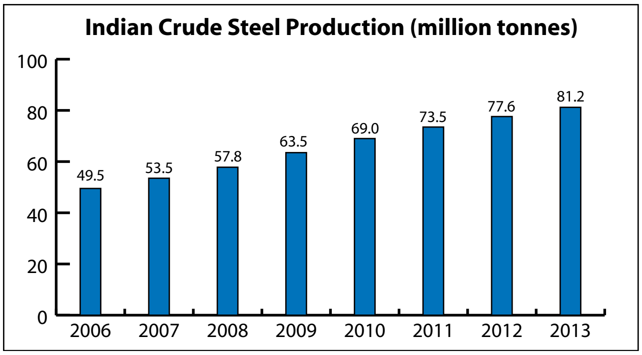
Rank	Country	2013	2012	Change %
1	China	779.0	716.5	8.7
2	Japan	110.6	107.2	3.2
3	United States	87.0	88.7	(1.9)
4	India	81.2	77.6	4.6
5	Russia	69.4	70.4	(1.4)
6	South Korea	66.0	69.1	(4.5)
7	Germany	42.6	42.7	(0.1)
8	Turkey	34.7	35.9	(3.4)
9	Brazil	34.2	34.5	(0.9)
10	Ukraine	32.8	33.0	(0.5)

Source: World Steel Association

It would be important to note that while China has been one of the key engines of global growth in the last decade, it is now looking at a more sustainable model of growth in the next decade rather than pursuing absolute growth. The impact of the above shift will be felt across regions especially those economies that are dependent on commodities and exports to China for sustenance. The economic recovery therefore remains fragile due to divergent underlying supply demand conditions across different regions. Despite some signs of recovery in global steel demand, continued volatility and uncertainty make it a challenging environment for steel companies.

2. Steel industry in India

In 2013, India remained the 4th largest steel producing country in the world, behind China, Japan and the US. Crude steel production grew by 4.6% to 81.2 million tonnes and steel demand grew by 1.8%.



Indian Crude Steel Production (million tonnes)

India's GDP growth has slowed down to 5% in 2013 on account of rising inflation and tight monetary controls. This has led to weak domestic steel demand, which grew by 3.3% in 2013 inspite of rise in demand in the last quarter. This has resulted in India becoming the net exporter of steel in Financial Year 2013-14 after a gap of six years. Total steel exports by India during the Financial Year stood at 5.59 million tonnes, as against imports of 5.44 million tonnes as per the report issued by Joint Plant Committee (JPC), a unit of the steel ministry.

India's GDP is expected to grow by 5% and steel demand is expected to growth by 3.3% in 2014. The automotive sector (passenger vehicles and commercial vehicles), which grew by -6% in the Financial Year 2013-14, is expected to grow by about 3%-4% in Financial Year 2014-15. Similarly, the construction sector growth is expected to grow by 5% in the next year compared to growth of 1.9% in the Financial Year 2013-14.

3. European Union (EU) Steel industry:

The adverse impact of harsh weather conditions and overall weak demand fundamentals in the EU during the first half were swept aside by the gradual recovery in activity of the EU's steel using sectors especially in automotive during 2013. Further, the export demand from emerging economies boosted activity for the premium segment manufacturers.

Apparent steel use in the EU (28) is expected to grow by 3.1% in 2014 to 143.3 million tonnes and 3% in 2015 to reach 147.55 million tonnes led by the growth of construction sector, which has almost bottomed out.

II. TATA STEEL GROUP OPERATIONS

Notwithstanding, the global weak underlying economic conditions and the structural challenges faced by steel sector, the Tata Steel Group deliveries increased by 10% to 26.6 million tonnes in 2013 from 24.1 million tonnes in the previous year. The increase in deliveries came across all geographies with Tata Steel India, Tata Steel Europe, NatSteel Holding and Tata Steel Thailand increasing their deliveries by 14%, 6%, 39% and 10%, respectively. Higher deliveries at Tata Steel India during Financial Year 2013-14 were the outcome of full ramp up of the production facilities under the 3 mtpa expansion programme during in 2013. Higher deliveries at Tata Steel Europe were contributed by the stablisation of the Blast Furnace# 4 at Port Talbot, which was re-started in February 2013. The operating entities of NatSteel Holdings in Vietnam and China also showed significant growth in sales volume. Growth in deliveries in Tata Steel Thailand was achieved through higher rebar sales to the construction sector and exports to neighbouring countries. Consequently, the Group's operations across geographies registered an increase in turnover which was ₹ 1,48,614 crores in Financial Year 2013-14, 10% higher than the turnover in Financial Year 2012-13 (₹ 1,34,712 crores). The EBITDA for the Group in the Financial Year 2013-14 was ₹ 16,377 crores as compared to ₹ 12,654 crores in the Financial Year 2012-13.

The Group reported a consolidated profit after tax (after minority interest and share of profit of associates) of ₹ 3,595 crores during Financial Year 2013-14 as against a loss of ₹ 7,058 crores (after considering the non-cash impairment charge of ₹ 8,356 crores) in Financial Year 2012-13.

1. Tata Steel India

in ₹ crores

	FY 14	FY 13
Turnover	**41,711**	38,199
Profit before tax (PBT)	**9,714**	7,837
Profit after tax (PAT)	**6,412**	5,063

a) Steel Division

The impact of volatility in prices, exchange rates, on-going mining challenges, erratic weather occurrences, geo-political situation, a perceived slowdown and uncertainties in the policy landscape contributed to the lack of confidence in the market during the Financial Year 2013-14. Moreover, the increasing coal and fuel shortage is hurting the economic and industrial activity in the country.

Slow growth has been observed in the demand for steel products in India primarily due to near stagnant growth in steel consuming sectors like infrastructure, housing, auto and consumer goods. An upside was provided by the depreciating rupee allowing India, for the first time in recent years, to become a net exporter of steel products in the Financial Year 2013-14.

Tata Steel demonstrated agility in responding to market changes by selling in excess of 8.5 million tonnes of Steel and achieving the highest ever production of 9.9 million tonnes of Hot Metal during the Financial Year 2013-14.

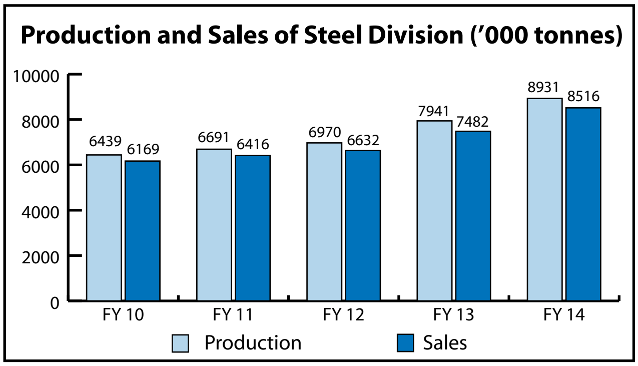
The Jamshedpur Steel Works has a crude steel production capacity of 9.7 mtpa.

The trend in production and sales figures of the steel division of the Company are shown in the following table:

in million tonnes

	FY 14	FY 13	Change %
Hot Metal	**9.90**	8.86	11.7
Crude Steel	**9.16**	8.13	12.6
Saleable Steel	**8.93**	7.94	12.5
Sales	**8.52**	7.48	13.9

The trend of steel production and sales is shown below:



A summary of Steel Business Performance is as follows:

Operational and Sales Performance:

Hot Metal production in Financial Year 2013-14 was higher than Financial Year 2012-13 by 1.04 million tonnes (increase of 12%) primarily due to the addition of its new state-of-the-art "I" Blast Furnace (part of 3 mtpa expansion programme). This was the first full year of operation for the new resource efficient and energy efficient Blast Furnace. LD#3 – the new Steel Melting Shop – and TSCR, both commissioned under the 3 mtpa expansion project completed their first full year of operation.

The successful ramp up of the new facilities under the 3 mtpa expansion programme led to an increase of 1.03 million tonnes (increase of 13%) in crude steel production in the Financial Year 2013-14.

Enhanced availability of saleable material along with marketing initiatives in Emerging Corporate Accounts (emerging customers with sizable volumes and customised service needs) enabled the Company to sell the additional volumes without compromising on the premium in the Financial Year 2013-14.

The average net realisation of the Steel Business remained low due to depressed prices on account of tepid demand throughout the Financial Year 2013-14.

Key Marketing and Sales initiatives:

Given the challenges ahead, pressure on margins, addition of new capacities, juxtaposed with opportunities in both domestic and exports markets with the Indian rupee settling at a lower value during Financial Year 2013-14, the Marketing and Sales function of the Company reoriented its approach to develop strategies that respond to demand and expand market access. The function has been re-aligned from product-based to a customer-based marketing approach for establishing stronger customer relationship. The objective is to extend the function beyond selling products so that the Company product mix is aligned with customer specific needs. The re-alignment, which reflects dominant customer segments, is aimed at bringing in better synergy and providing a one-stop experience for customers. The following new verticals were created:

i) Automotive and Special products

ii) Branded products, Retail and Solutions

iii) Industrial Products, Projects and Exports

The re-alignment ensured that in one of the worst years for the Auto Industry, Tata Steel recorded a 15% increase in sales to automotive segment over Financial Year 2012-13 by engaging with customers through cross functional teams, focussing on new models, Hi-end sales (e.g. GA, Skin Panel and Hi-tensile) and entering into new segments/customers.

Sales of branded products also grew by 11% during Financial Year 2013-14 over the previous year despite a slowdown in the construction sector and liquidity crunch for the Small Medium Enterprise (SME) industry. Amongst others, this was achieved by significantly increasing the number of dealers for the Tata Tiscon brand and increasing the availability of thin and wider GC sheets.

