

## Tata Steel Group

Consolidated Financial Results  
Quarter Ended December 2009

**Press Meet – Mumbai**

February 16 , 2010

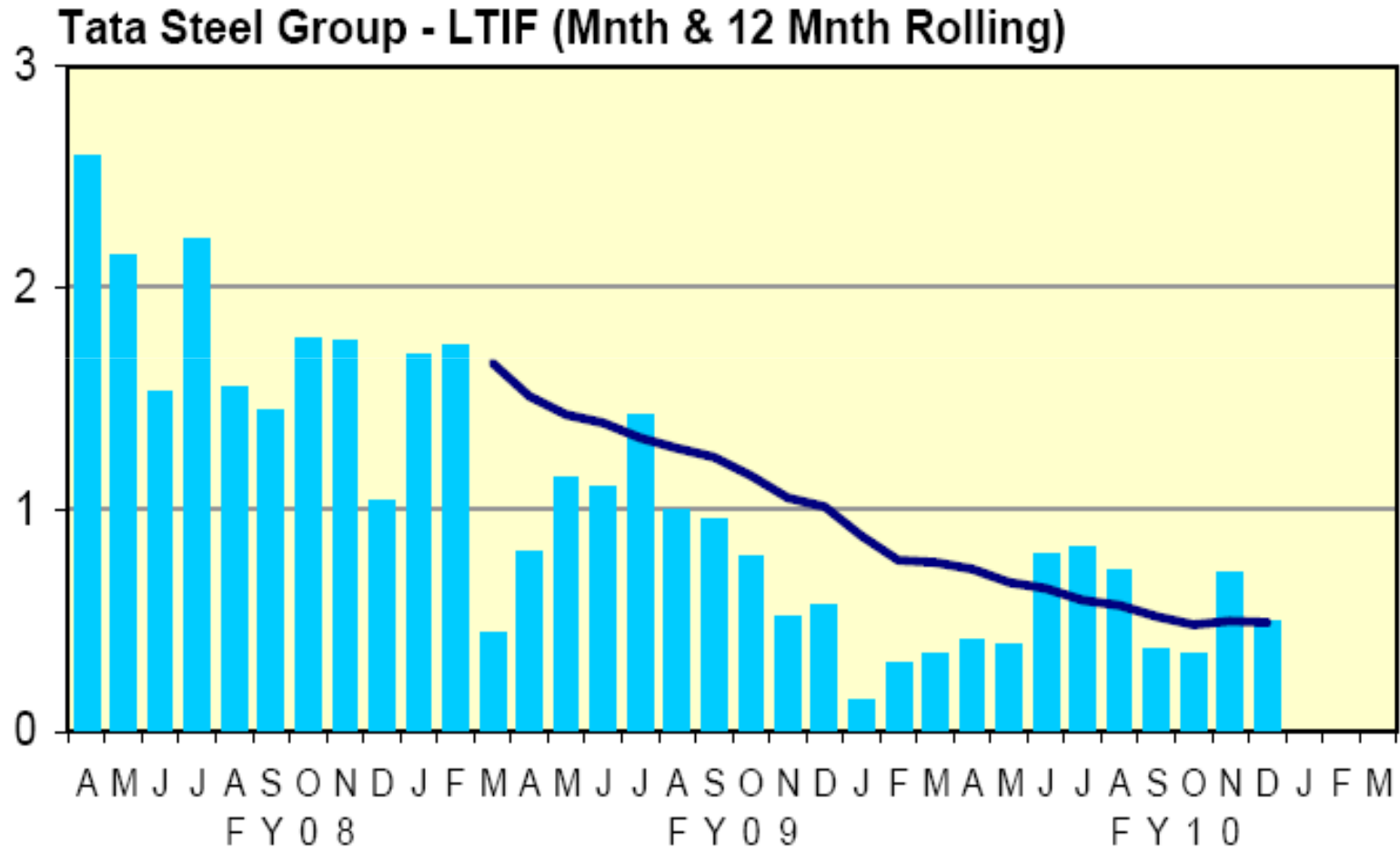
# Agenda

- Introduction and Consolidated Highlights
- Global Environment
- Third Quarter Performance : Tata Steel Europe
- Third Quarter Performance : Tata Steel India & South East Asia
- Third Quarter Group Financial Performance
- Recent Corporate Developments
- Business Outlook
- Q&A