The Company's focus on Hi-end grade sales (e.g. Exports special, Corton grade for Railways, API grade etc.) and value added products like Tata Tiscon 'ReadyBuild' enabled the sales to grow significantly in Financial Year 2013-14 under all the new verticals.

The Company continues to focus on sales of its branded products and solutions which command a premium over non-branded products. Tata Steel, the first steel company in India to de-commoditise steel and provide value added products, has year-on-year steadily increased its share of branded products in its overall turnover. In the steel business, the brand offerings of the Company in Retail (B2C) space and SME space are as follows:

a) Retail Offerings:

Galvanised Corrugated Sheet was launched as the 'Tata Shaktee' brand in the year 2000. Currently, the distributor network for Tata Shaktee extends across the country, with 2,800 dealers capable of building ~1,80,000 roofs per month across 6,000 talukas throughout India. It has also been acknowledged as a 'Superbrand' in the last edition of the consumer validated Superbrands survey. Among Tata Shaktee's recent initiatives is 'Roofjunction' – a roofing solution service. This includes service and roof installation by expert fabrications, who use modern techniques. Tata Shaktee is also a component in 'Nest-In', the affordable housing initiative promoted by Tata Steel. As a complete building solution, it provides a simple and quick alternative to the traditional process of building houses. Being extremely versatile, it is ideal for many applications.

Tata Tiscon, the premium quality rebar brand in Indian market, was also launched in the year 2000. Acknowledged as a 'Consumer Superbrand' for the 'Construction Rebar' category in two consecutive surveys, it is also the only brand from the Indian Steel Industry to be rated as Asia's most promising Brand 2012-13. A customer-focussed initiative under the Tata Tiscon stable is the readymade stirrup solution branded 'Tiscon Superlinks'.

b) SME Offerings:

Since its launch in 2003, Tata Steelium (CR sheet), the world's first branded Cold Rolled steel has found a wide range of applications in the SME segment as a result of the support of distributors and service centres across the country, who are certified by Tata Steel.

The zero spangle Galvanised Plain Steel brand 'Galvano', launched in May 2009 is produced through 'Lead-Free' costing chemistry making it an eco-friendly steel product. This product also serves many SME customers.

The 'Tata Astrum', launched in November 2012, provides HR Sheet and Coils to the SME customers in the processed form, eliminating the need for on-site processing by end users.

The Company's extensive network of committed channel partners enables it to deliver assured value to priority segments in B2C and B2SME. Apart from providing reach across fragmented consumer bases, this network of partners helps the Company create differentiated value propositions.

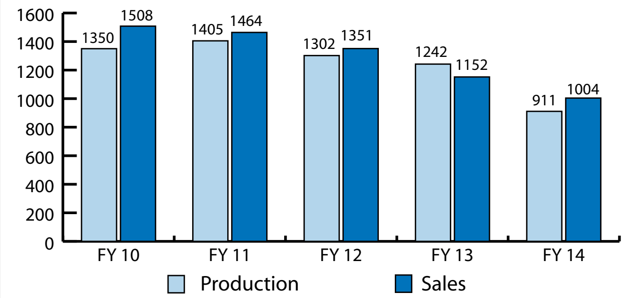
Awards and Recognition:

- "Special Support Award" received from Maruti Suzuki India Limited
- "Material Localisation Award" from Nissan India Limited
- "Award for Performance" from Brakes India Limited
- "Best Supplier Award 2013" from Tata Motors Limited
- "Best Business Partner" (Category of product – TMT Bars) from Tata Housing
- TATA Shaktee won the Organisational Award in the category of "Long Term Campaign of the Year" in Rural Marketing Forum & Awards function
- TATA Tiscon received the award "Brand Excellence" in Construction & Real Estate Sector, Best In-House Magazine, Building Bonds, and Effective use of Marketing Communications in 4th CMO Asia Awards for Excellence in Singapore

c) Ferro Alloys and Minerals Division (FAMD):

The trend of production and sales volumes of the Ferro Alloys and Minerals Division is shown below:

Production and Sales of FA&M Division ('000 tonnes)



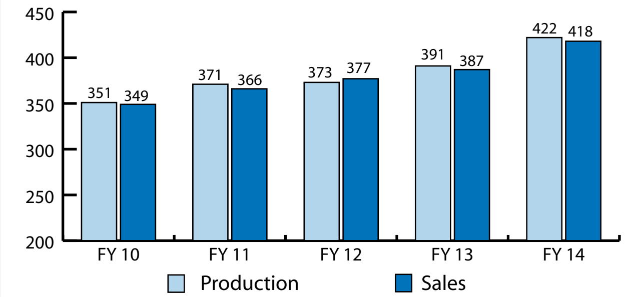
The Division achieved a total sales volume of 1,004k tonnes in Financial Year 2013-14 against 1,152k tonnes in the previous year.

The success of 'TATA SILCOMAG', the world's first ever branded Ferro Alloy launched in the Financial Year 2012-13, prompted FAMD to launch two more branded Ferro alloys – TATA TISCROME (branded Ferro Chrome) and TATA FERROMAG (branded Ferro Manganese) in the Financial Year 2013-14. FAMD won various awards in the year including the "Gold" and "Silver" category being conferred on Sukinda Chromite Mines & Manganese Mines, respectively, in the Mines and Metals sector at the 14th Annual Greentech Award, 2013.

d) Tubes Division

The trend of production and sales volume of the Tubes Division over the last five years is shown below:

Production and Sales of Tubes Division ('000 tonnes)



Despite a slowdown in the market, the Company's focus on new growth areas resulted in steady growth of 8% in production and sales volumes during Financial Year 2013-14.

The key performance highlights of the Division are as under:

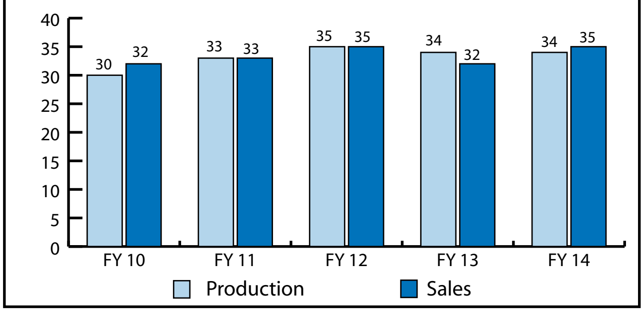
- In Financial Year 2013-14, the Division crossed the production milestone of 0.4 million tonnes.
- Sales of 'Tata Structura' registered 12% volume growth, surpassing the 1,50,000 tonnes mark through a concerted focus on the Solar and Telecom Tower segment.
- Hi-end product Telescopic Front Fork (TFF) registered its best ever Production & Sales of 3,600 MT with a growth of 66% YoY.

The Tubes Division received the best supplier award for "Innovation & Technology" from M/s. Tata Motors Ltd.

e) Bearings Division:

The performance of the Bearings Division in terms of production and sales volume is shown below:

Production and Sales of Bearings Division (million numbers)



Through focus on after-sales market, the Division registered its best ever sales volumes and retail sales increased by 28% during the Financial Year 2013-14. Bearings Division has also re-designed production processes to achieve the best ever process yield of 99.6% (Previous Best 98.7%).

It continued to maintain the trust of its customers, earning a number of awards and accolades including the Platinum Award from Bajaj Auto for quality, cost and delivery besides consistent 'Zero PPM' awards from Bosch, Toyota and Rane NSK.

2. Tata Steel Europe

in ₹ crores

	FY 14	FY 13
Turnover	**84,666**	78,012
Profit/(loss) before tax (PBT)	**(3,684)**	(12,789)
Profit/(loss) after tax (PAT)*	**(3,011)**	(12,649)

* PAT represents PAT after minority interest and share of profit of associates.

Tata Steel Europe's (TSE) revenue of ₹ 84,666 crores for the Financial Year 2013-14 was 8.5% higher than the previous year in rupee terms (3% lower in GBP terms, being entity's reporting currency). The average revenue per tonne declined by 7% due to weaker market conditions caused by continued lower steel capacity utilisation rates in Europe. The TSE's profit before tax for the Financial Year 2013-14 registered an improvement over last year. There was no impairment charge considered in the Financial Year 2013-14 as compared to the impairment charge of ₹ 7,534 crores considered in Financial Year 2012-13.

Operational and Sales Performance:

Stabilisation of Blast Furnace# 4 at Port Talbot, UK, rebuilt during the year and lighted in February 2013, along with an increase in deliveries by the Long Products Division in Europe were reflected in the 16.5% increase in crude steel production to 15.5 million tonnes in Financial Year 2013-14 from 13.3 million tonnes in the Financial Year 2012-13. Deliveries also grew by 6.1% to 13.9 million tonnes from 13.1 million tonnes.

The production and sales performance of TSE are shown below:

in million tonnes

	FY 14	FY 13	Change %
Liquid steel production	**15.5**	13.4	16.3
Deliveries	**13.9**	13.1	6.1

Reliability was a key theme for operational excellence during Financial Year 2013-14 with a number of performance records being broken:

- **At Port Talbot** – (a) the best ever total hot metal make was achieved at Blast Furnace# 4 (2.05 million tonnes - previous best of 1.91 million tonnes in Financial Year 2002); (b) the best ever total hot metal make for the site was achieved (4.16 million tonnes - previous best of 3.86 million tonnes in Financial Year 2007); (c) the best ever total liquid steel make (4.55 million tonnes - previous best of 4.41 million tonnes in Financial Year 2007); and (d) the best ever total slab make (4.45 million tonnes - previous best of 4.29 million tonnes in Financial Year 2007).
- **At Llanwern** – the best ever total hot dipped galvanising line output on the Zodiac line was registered with 479 thousand tonnes (previous best of 417 thousand tonnes in Financial Year 2006).
- **At IJmuiden** – (a) the best ever total Hot Strip Mill output was achieved at 5.21 million tonnes (previous best of 5.05 million tonnes in the Financial Year 2011-12); (b) the best ever total Direct Sheet Plant output of 1.26 million tonnes (previous best was 1.19 million tonnes in Financial Year 2007); and (c) the best ever total hot dipped galvanising line output at DVL3 of 552 thousand tonnes (previous best was 465 thousand tonnes in the Financial Year 2012-13).

Production at different facilities in TSE along with their capacities is shown below:

in million tonnes

	Production capacity	Actual production
Port Talbot steelworks, West Glamorgan, Wales	**4.9**	4.5
Scunthorpe steelworks, South Humberside, England	**4.5**	3.2
Rotherham steelworks, South Yorkshire, England	**0.8**	0.7
IJmuiden steelworks, the Netherlands	**7.2**	7.1
Total	**17.4**	**15.5**

Tata Steel Europe continued to implement its strategy of market differentiation to achieve its mission of being its customers' preferred supplier in its chosen markets, unlocking the potential of steel. The principal end-user markets for the Company's steel products are the automotive, construction, packaging, rail, lifting & excavating and energy & power sectors. A key metric for the development of the market differentiation strategy is the progress of the New Product Development pipeline. This programme met its intended objectives for the year by launching 30 new products, marking Financial Year 2013-14 as its most successful year. In addition, the volume of new products sold increased by about 75%. Sales of differentiated products – products made by few or no other producers that therefore attract price premiums – also rose by about 15% compared to the previous year, having already exceeded 25% as a proportion of overall sales.

Tata Steel's strategy in Europe is built upon several building blocks: Customer Focus, Operational Excellence, Innovative Products & Services and Responsibility. To increase customer focus, the Company has reorganised its sales and marketing activities in recent years and created a new organisational structure that is unique in the steel industry and differentiates Tata Steel's European operations from the competition. Under this structure, sales and marketing activities are organised by market sectors, ensuring expert face to market and improved level of service.

By strengthening customer focus in this manner, improvements were secured in the product and service portfolio whose results have already been outlined above. These improvements included success in Early Vendor Involvement initiatives, leading to awards and other successes with customers, including the Company's close partnership with JCB, which led to the development of its most productive tractor, the Fastrac 4000. Other such successes are listed below:

Awards and Recognition:

Tata Steel Europe registered a number of customer success during the year:

- Network Rail, the owner and operator of rail infrastructure in the UK, has chosen to source more than 95% of its rail from Tata Steel Europe until 2019.
- Schneider Electric conferred the Preferred Supplier 2013 award on TSE.
- Royal Mint conferred its Most Innovative Supplier award on TSE for the third year running.
- Awarded 'GOLD' in the Caterpillar Supplier Quality Excellence Process for its global supply of track shoe profiles.
- Toyota Certificate of Recognition for important contribution in the area of quality.

3. NatSteel Holdings

in ₹ crores

	FY 14	FY 13
Turnover	**12,128**	9,393
Profit/(loss) before tax (PBT)	**42**	155
Profit/(loss) after tax (PAT)*	**43**	113

* PAT represents PAT after minority interest and share of profit of associates.

During Financial Year 2013-14, NatSteel Holdings (NSH) enhanced its capabilities across all geographies as the Company invested for the future in IT, Technology and Internal Capability Building. This was done in the backdrop of a volatile, uncertain and highly competitive business environment.

The Company's Singapore operations completed its major plant modernisation projects, including the New Scrap Shear, New Shaft Furnace and various downstream automation projects. NSH once again achieved its highest-ever downstream deliveries of 512k tonnes and maintained its leadership position in downstream volumes, emerging as the largest supplier of mesh in Singapore. Overall Sales grew by 29% across the Group. A partnership with two private steel companies for the supply of billets along with a conversion and marketing agreement in the Fujian province, doubled sales to 1.4 million tonnes during the Financial Year 2013-14 from 653k tonnes in the Financial Year 2012-13. Consequently NSH's market share in the Fujian province rose to 15%. Vietnam achieved record sales volume of 134k tonnes, 19% higher than last year. However, profitability was adversely affected due to a downward pressure on price caused by the influx of low-priced materials from China. Rationalisation and productivity efforts in Australia have resulted in a turnaround in the business to a positive EBITDA in the Financial Year 2013-14.

4. Tata Steel Thailand

in ₹ crores

	FY 14	FY 13
Turnover	**4,860**	4,436
Profit/(loss) before tax (PBT)	**18**	(626)
Profit/(loss) after tax (PAT)*	**8**	(635)

* PAT represents PAT after minority interest and share of profit of associates.

Sales of Tata Steel Thailand increased by 10% during the Financial Year 2013-14 despite the adverse effects of political turmoil on the Thai GDP which has grown below 3% in 2013 and the estimate for 2014 is pegged in the range of 2-2.4%.

The challenge of GDP contraction notwithstanding Tata Steel Thailand (TSTH) further strengthened its leadership position in Rebars, increasing its market share from 32% to 35% in Financial Year 2013-14 by leveraging the strong presence of its brand TATA TISCON in the regional markets of Thailand. Finished goods production for the year stood at 1.29 million tonnes, 10.5% higher than in the previous year. TSTH reported a profit after tax of ₹ 8 crores during Financial Year 2013-14 compared to a loss in the previous year riding on continuous improvements in the fields of customer intimacy and operational excellence.

5. Tata Metaliks Limited

in ₹ crores

	FY 14	FY 13
Turnover	**1,425**	995
Profit/(loss) before tax (PBT)	**3**	(114)
Profit/(loss) after tax (PAT)*	**9**	(87)

* PAT represents PAT after minority interest and share of profit of associates.

There was a significant improvement in the operating margin of Tata Metaliks Limited (TML) during the Financial Year 2013-14 with both production and sales escalating by 38% and 51% respectively, compared to the previous year. Production and sales of ductile iron pipes also increased by 54% and 61% respectively, compared to the previous year. TML recorded significant improvements in its operating margin as a consequence of improvements in operating parameters like yield, rejection rate, plant availability, etc., as well as sales performance in terms of net realisation.

A consolidated profit after tax of ₹ 9 crores was reported during the Financial Year 2013-14 after accounting for an exceptional loss of ₹ 21 crores on sale of its entire plant and machinery at the Redi unit. TML intends to improve its operating margin further in 2014 by setting up a coke oven plant along with a 10 MW power plant at Kharagpur on a BOOT (Built Operate Own & Transfer) basis.

On 10th April 2013, Tata Steel Limited announced the merger of TML and TMKPL with itself under a Scheme of Amalgamation to be sanctioned through a court approval process. Tata Steel will issue 4 (four) equity shares of ₹ 10 each for every 29 (twenty nine) equity shares of ₹ 10 each held by the public shareholders of TML upon approval of the scheme by the courts. Tata Steel holds 50.09% of the equity share capital of TML. The shareholders' approval for the Scheme is being sought at the Court Convened Meeting of the shareholders to be held on 16th May, 2014.

6. TM International Logistics Limited

in ₹ crores

	FY 14	FY 13
Turnover	**1,088**	1,047
Profit/(loss) before tax (PBT)	**47**	65
Profit/(loss) after tax (PAT)	**36**	53

TM International Logistics Limited (TMILL) and its subsidiaries offer logistic services spanning port-based services, shipping, freight forwarding and marine services.

During Financial Year 2013-14, TMILL added a new line of service to cater to the requirement for coastal liner services along the west coast of India. The shipping business arm of TMILL crossed a milestone by handling 8.7 million tonnes of cargo during Financial Year 2013-14, exceeding its previous best of 7.9 million tonnes in Financial Year 2012-13.

However even as the higher tonnage resulted in an increase of 4% in turnover over the previous Financial Year 2012-13, TMILL experienced a 28% reduction in profit before tax over previous year, mainly due to decline in the margins in the global shipping market. The reduction in steel cargo handling at Berth No. 12 at Haldia Port due to the change in trade flows coupled with a reduction in the scope of port management services at the Dhamra Port also affected its performance.

7. Tata Steel Processing and Distribution Limited

in ₹ crores

	FY 14	FY 13
Turnover	**1,723**	1,643
Profit/(loss) before tax (PBT)	**60**	60
Profit/(loss) after tax (PAT)	**43**	41

Tata Steel Processing and Distribution Limited (TSPDL) is the largest steel service centre in India. In Financial Year 2013-14, it has enhanced its steel processing capacity to ~ 2.6 million tonnes and added a new service centre raising the number of these facilities to nine. TSPDL commissioned the largest Slitting line at Jamshedpur with an annual capacity of around 3 lakh tonnes. This Slitting line is the largest line in India and now TSPDL is now India's largest Service Centre Complex. To augment its steel processing capacity in Southern region, TSPDL also commissioned its first Hot Rolled Pickled and

Oiled (HRPO) Steel Service Centre at Chennai. The 2.85 lakh tonnes per annum facility is equipped with state-of-the-art capabilities.

The Company, a key player in Auto steel servicing sector, was impacted during the Financial Year 2013-14 due to the slowdown in the general economic conditions and in the Auto sector in particular. However, it has ended the year with an improved performance contributed by an increase share of business with key customers – both in its Distribution and Tolling businesses, bolstered with various cost reduction and improvement initiatives.