# Agenda

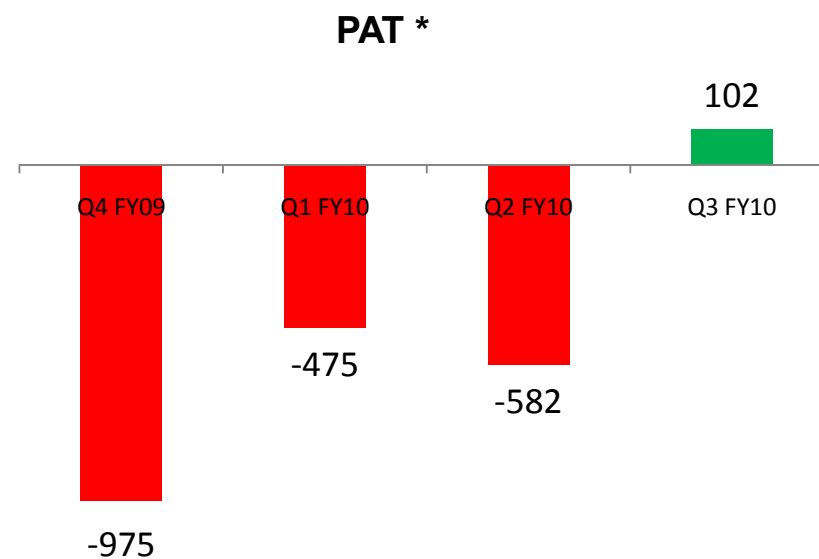
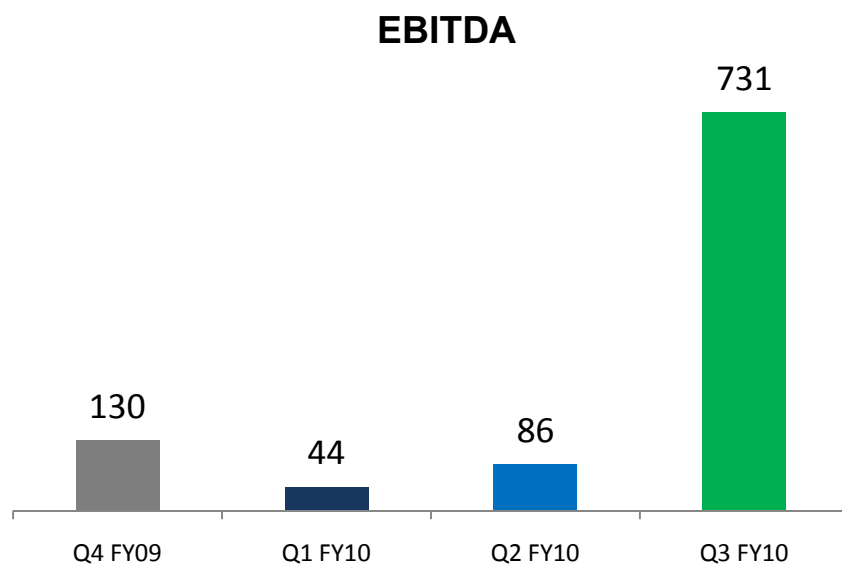
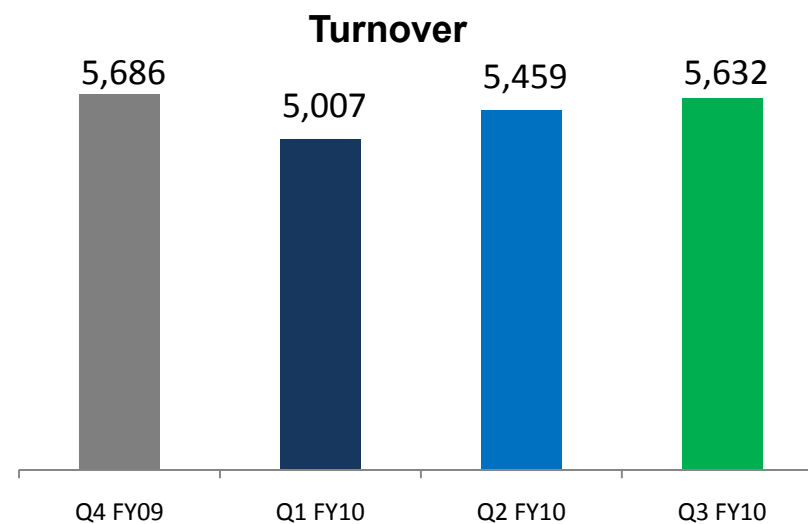