8. The Tinplate Company of India Limited

in ₹ crores

	FY 14	FY 13
Turnover	**1,080**	893
Profit/(loss) before tax (PBT)	**91**	50
Profit/(loss) after tax (PAT)	**63**	28

The Tinplate Company of India Limited, India's largest producer of tin-coated and tin free steel used for metal packaging, has two Cold Rolling Mills and two Electrolytic Tinning Lines. The overall production from the two cold rolling mills for Financial Year 2013-14 was 336k tonnes, 4% higher than the production of 323k in the previous year. The production by the tinning lines during Financial Year 2013-14 at 324k tonnes was also 5% higher than the previous year's production of 310k tonnes.

TCIL's turnover rose by 21% on the strength of higher conversion volumes and export realisation. The increased volumes, higher export realisations as well as weaker rupee contributed to a 122% increase in profit after tax.

9. Tata NYK Shipping Pte Ltd.

in ₹ crores

	FY 14	FY 13
Turnover	**1,582**	1,091
Profit/(loss) before tax (PBT)	**(307)**	(125)
Profit/(loss) after tax (PAT)	**(307)**	(125)

TATA NYK Shipping Pte Ltd., a 50:50 joint venture company of Tata Steel Ltd, India and NYK Line, Japan caters to the sea-borne trade for the Tata Group and the Indian markets.

The Company carried 20.2 million tonnes of cargo in Financial Year 2013-14, a growth of 20% over the previous year. The Company has a current fleet size of 24 ships (6 owned and 18 chartered).

Due to onerous contract and pre-delivery of high cost vessel, the Company has taken a one-time charge of ₹ 247 crores in the Financial Year 2013-14. The Company has reported losses in Financial Year 2013-14 due to weak underlying shipping industry fundamentals. However, the losses are lower as compared to previous year.

10. Tata Sponge Iron Limited

in ₹ crores

	FY 14	FY 13
Turnover	**784**	798
Profit/(loss) before tax (PBT)	**150**	126
Profit/(loss) after tax (PAT)	**101**	85

Tata Sponge Iron Limited, a manufacturer of sponge iron and producer of power, located at Joda, Odisha, increased its capacity utilisation during the Financial Year 2013-14 from 92% to 97% in comparison to the previous year.

The Power business of the Company saw a rise, generating 195.71 million kwh of power in Financial Year 2013-14 as compared to 178.92 million kwh in Financial Year 2012-13. The sale of surplus power during Financial Year 2013-14 was 140.91 million kwh as compared to 123.81 million kwh in Financial Year 2012-13. The increase in generation and sale of power is primarily on account of higher operating days as well as better capacity utilisation by its sponge iron kilns.

III. STRATEGY

Tata Steel's strategy development and deployment is aligned to its vision of becoming a global steel industry benchmark in Value Creation and Corporate citizenship.

One of the key pillars of Tata Steel's long-term strategy is to continue to build capacity in India through brownfield and greenfield expansions that is globally competitive and delivers world class products to its customers. In line with the above strategy, the Jamshedpur operations of the Company achieved almost a million tonnes of additional production and sales during the Financial Year 2013-14. In a year when most steel consuming segments in India were witnessing depressed demand conditions, the Company produced and sold higher volumes through meticulous planning and market development.

Tata Steel places a sustained emphasis on innovation. The process encompasses building of the capability to better understand the needs of consumers and finding the best possible products/solutions to cater to their needs. This can be done through innovation in process, product, service/solution or channel. Tata Steel has in the past demonstrated the ability to innovate by branding steel, shaping and developing the channel partners, entering new segments by developing new products and increasing penetration in value chains through services and solutions. There is a need to further strengthen the process of understanding consumer needs and generating actionable insights. While focussing on creating a funnel of innovative offerings for its chosen segments, the Company has, as a step forward, adopted a customer-based approach for its marketing and sales function in the Financial Year 2013-14 creating new business verticals.

During the year Tata Steel also continued with focussed improvements in the quality of products and services, building on the progress made by it in its Total Quality Management journey. It is further strengthening its quality assurance system by emphasising on internal system through standardised initiatives, cross functional activities and Q reviews across different levels, which enable it to deliver value to customers. Customer claims and critical claims from existing facilities have reduced significantly in the Financial Year 2013-14. As Tata Steel grows its volumes in India, it will continue to focus on customer centricity across all segments and branding of its products which is a significant part of the total turnover of the Company

In the steel industry, capacity gets added in sizeable chunks at points in time while demand growth is more linear. Therefore, demand growth in the short-term is unlikely to grow in tandem with supply of steel as additional capacities come on stream and this will put pressure on steel prices. The price discovery will be based on the cost positions of marginal players in the industry. India is expected to remain as a net exporter of steel and this will imply a higher level of integration of domestic and global steel prices. Tata Steel has hitherto benefitted from access to raw material. Softening of raw material prices due to surplus global raw material (iron ore and met coal) capacity will add pressure on steel prices going forward.

Therefore, Tata Steel continues to focus on continuous operational improvements. Kar Vijay Har Shikhar (KVHS) is the programme introduced in India for continuous innovation in process and operational excellence. Through its cost improvement initiatives, Tata Steel achieved a savings of ₹ 1,614 crores against a plan of ₹ 1,412 crores in Financial Year 2013-14. KVHS contributed ₹ 1,170 crores towards cost improvements in the Financial Year 2013-14. .

Similarly, the Company's European operations continued to deploy improvement programme under the umbrella of "Objective Goal Strategy Measure" (OGSM) programme designed towards achieving the mission of the Company i.e., 'To be the long-term preferred partner in our chosen markets by unlocking the potential of steel'. The European strategy combines the use of market differentiation, which aims to raise the proportion of premium, value-added products and services in the Company's portfolio, with rigorous cost control.

The focus on costs by Tata Steel Europe resulted in approaching GBP 200 million in operating cost savings during the year. Financial performance consequently improved over the previous year, despite the margin between raw materials costs and steel sales prices deteriorating.

During the year, Tata Steel Europe launched a number of improvement initiatives, some of which are listed below:

- Following the success of Project Ark in 2011 at Long Products Europe (LPE), LPE launched 'Path to Profit' during the year with a reduction of GBP 40 million in controllable costs and 500 FTE (full time employees) reductions.
- Launched in 2011, the Journey to Commercial Excellence (J2CE) is a key Sales and Marketing improvement

programme. It plays a significant role in accelerating delivery of a number of its OGSM objectives. The programme covers five areas with initiatives focussed either on creating value for the company or on developing the internal capability of the Sales & Marketing function. They are: Customer, Pricing, People, Product and Working Capital, with multiple initiatives now either in the deployment phase or having already reached steady-state.

- In September 2013, a Journey to Procurement Excellence (J2PE) was announced with a view to speed up the pace of change and deliver savings in external spend. The review identified potential benefits of GBP 100 million per year that could be achieved by taking a pan-European approach to external spend and by deploying best practices commercially and operationally.
- A standardised 'idea' capture and management process across European operations – Ideas Make a Difference (I-MAD) – was launched during the year. The process is designed to centralise capture of ideas and propel further sharing and learning across Europe. The financial impact for the year amounted to GBP 7 million.
- Recognising that technical expertise is a key area of differentiation for European operations, development of a 'Technical Excellence Programme' commenced in quarter 3. It focusses on improved sharing and learning, the implementation of technical and operational best practice, an effective and efficient organisation, common approaches, enhanced skills and competencies, and faster innovation.

IV. FINANCE

The Financial Year 2013-14 was marked by growth in emerging economies slowing due to the tapering by US Fed and Forex volatility. There was a consensual shift of investors from the emerging market to developed markets during the period. Despite looking stronger, the developed world too had its share of problems in the form of rising debt and gradual recovery.

Investor service and credit rating companies are keeping a close eye on the steel, metal and mining sectors. There are some challenges going forward in the form of weaker consumption and capacity expansion, which may weigh on the margin of steelmakers' and their utilisation rates. Mining bans and a softer outlook for global commodity prices have also affected the mining sector. Government's push towards unlocking pending investment has aided sentiments.

In the context of the above uncertain macroeconomic environment, Tata Steel has adopted a financing strategy for this year, which is similar to last year, focussed on the following key components (a) Financial Closure for Odisha project: Tata Steel is implementing a fully integrated 6 mtpa steel plant (3 mtpa in first phase) in Odisha. The capital expenditure is to be funded by mix of debt and equity. Financing for the project has been successfully closed with debt approval of ₹ 22,800 crores by a consortium led by State Bank of India. This has been the largest-ever syndicated project finance deal and the debt facility was oversubscribed 1.7 times. This is truly a testament to the continuous confidence that the investors and bankers have in the Company (b) Disposing off of non-core assets to reduce lazy capital. Tata Steel has launched the sale process for some of its non-core assets. One such proposed sale is Tata Steel's land in Borivili for ₹ 1,155 crores (c) Liquidity buffer for continued global operations: the total liquidity headroom of the Company was ₹ 2,243 crores as of 31st March, 2014, comprising cash & cash equivalents and undrawn lines).

Fitch maintained Tata Steel Limited's rating at BB+ and outlook as "Negative". The Domestic rating of Tata Steel Limited and the loans availed from banks was reaffirmed at AA. Further, Moody's Investors Service reaffirmed Tata Steel Limited's Corporate Family Rating at Ba3 while maintaining its outlook as "Negative". S&P also maintained its outlook of Tata Steel as "Negative" and re-affirmed 'BB' Rating. The concerns in the near term outlook across the agencies are principally because of lower growth and a challenging external environment for the global steel industry. However, due to the depreciation of the rupee during the past year, steel export has become more profitable. Also, domestic steel margins improved as the domestic prices are correlated with global steel prices in terms of US$.

The Company remains equipped to meet these challenges through an increased emphasis on deleveraging the balance sheet through a better financing strategy to meet capital expenditure requirements and disposing non-core assets. Tata Steel's plant in Kalinganagar is also expected to start its production towards the end of Financial Year 2014-15. Once the plant starts commercial production, Tata Steel will be able to leverage its expertise and distribution network to meet the rising steel demand in India as well as consolidate its earnings. Benefits from the 3 mtpa expansion in Jamshedpur has begun to accrue resulting in higher earnings and profits. This will help the Company to diversify its customer base across sectors and strengthen its performance.

V. FINANCIAL PERFORMANCE

1. Tata Steel standalone

Tata Steel recorded a profit after tax of ₹ 6,412 crores during Financial Year 2013-14 as compared to ₹ 5,063 crores in Financial Year 2012-13 primarily due to higher deliveries at 8.52 million tonnes (Financial Year 2012-13: 7.48 million tonnes). The basic and diluted earnings per share were at ₹ 64.22 for Financial Year 2013-14 (Financial Year 2012-13: ₹50.28).

The analysis of major items of the financial statements is shown below:

a) Net sales and other operating income

in ₹ crores

	FY 14	FY 13	Change %
Sale of products	**44,884**	41,014	9
Sale of power and water	**898**	875	3
Income from town, medical and other services	**87**	76	14
Other operating income	**440**	352	25
Sales and other operating income	**46,309**	42,317	9
Less: Excise Duty	**4,598**	4,118	12
Net sales and other operating income	**41,711**	**38,199**	**9**

Sales increased in the Financial Year 2013-14 by 9% over Financial Year 2012-13 primarily due to increase in volumes of Flat products (post commissioning of TSCR). The increase was partly offset by lower volumes of Long products and lower realisations of both Flat and Long products due to adverse market conditions and mix impact. Higher volumes partly offset by lower realisations at Tubes Division and at Wires Division also contributed to the increases.

Division wise net sales are shown below:

in ₹ crores

Net Sales	FY 14	FY 13	Change %
Steel	**37,012**	33,705	10
Tubes	**1,937**	1,790	8
Ferro Alloys and Minerals	**2,594**	2,544	2
Bearings	**168**	160	5
Total	**41,711**	**38,199**	**9**

b) Purchase of finished, semi-finished steel and other products

in ₹ crores

	FY 14	FY 13	Change %
Purchase of finished, semi-finished steel and other products	**353**	453	(22)

Purchase of finished and semi-finished materials decreased over Financial Year 2012-13 due to lower purchases at Growth Shop (on account of Odisha projects and external orders) at Wires and CRC West Division. The decreases were partly offset by purchase of imported rebars – at Steel Division – and higher purchases at Tubes Division.

c) Raw materials consumed

in ₹ crores

	FY 14	FY 13	Change %
Raw Materials consumed	**9,678**	9,877	(2)

Raw Materials consumed decreased primarily due to lower cost and consumption of purchased coke. The decreases were partly offset by higher consumption of imported coal, higher cost and consumption of imported limestone, Ferro Alloys and other raw materials along with higher freight and handling costs of own material.

d) **Employee benefits expense**

in ₹ crores

	FY 14	FY 13	Change %
Employee benefits expense	**3,673**	3,602	2

The employee benefits expense in the current period increased over Financial Year 2012-13 primarily on account of normal salary revision. The increase was partly offset by reduction in retiring provisions on account of change in actuarial estimates due to change in discounting rates.

e) **Stores and spares consumed**

in ₹ crores

	FY 14	FY 13	Change %
Stores and spares consumed	**2,611**	2,091	25

Stores and spares consumed (including industrial gases and spares) increased during the Financial Year 2013-14 primarily on account of higher consumption of operational spares, industrial gases and other stores and spares to support higher production.

f) **Repairs to machinery**

in ₹ crores

	FY 14	FY 13	Change %
Repairs to machinery	**1,734**	1,381	26

Repairs to machinery increased compared to Financial Year 2012-13 mainly on account of increase in mechanical contract jobs at the Finishing Mills, increase in civil contract jobs at the mines and collieries along with overhauling and other maintenance activities at various steel making facilities in the Jamshedpur Steel Works.

g) **Conversion charges**

in ₹ crores

	FY 14	FY 13	Change %
Conversion charges	**2,004**	1,955	2

Increase in the Conversion charges was a consequence of higher volumes and higher conversion charges at Flat products, Tubes Division and Wire Division. This increase was partly offset by lower conversion rates at FAMD and Long products and lower volumes at FAMD.

h) **Purchase of power**

in ₹ crores

	FY 14	FY 13	Change %
Purchase of power	**2,565**	2,321	10

Power purchased cost has increased during the Financial Year 2013-14 primarily due to increase in the power cost for both captive units and purchased fuel. Increase in captive power cost was largely attributed to higher power consumption on account of higher production volumes.

i) **Freight and handling charges**

in ₹ crores

	FY 14	FY 13	Change %
Freight and handling charges	**2,755**	2,261	22

The freight and handling charges were higher mainly on account of increase in volumes and rates of both rail and road dispatches.

j) **Royalty**

in ₹ crores

	FY 14	FY 13	Change %
Royalty	**1,130**	1,152	(2)

Royalty charges were lower in the Financial Year 2013-14 mainly on account of lower royalty rates of iron ore notified by Indian Bureau of Mines (IBM). This was partly offset by higher volumes and additional provision for royalty arising out of a demand confirmed by Jharkhand High Court.

k) **Rates and Taxes**

in ₹ crores

	FY 14	FY 13	Change %
Rates and taxes	**509**	423	20

Rates and taxes increased primarily due to the provision on account of the BST sales tax assessment from January 2002 to March 2004 and of Financial Year 2004-05 and Financial Year 2005-06.

l) **Other expenses**

in ₹ crores

	FY 14	FY 13	Change %
Other expenses	**2,346**	2,157	9

Other expenses increased primarily due to increase in packing charges, technical consultancy charges and various other expense heads.

m) Finance costs and Net Finance charges

in ₹ crores

	FY 14	FY 13	Change %
Finance costs	**1,821**	1,877	(3)
Net finance charges	**1,472**	1,546	(5)

Both the gross finance costs and net finance charges were lower over Financial Year 2012-13 primarily due to higher interest capitalisation partly offset by net increase in interest outgo.

n) Exceptional items

in ₹ crores

	FY 14	FY 13	Change %
Exceptional items	**(142)**	(675)	(79)

The exceptional items in Financial Year 2013-14 represents provision on account of diminution in value of investments of ₹ 97.53 crores in TAYO Rolls Limited, ₹ 24.71 crores in Strategic Energy Technology Systems Private Limited and ₹ 19.52 crores in Gopalpur SEZ Limited. The exceptional items in Financial Year 2012-13 primarily reflect the diminution in the value of the investments in TSKZN (₹ 687 crores) partly offset by the profit on sale of stake in Sila Eastern Pvt. Ltd. (₹ 2.7 crores).

o) Fixed assets

in ₹ crores

	FY 14	FY 13	Change %
Gross Block	**58,153**	47,254	23
Less: Impairment	**137**	137	–
Less: Depreciation	**15,241**	13,520	13
Net Block	**42,775**	**33,597**	**27**

The increase in fixed assets represents primarily capital expenditures towards Kalinganagar project at Odisha.

p) Investments

in ₹ crores

	FY 14	FY 13	Change %
Trade investments	**2,328**	2,184	7
Investments in subsidiary companies	**49,991**	47,801	5
Investment in mutual funds	**2,343**	434	440
Total investments	**54,662**	**50,419**	**8**

During the year, the Company converted advance against equity given to its subsidiary Tata Steel Holdings into equity. Investment in the Mutual Funds as on 31st March, 2014 was ₹ 2,343 crores up from ₹ 434 crores of 31st March, 2013.

q) Inventories

in ₹ crores

	FY 14	FY 13	Change %
Stores & Spares	**1,718**	1,473	17
Stock-in-trade	**4,290**	3,785	13
Total inventories	**6,008**	**5,258**	**14**

Increase in stores and spares was primarily due to increase in mechanical and electrical spares stock to support the operations post 3 million tonnes expansion at Jamshedpur. Raw materials inventories have increased as compared to March 2013 mainly due to increase in stock of imported coal, limestone, and zinc and tin.

r) Sundry Debtors

in ₹ crores

	FY 14	FY 13	Change %
Gross Debtors	**787**	811	(3)
Less: Provision for doubtful debts	**16**	14	11
Sundry Debtors	**771**	**797**	**(3)**

Reduction in debtors balance is primarily due to the decrease in the export debtors as Financial Year 2012-13 included higher month end sales in March 2013.

s) Loans and advances

in ₹ crores

	FY 14	FY 13	Change %
Loans and advances	**5,379**	**8,782**	**(39)**

Decrease in loans and advances is primarily on account of conversion of advance against equity to Tata Steel Holdings to equity and utilisation of MAT credit entitlement.

t) Cash flow and Net debt

Cash flow

in ₹ crores

	FY 14	FY 13	Change %
Net Cash flow from operating activities	**12,432**	11,069	12
Net Cash flow from investing activities	**(9,837)**	(8,522)	15
Net Cash flow from financing activities	**(3,826)**	(4,282)	(11)
Net increase/(decrease) in cash & cash equivalents	**(1,231)**	(1,735)	(29)

Net cash flow from operating activities

The net cash from operating activities was ₹ 12,433 crores during Financial Year 2013-14 as compared to ₹ 11,069 crores during Financial Year 2012-13. The cash operating profit before working capital changes and direct taxes during Financial Year 2013-14 was ₹ 13,236 crores as compared to ₹ 11,587 crores during Financial Year 2012-13 due to improved profitability. Decrease in the trade and other receivables and increase in the trade payables were partly offset by the increase in inventories in the current period resulting in the overall decrease in working capital during Financial Year 2013-14 (₹ 1,644 crores). The income taxes paid during Financial Year 2013-14 was ₹ 2,447 crores as compared to ₹ 1,980 crores during Financial Year 2012-13.