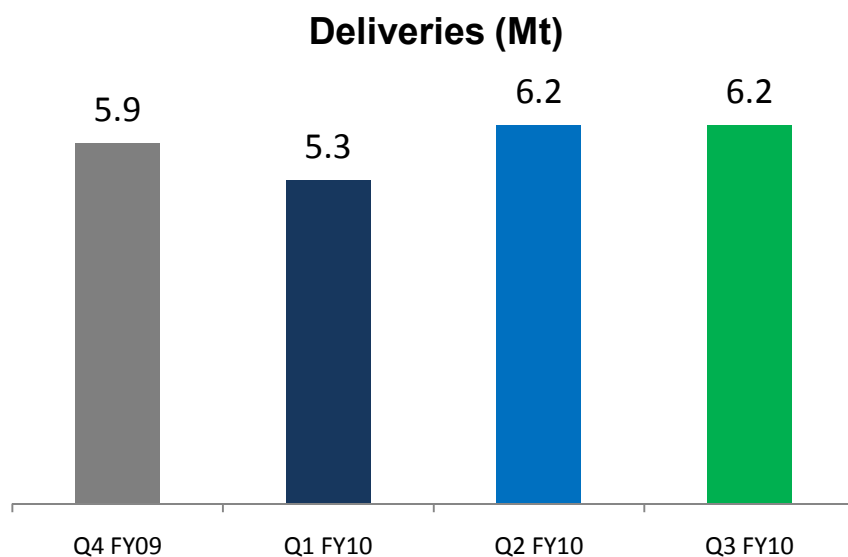
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# Tata Steel Group – Safety Performance