Net cash from investing activities

The net cash outflow from investing activities amounted to ₹ 9,837 crores in Financial Year 2013-14 as compared to an outflow of ₹ 8,522 crores during Financial Year 2012-13. The outflow during Financial Year 2013-14 broadly represents capex primarily on account of Kalinganagar project at Odisha (₹ 9,549 crores) and purchase (net of sale) of current investment (₹ 1,697 crores) partly offset by dividend received (₹ 492 crores).

Net cash from financing activities

The net cash outflow from financing activities was ₹ 3,826 crores during Financial Year 2013-14 as compared to an outflow of ₹ 4,282 crores during Financial Year 2012-13. The outflows during the current period were mainly due to the repayment of borrowings (₹ 6,470 crores), interest payments (₹ 1,503 crores) and dividend payments (₹ 901 crores) partly offset by fresh drawls (₹ 5,325 crores).

Net Debt

in ₹ crores

	FY 14	FY 13	Change %
Gross Debts	**27,917**	27,508	1
Less: Cash and Bank balances	**990**	2,221	(55)
Less: Current investments	**2,343**	434	440
Net Debt	**24,584**	24,853	**(1)**

Net debt as on 31st March, 2014 was ₹ 24,584 crores compared to ₹ 24,853 crores as on 31st March, 2013.

During the Financial Year 2013-14, gross debt has increased marginally by ₹ 410 crores compared to previous year primarily due to fresh drawls and foreign exchange impact of loan revaluation partly offset by repayments of some secured and unsecured loans during the period. Current investment and cash balance was higher by ₹ 678 crores as compared to 31st March, 2013 resulting in the decrease in net debts.

2. Tata Steel Group

Tata Steel Group posted a consolidated profit after tax (after minority interest and share of profit of associates) of ₹ 3,595 crores against a loss of ₹ 7,058 crores in the previous year. This is after considering an impairment charge of ₹ 46 crore as against the impairment charge of ₹ 8,356 crores during Financial Year 2012-13.

a) Net sales and other operating income

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**41,711**	38,199	9
Tata Steel Europe	**84,666**	78,012	9
NatSteel Holding	**12,128**	9,393	29
Tata Steel Thailand	**4,860**	4,436	10
Others	**34,476**	28,255	22
Eliminations & adjustments	**(29,227)**	(23,583)	24
Group Total	**1,48,614**	**1,34,712**	**10**

Tata Steel, India recorded a turnover growth of 9% primarily on account of higher volumes which was partly offset by lower realisations. Turnover of Tata Steel Europe (TSE) was 3% lower than previous year in GBP terms reflecting 7% decrease in realisations due to weak market conditions. However TSE turnover is higher by 9% in Rupee terms due to exchange benefit on translation. Turnover of NSH has increased by 29% reflecting an improved performance by its operating entities at China and Vietnam. Increase at TSTH is primarily on account of higher volumes.

b) Purchase of finished, semi-finished and other products

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**353**	453	(22)
Tata Steel Europe	**3,994**	7,633	(48)
NatSteel Holding	**9,814**	7,050	39
Tata Steel Thailand	**3,059**	2,700	13
Others	**3,296**	4,267	(23)
Eliminations & adjustments	**(3,508)**	(3,629)	(3)
Group Total	**17,008**	**18,474**	**(8)**

Purchases at the Indian operations decreased primarily on account of lower purchases relating to project activities at Kalinganagar. Purchases at TSE reduced reflecting the closure of the Global Positioning business in November 2012 along with the reduced purchases at Distribution and Sales Network. Higher purchases at NSH and TSTH were primarily due to higher sales volumes.

c) Raw materials consumed

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**9,678**	9,877	(2)
Tata Steel Europe	**35,106**	29,674	18
NatSteel Holding	**72**	93	(23)
Tata Steel Thailand	**260**	246	6
Others	**23,160**	17,449	33
Eliminations & adjustments	**(22,033)**	(16,696)	32
Group Total	**46,243**	**40,643**	**14**

The decrease at Tata Steel India reflects lower cost and consumption of purchased coke, which was partly offset by higher consumption of imported coal. Increase in raw material consumption at TSE is largely attributable to the impact of foreign exchange translation as the absolute raw material consumption in GBP terms has increased only by 6%. Reduction in raw material consumption in NSH is primarily on account of lower consumption due to lower production.

d) Employee benefits expense

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**3,673**	3,602	2
Tata Steel Europe	**14,946**	13,762	9
NatSteel Holding	**723**	664	9
Tata Steel Thailand	**147**	131	12
Others	**823**	753	9
Eliminations & adjustments	**–**	–	–
Group Total	**20,312**	**18,912**	**7**

The increase in Tata Steel, India was on account of normal salary increases and consequential increase in retiral provisions, partly offset on account of change in actuarial estimates due to change in discounting rates. The wage cost at TSE was lower in GBP terms as a result of one off credit of GBP 31 million in pension cost and lower headcount but reflects increases on account of exchange rate impact on translation.

e) Purchase of power

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**2,565**	2,321	10
Tata Steel Europe	**2,238**	1,995	12
NatSteel Holding	**352**	418	(16)
Tata Steel Thailand	**516**	432	19
Others	**618**	558	11
Eliminations & adjustments	**(253)**	(170)	49
Group Total	**6,036**	**5,554**	**9**

Increase in volume to support higher production and increase in rates resulted in the higher power cost at Tata Steel, India. Increase at TSE is primarily due to exchange impact on translation. Increase at TSTH is primarily due to higher consumption to support higher production. These increases were partly offset by lower consumption in NSH due to shutdown of meltshop and rolling mills for upgradation.

f) Freight and handling charges

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**2,755**	2,261	22
Tata Steel Europe	**4,730**	3,922	21
NatSteel Holding	**244**	168	45
Tata Steel Thailand	**39**	34	16
Others	**1,345**	1,155	16
Eliminations & adjustments	**(105)**	(106)	(1)
Group Total	**9,008**	**7,434**	**21**

Increase in volumes and rates of rail and road despatches resulted in an increase in Tata Steel, India. Increase at TSE is 8% in GBP terms, primarily due to higher deliveries and increase in carriage and shipping rates but reflects higher increase due to exchange impact on translation. Increase at NSH is primarily on account of 39% higher deliveries compared to last year.

g) Other expenditure

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**10,018**	8,963	12
Tata Steel Europe	**21,039**	18,626	13
NatSteel Holding	**797**	774	3
Tata Steel Thailand	**607**	543	12
Others	**3,330**	2,620	27
Eliminations & adjustments	**(1,681)**	(1,572)	7
Group Total	**34,110**	**29,954**	**14**

Other expenditure represents the following expenditure:

in ₹ crores

	FY 14	FY 13	Change %
Stores & spares consumed	**11,995**	9,838	22
Repairs to Building	**503**	512	(2)
Repairs to Machinery	**5,925**	5,152	15
Relining expenses	**137**	131	5
Fuel oil consumed	**1,089**	990	10
Conversion charges	**2,028**	1,931	5
Rent	**4,019**	3,386	19
Royalty	**1,211**	1,199	1
Rates & Taxes	**1,095**	980	12
Insurance charges	**475**	332	43
Commission, discounts and rebates	**292**	271	8
Provision for wealth tax	**2**	2	–
Provision for doubtful debts and advances	**79**	116	(32)
Excise Duties	**74**	142	(48)
Other expenses	**6,713**	6,289	7
Less: Expenditure (other than interest) transferred to capital and other accounts	**1,527**	1,317	16
Group Total	**34,110**	**29,954**	**14**

Expenditure in TSE increased by 4% in GBP terms primarily due to higher stores and spares consumed (higher increase in rupee terms due to exchange rate impact on translation). The increase in Tata Steel India was mainly due to the increase in consumption of stores and spares, higher royalty charges and higher conversion charges. The increase in 'Others' is primarily due to restructuring charges of vessels at Tata NYK during the current year and increase in freight and handling charges and conversion charges in one of the affiliates.

h) Finance costs and Net finance charges

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**1,821**	1,877	(3)
Tata Steel Europe	**3,606**	3,090	17
NatSteel Holding	**61**	56	9
Tata Steel Thailand	**76**	77	(1)
Others	**1,428**	1,167	22
Eliminations & adjustments	**(2,655)**	(2,299)	15
Group Total	**4,337**	**3,968**	**9**

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**1,472**	1,546	(5)
Tata Steel Europe	**3,508**	2,996	17
NatSteel Holding	**57**	51	12
Tata Steel Thailand	**72**	74	(3)
Others	**402**	250	61
Eliminations & adjustments	**(1,656)**	(1,400)	18
Group Total	**3,855**	**3,517**	**10**

In Tata Steel India, finance cost was lower primarily due to increase in interest capitalisation. Increase at TSE is primarily due to exchange impact on translations. Increase in 'Others' is primarily on account of Foreign Currency Bonds issued by one of the affiliates in Q1 of Financial Year 2013-14.

i) Exceptional items

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**(142)**	(675)	(79)
Tata Steel Europe	–	(7,340)	(100)
NatSteel Holding	–	(24)	(100)
Tata Steel Thailand	–	(518)	(100)
Others	–	673	(100)
Eliminations & adjustments	**114**	494	(77)
Group Total	**(28)**	**(7,390)**	**(100)**

The exceptional items in Financial Year 2013-14 primarily represents the diminution in the value of investments in TAYO Rolls Limited and in Gopalpur SEZ Limited net of adjustment of accumulated losses in consolidated financial statement. Exceptional items in Financial Year 2012-13 includes the non-cash write down in TSE (₹ 7,354 crores), TSTH (₹ 518 crores), Kalimati Coal Company (₹ 132 crores) and TSKZN (₹ 307 crores), Tata Metaliks (₹ 45 crores) and the loss on sale of JVs and Subsidiaries by TSE (₹ 20 crores) partly offset by profit on sale of investment by Kalimati Investment Company Limited (₹ 962 crores).

j) Stores and spares stock

in ₹ crores

	FY 14	FY 13	Inc./ (Dec.)	Change %
Tata Steel	**1,718**	1,473	245	17
Tata Steel Europe	**1,053**	887	166	19
NatSteel Holding	**117**	89	28	32
Tata Steel Thailand	**259**	280	(21)	(8)
Others	**254**	236	18	8
Eliminations & adjustments	–	–	–	–
Group Total	**3,401**	**2,965**	**436**	**15**

In Tata Steel India, increase in stores and spares were primarily due to increase in mechanical and electrical spares stock to support the operations post 3 million tonnes expansion at Jamshedpur.

k) Stock-in-trade

in ₹ crores

	FY 14	FY 13	Inc./ (Dec.)	Change %
Finished Goods	**10,016**	8,291	1,724	21
WIP	**5,768**	4,946	823	17
Raw Materials	**7,695**	7,890	(195)	(2)
Total Inventory	**23,479**	**21,127**	**2,352**	**11**

in ₹ crores

	FY 14	FY 13	Inc./ (Dec.)	Change %
Tata Steel	**4,290**	3,785	505	13
Tata Steel Europe	**16,652**	14,858	1,794	12
NatSteel Holding	**1,311**	1,118	193	17
Tata Steel Thailand	**585**	639	(54)	–
Others	**962**	995	(33)	(3)
Eliminations & adjustments	**(321)**	(268)	(53)	20
Group Total	**23,479**	**21,127**	**2,353**	**11**

The overall finished and semi-finished inventory increased over March 2013, primarily at TSE due to the impact of the foreign exchange fluctuation on translation and marginal increase in GBP terms. Tata Steel India reported higher levels of finished and semi-finished inventory due to an increase in tonnages. The raw material inventory has decreased primarily at TSE due to lower cost of raw materials, which was partly offset by the increase in the raw material inventory at Tata Steel India. The primary reason for increase in raw material inventory at Tata Steel India is increase in the imported coal quantity.

l) Sundry debtors

in ₹ crores

	FY 14	FY 13	Change %
Tata Steel	**771**	797	(3)
Tata Steel Europe	**7,510**	5,824	29
NatSteel Holding	**751**	726	3
Tata Steel Thailand	**128**	166	(23)
Others	**19,283**	15,891	21
Eliminations & adjustments	**(12,437)**	(9,410)	32
Group Total	**16,006**	**13,994**	**14**

Decrease in debtors at Tata Steel India is mainly on account of decrease in export debtors as Financial Year 2012-13 included higher month end sales in March 2013. TSE debtors increased primarily due to exchange impact on translation.

m) Cash flow and Net debt

Cash flow

in ₹ crores

	FY 14	FY 13	Change %
Net cash from operating activities	**13,146**	14,035	(6)
Net cash flow from investing activities	**(16,451)**	(13,297)	24
Net cash flow from financing activities	**1,014**	(1,780)	(157)
Net increase/(decrease) in cash and cash equivalents	**(2,291)**	**(1,042)**	**120**

Net cash flow from operating activities: The Group generated ₹ 13,146 crores from operations during Financial Year 2013-14 as compared to ₹ 14,035 crores in Financial Year 2012-13. The cash generated from operations prior to the changes in working capital and tax payments in the current period was ₹ 17,428 crores against ₹ 12,764 crores in Financial Year 2012-13 reflecting higher profits. Cash from operations was lower than previous year due to increase in the working capital during the current period by ₹ 1,270 crores as against a decrease of ₹ 3,841 crores in the previous year. The payments of income taxes during Financial Year 2013-14 was ₹ 3,013 crores as compared to ₹ 2,569 crores in Financial Year 2012-13.

Net cash from investing activities: A sum of ₹ 16,451 crores was applied in the current year towards investing activities including capex of ₹ 16,420 crores partly offset by sales of current and non-current investments.

Net cash from financing activities: Cash inflow from financing activities in the current period (loans availed net of loan repayments and interest payments) amounted to ₹ 1,015 crores as against an outflow of ₹ 1,780 crores in Financial Year 2012-13.

The net decrease in cash and cash equivalents was ₹ 2,291 crores excluding the effect of exchange fluctuation ₹ 1,073 crores in the current period with a balance of ₹ 8,451 crores as on 31st March, 2014 against a balance of ₹ 9,669 crores as on 31st March, 2013.

Net debt

in ₹ crores

	FY 14	FY 13	Change %
Gross Debt	**81,609**	68,507	19
Less: Cash and Bank balances (including non-current balances)	**8,704**	9,892	(12)
Less: Current investments	**2,668**	760	251
Net Debt	**70,237**	**57,855**	**21**

Net debt at ₹ 70,237 crores at 31st March, 2014 was higher than March 2013 by ₹ 12,382 crores due to increase in the gross debt level which was partly offset by the increase in cash and bank balances. Gross debt was higher mainly due to increase in the fresh drawals during the period and exchange rate impact on revaluation.

VI. RISKS, OPPORTUNITIES AND THREATS

The Tata Steel Group aims to address risks, opportunities and threats posed by its business environment strategically by maintaining sustainable and robust business models and further improving on them. Tata Steel's response to these elements is discussed in the sections below.

1. Macro Environment

The Group's financial performance is influenced by the economic climate in India, UK, the European mainland, South–East Asia and by changes in the global steel market.

While the steel consumption growth in India has been relatively resilient, slowing economic growth has meant a moderation in steel consumption growth rates. Despite the challenging economic conditions, Tata Steel has consistently and profitably grown its volumes across customer segments by enhancing its participation across value chains through innovation-led changes in service and solution, new brands, shaping channels, diversifying and deepening the customer base, entering new segments and aggressively implementing several cost reduction initiatives.

European prospects show very marginal improvement; with the Euro zone showing signs of economic recovery, driven by increased factory output. However, the European steel demand continues to be weak even as steel imports rise from countries with low cost of production e.g. China, Russia etc. The Group's response in Europe included an acceleration of commercial and operational improvement initiatives delivery of significant fixed cost savings and further rationalisation of its operations.

South–East Asia continues to face strong competition from China. Thailand was affected by political turmoil. The challenges and opportunities posed by macro factors are being predicted, identified and aligned to the Group's objectives.

In South–East Asia, the Company has improved the product mix and increased exports to growth markets besides focussing on cost reduction initiatives as mitigation measures.

2. Industry Cyclicality

The steel industry is subject to cyclical swings arising from factors such as excess capacity, regional demand & supply imbalances and volatile swings in market demand and prices, more recently exacerbated by swings in input prices as well as changes in the regulatory environment. Whilst the Group seeks to differentiate its products and to manage down the level of its fixed costs, it still retains the focus on improving its operations through a variety of measures such as continuous improvement programmes, enhancing technical knowledge and skill, improving process safety, targeted capital expenditure and focussed risk management.

3. Regulatory Environment

The mining sector in India has been under regulatory scrutiny including states like Odisha and Jharkhand where the Group has significant mining operations. The Group has complied with the prevailing laws and regulations and has fully cooperated with the regulators.

The Group's European businesses are subject to numerous laws, regulations and contractual commitments in various countries in which it operates. The Group has policies, systems and procedures in place aimed at ensuring substantial compliance and there is a strong commitment from the Board and the Executive Committees to enforce compliance.

4. Growth Projects

The Group continues to pursue its growth strategy, particularly in the Indian market where it sees significant market opportunities. The execution of the growth projects involves uncertainty in terms of required approvals, land acquisition, commissioning and local community relationships. Work on the Group's greenfield steel plant in the state of Odisha, India, to be developed in two phases of 3.0 mtpa each, continues. Phase 1 is to be commissioned at the end of Financial Year 2014-15.

5. Raw Materials Security and Price Volatility

The access to and cost of raw materials supplies depend, to a large extent, on the worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap.

The volatility in prices of raw materials and energy, including the mismatches between the trends in prices for raw materials and steel, as well as limitations on or disruptions in the supply of raw materials, could adversely affect the Company's profitability.

Achieving greater raw material security to insulate the Group from swings in prices of key raw materials and resultant impact on profitability continues to be a key strategic objective. Indian operations are 100% self-sufficient in iron ore and about 45% in metallurgical coal.

The Group maintains strong supplier relationships and flexible sourcing through centralised procurement of raw materials. The Group continues to closely monitor market conditions and seeks to put in place contractual arrangements to ensure security of critical supplies.

To achieve greater raw material security, the Group is pursuing various mining projects in Africa, Canada and India.

6. Health, Safety & Environmental Risks

The Group operates in multiple geographies and thus has compliance obligations with diverse and complex laws regulations and contractual commitments relating to health, safety, environment and regulatory compliance. The risk of substantial costs, liabilities and damage to reputation related to non-compliance with these laws and regulations are an inherent part of the Group's business.

The Group has policies, systems and procedures in place aimed at continuously improving safety performance and minimising the impact of the Group's operations on the environment.

To meet environmental standards, dust and other emission levels are monitored to ensure that they stay within permissible limits. The Group continues to invest to improve energy efficiency and to reduce CO_2 emissions. Extra efforts are being taken to ensure workplace safety in mines and collieries in India and on construction sites.

The EU Emissions Trading Scheme, currently in Phase 3, is the key item of environmental legislation for the Company's European operations. The Company is very active in the European Steel Association's efforts to mitigate the risks associated with the deployment of this regulation under Phase 3 and beyond.