# Consolidated Highlights

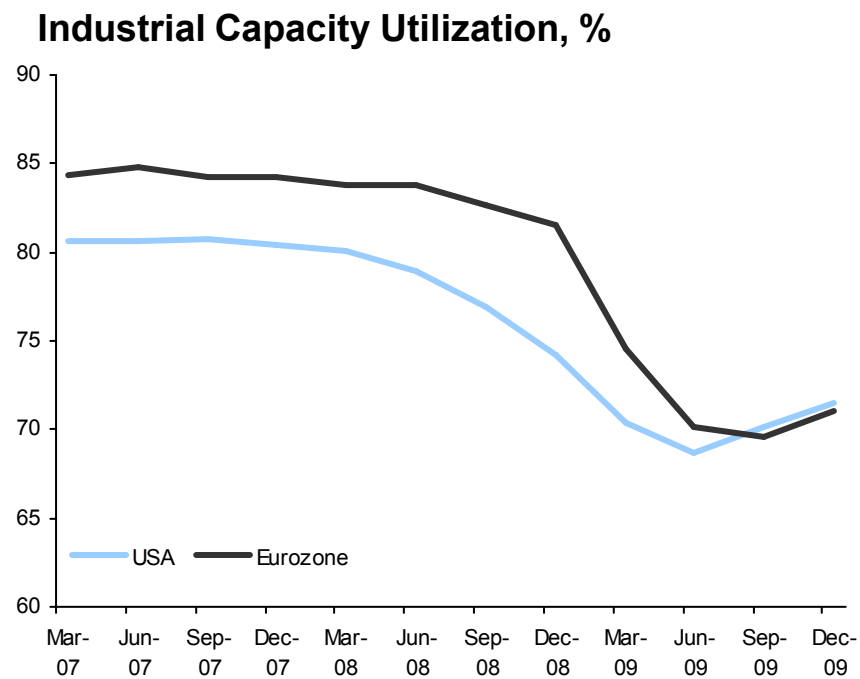
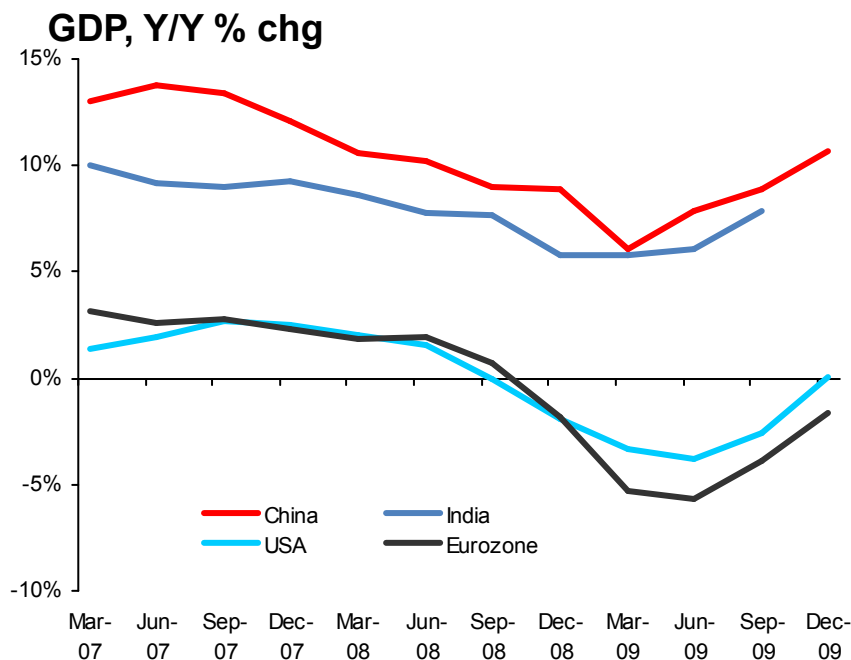
US\$ Mn



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# Global Macroeconomic Indicators



Data Source: Thomson Datastream

## Lagging Indicators are improving:

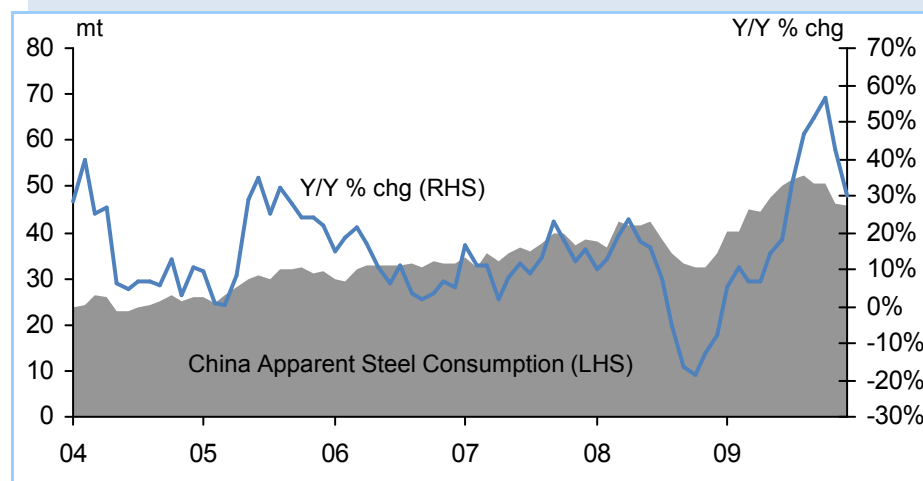
- GDP contraction has slowed in the western markets while India and China continue to power ahead
- Capacity utilizations in US and Euro Area are gradually improving from their Q2 2009 lows