7. Financing

Tata Steel Group's expansion projects require significant investment which in turn is funded from internal cash generation and capital raised externally (including debt). Also, the Company in 2007, funded its acquisition of Corus in significant part by debt, raised both in India and overseas, as a result of which the Company has sizeable repayment and debt servicing obligations on an ongoing basis. Recent depressed market conditions (especially in Europe) have meant that the cash generation across the Tata Steel Group has been constrained, thereby increasing the risk inherent in the capital structure of the business. At the same time, it is important to note that the financing for the Company's growth projects in India is finalised and hence does not pose a limiting factor for growth. Additionally, Tata Steel Group continues to opportunistically raise capital and rebalance its capital structure, taking into account market conditions and available liquidity.

8. Pensions

TSE provides retirement benefits for substantially all of its employees; including defined benefit. The market value of pension assets and liabilities is significantly greater than the net assets of the Group and, therefore, any change can have a material impact on the Group's financial statements.

The Group has put in place a framework to manage pension risks and works with Schemes' Trustees to ensure that obligations remain affordable and sustainable.

A range of measures has already been adopted by the principal Schemes in the Group to manage liabilities and to protect against investment market risk exposure, whilst maintaining asset performance. Further actions will be considered as and when appropriate.

9. Foreign Exchange Rate Volatility

Through its global operations, the Group operates in several currency areas. Volatility in the currency markets can adversely affect the outcome of commercial transactions and cause trading uncertainties.

The Group has foreign exchange hedging policies in place to protect its trading and manufacturing margins against rapid and significant foreign exchange movements.

10. Long-term competitiveness of European Operation

A large proportion of the Group's manufacturing facilities are in Europe, which is a relatively high cost area and where demand growth for steel products is much lower than in developing parts of the world.

In order to maintain its ability to successfully compete in the long-term the Group is, therefore, undertaking a number of initiatives including a strategic review of its asset portfolio, business specific improvement plans and securing access to cost-effective raw materials.

VII. INTERNAL CONTROL SYSTEMS

In Tata Steel India, the Corporate Audit Division continuously monitors the efficacy of internal controls with the objective of providing to the Audit Committee and the Board of Directors, an independent, objective and reasonable assurance on the adequacy and effectiveness of the organisation's risk management, control and governance processes. The Division also assesses opportunities for improvement in business processes, systems and controls; provides recommendations, designed to add value to the organisation and follows up on the implementation of corrective actions and improvements in business processes after review by the Audit Committee and Senior Management.

The scope and authority of the Corporate Audit Division is derived from the Audit Charter approved by the Audit Committee. The Charter is designed in a manner that the Audit Plan is focussed on the following objectives:

a. All operational and related activities are performed efficiently and effectively.

b. Significant financial, managerial and operating information that is relevant, accurate and reliable is provided on time.

c. Review the process of identification and management of Business Risks.

d. Resources are acquired economically, used efficiently and safeguarded adequately.

e. Employees' actions are in accordance with the Company's policies and procedures, Tata Code of Conduct and applicable laws and regulations.

f. Significant legislative and regulatory provisions impacting the organisation are recognised and addressed appropriately.

g. Opportunities identified during audits, for improving management control, business targets and profitability, process efficiency and the organisation's image, are communicated to the appropriate level of management.

h. Shareholders' and other Stakeholders' wealth and welfare are preserved, protected and enhanced.

Corporate Audit Division develops an annual audit plan based on the risk profile of business activities of the organisation and the business activities are prioritised for audit accordingly. The audit plan is approved by the Audit Committee, which regularly reviews compliance to the plan.

During the year, the Audit Committee met regularly to review reports submitted by the Corporate Audit Division. All significant audit observations and follow-up actions thereon were reported to the Audit Committee.

The Audit Committee also met the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed by the Company. The Management acted upon the observations and suggestions of the Audit Committee.

In Tata Steel South East Asia the respective Boards of NSH and TSTH are responsible for the internal control systems of the companies.

The Internal Audit functions of NSH and TSTH serve to provide independent and objective assurance on the adequacy and effectiveness of the organisation's risk management, control and governance processes. The Internal Audit functions also assesses opportunities for improvement to business processes, systems and controls; provides recommendations designed to add value to the organisation and follows up on the implementation of agreed audit recommendations.

The scope and authority of the Internal Audit functions are derived from the Internal Audit Charter approved by the respective Audit Committees. The duties and authority of the Audit Committees' in turn vested by the Audit Committee Terms of Reference approved by the respective Boards.

The activities of the Internal Audit function are guided by the Internal Audit Plan, which is approved by the respective Audit Committees, who also review the findings/agreed actions set out in Internal Audit reports and the adequacy of IA resources during quarterly Audit Committee meetings. The Audit Committees also meet the respective Company's Statutory Auditors regarding their review of the financial statements, including the financial reporting system, compliance with accounting policies and procedures, the adequacy and effectiveness of the internal controls and systems followed.

In Tata Steel Europe (TSE), the Board of Directors is responsible for TSE's system of internal control and reviewing its effectiveness. The company has a well-established internal audit function that has direct access to the Chairman of the Audit Committee, who meets with the Director Audit several times each year and reports functionally to the Tata Steel Group Director Assurance & Audit. The Audit Committee receives reports from the internal audit function four times a year and also considers the terms of reference, plans and effectiveness of the function. The internal audit function works closely with the external auditors. It provides independent and objective assurance to the Board, the Audit Committee and the Executive Committee on the systems of internal control employed in the TSE Group, and provides a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance procedures.

There were no changes in internal control over financial reporting during the period under review that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

TSE's system of internal control has been designed in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period.

VIII. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

At the core of Tata Steel's Human Resource Management (HRM) policy is the underlying belief that employees are our primary source of competitiveness. Hence the focus is on enriching the quality of life of its employees, developing their potential and maximising their productivity. With Tata Values as the bedrock, the unique attributes of our policy are climate of openness, equity, fairness and respect for the individual, freedom to experiment, mutual trust, and teamwork. Tata Steel is an equal opportunity employer and strives to attract the best available talent and ensure diversity in its workforce.

Tata Steel would not have been where it is today without its people and their commitment, innovation, engagement, strive for excellence and a strong sense of belongingness to the organisation. A strong industrial harmony of over eight decades bears testimony to strong people practices of the Company.

HR & IR Function was reorganised as HRM for better partnership with business and addressing all people-related issues more comprehensively across all geographies.

For sustainable future, Leadership Development has continued to be a focus area for Tata Steel Group. As a next step to Talent Appreciation Process (TAP), a Senior leadership Team building Exercise was conducted with the objective of arriving at a Team Vision, understanding each other's strengths, besides arriving at an 'agreed to' action plan to leverage team strengths better. Window on the World, a platform that provides an opportunity to share leading edge thoughts and insights, strengthens the Company's culture of continuous learning and drives the pursuit of its goal of being a hallmark in the area of learning and development initiatives. Eminent personalities were invited for this programme.

Tata Steel has continued to play a pioneering role in employee welfare with the introduction of a "Family Support Scheme" to institutionalise financial security for the bereaved family by maintaining their standard of living in the event of death of an employee arising out of accident while on duty.

Employee Productivity continues to a critical focus area in the Company's journey towards global benchmark in value creation and excellence. Therefore, Productivity Week celebration – new initiative in the Financial Year 2013-14 – was organised across the Company from 12th – 14th February, 2014. Employee productivity for Works and Services manpower rose to 590/tcs/man/year in Financial Year 2013-14 from 513 tcs/man/year in Financial Year 2012-13. The total strength of permanent employees in the Indian operations increased to 36,199 as on 31st March, 2014 as compared to 35,905 as on 31st March, 2013, primarily due to increase in the number of employees at the KPO site during Financial Year 2013-14. Industrial Relations remained normal at all locations during the reporting period.

During the year the Company received various rewards and recognition in HRM area as enumerated below:

Tata Steel once again won the World Championship (8th Virtual Steel Making Challenge) organised by World Steel Association at Brussels. Mr. Kausik Tamuli and Mr. Animesh Kumar Singh, Management Trainee 2011 represented Tata Steel and were declared World Champions. This feat was achieved for the 2nd time in succession. In the regional rounds, the top 10 teams in the Middle East-India-Africa region were all from Tata Steel, a feat achieved by the Company for the third year in succession. The regional rounds witnessed participation across a geographical area spanning Middle East, India and Africa, with 2,000 participants from 41 different countries competed fiercely for the honours.

- Tata Steel won 23 medals out of a total of 28 medals on offer, including 16 gold medals in the CII National Works Skill Competition in various trades held in February 2014.
- Tata Steel bagged the first prize in the Operations & Production category as well as the first and second prizes in the Repairs & Maintenance category during the 13th National Supervisory Skills Competition organised by CII at Kolkata during 12th – 14th August, 2013.

The European operations have employee strength of 31,184 as at the end of March 2014 as compared to 32,100 on 31st March, 2013. The reduction mainly resulted from restructuring measures due to the continued economic downturn.

During the Financial Year 2013-14, the Company's European operations announced restructuring plans at its Long Products business and its UK electrical steels site based in

Newport, South Wales to improve its competitive position and to cope up with difficult trading conditions in the global electrical steels market.

IX. STATUTORY COMPLIANCE

The Managing Director makes a declaration at each Board Meeting regarding compliance with provisions of various statutes after obtaining confirmation from all the units of the Company. The Company Secretary ensures compliance with the SEBI regulations and provisions of the Listing Agreement. The Group Executive Director (Finance & Corporate), as the Compliance Officer, ensures compliance with guidelines on insider trading for prevention of insider trading.

X. CAUTIONARY STATEMENT

Statements made in this report describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and incidental factors.