# Global Steel Environment

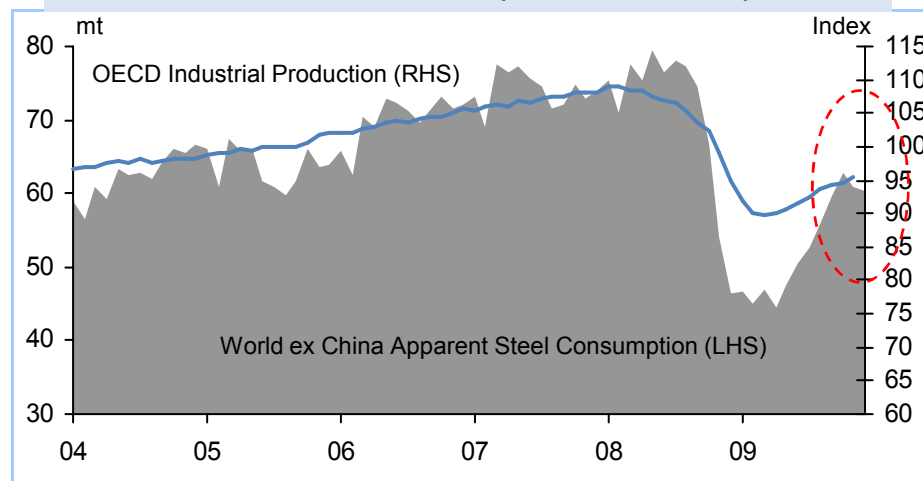
- Global steel consumption fell by 8% y/y in 2009
  - ❑ China and India hit new record levels in 2009 (up 25% and 14% y/y respectively)
  - ❑ Rest of world fell by 30% y/y
- December quarter 2009
  - ❑ Continued robust growth in China and India
  - ❑ End of destocking in key developed markets (EU, US)
  - ❑ Global consumption up 20% vs. H1 2009
- Global consumption to surpass previous peak levels in 2010
  - ❑ End of destocking will see a strong 'technical improvement' in Europe and US in Y-o-Y terms
  - ❑ China and India likely to reach new yearly peak of 600 mt and 63 mt respectively

Source: WSA , ISSB & Tata Steel Group Estimates, OECD

**China - Apparent Steel Consumption (mt, % chg y/y)**



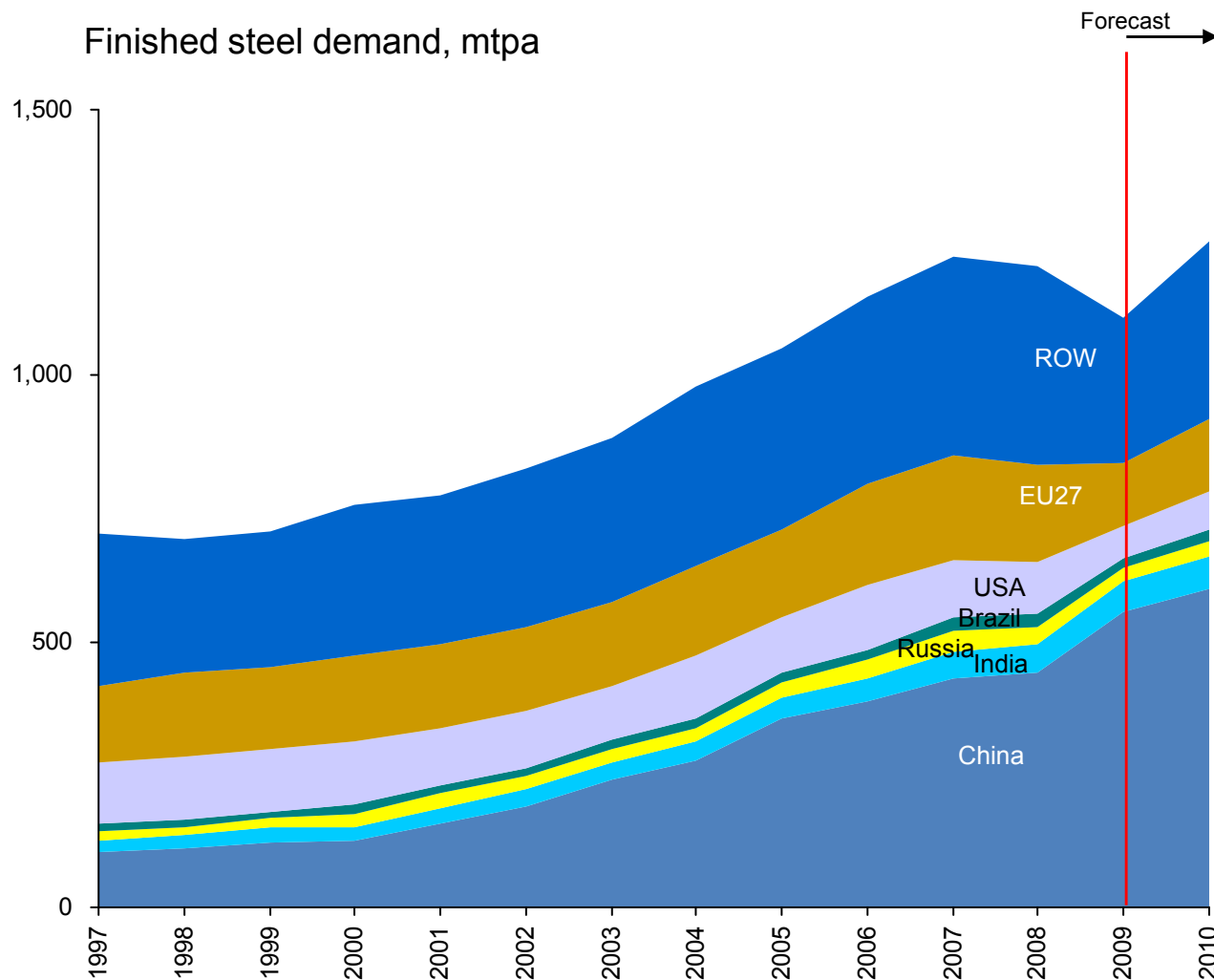
**World ex China - Apparent Steel Consumption (mt) & OECD Industrial Production (Index 2005=100)**



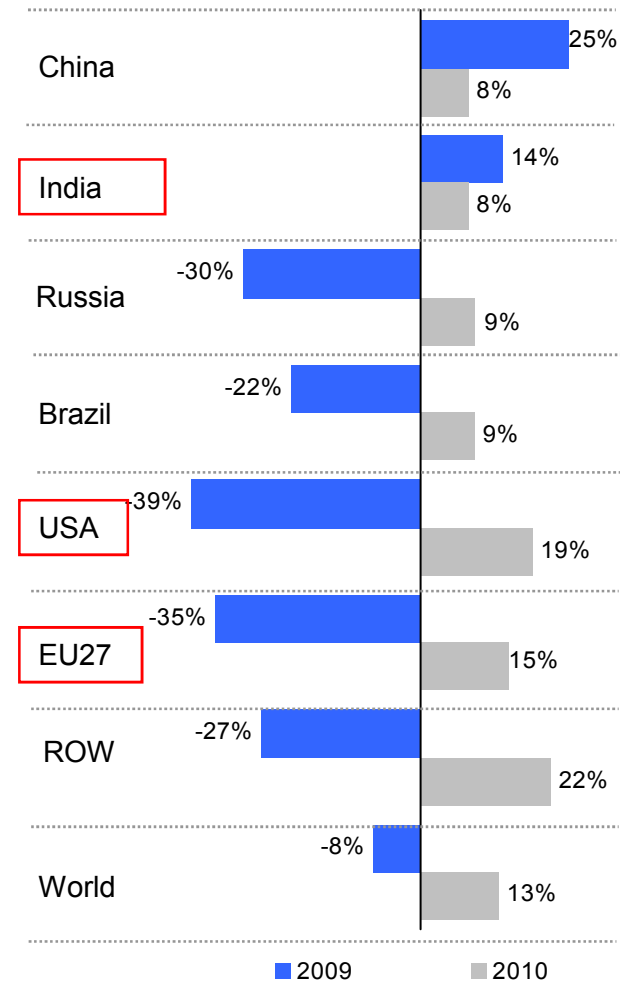
# Global Steel Demand

Global demand will return to pre-crisis levels in 2010

Finished steel demand, mtpa



Steel demand (% chg)

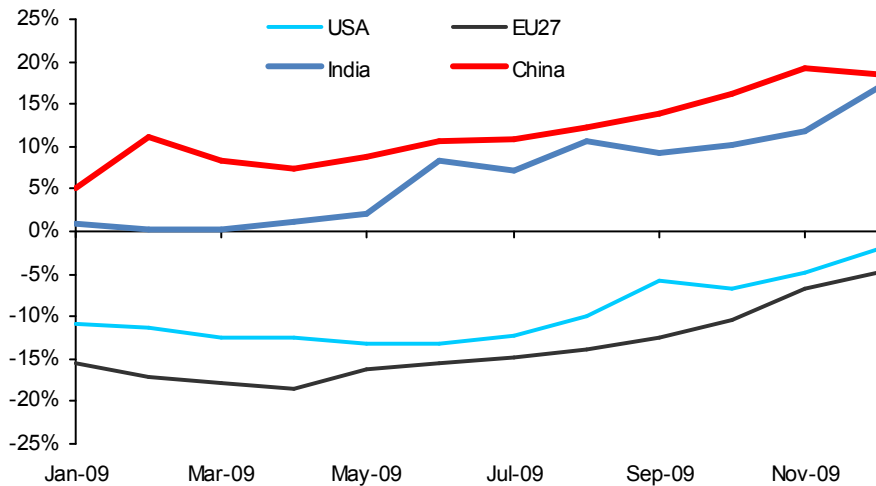


Source: Tata Steel Group, World Steel Association

# Key Theme – Gradual Improvement in Macro Factors

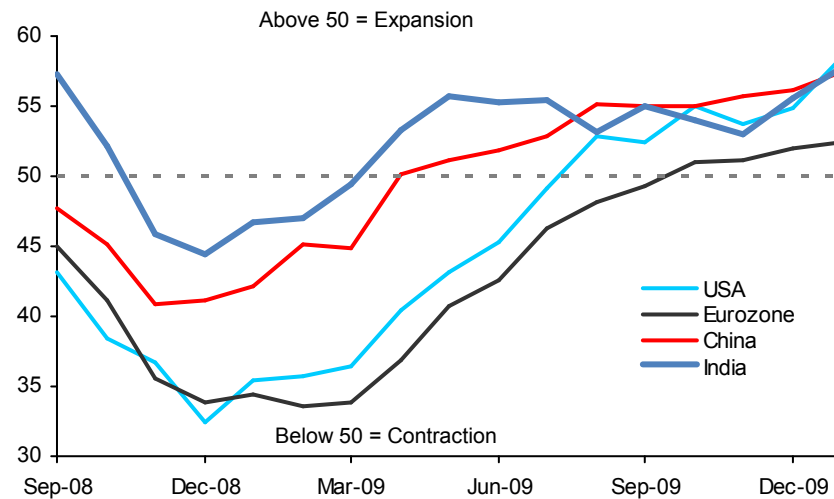


**Industrial Production (Y/Y % chg, monthly)**



Data source: Thomson Datastream

**Purchasing Managers Index - Manufacturing (Index)**



Data source: Markit

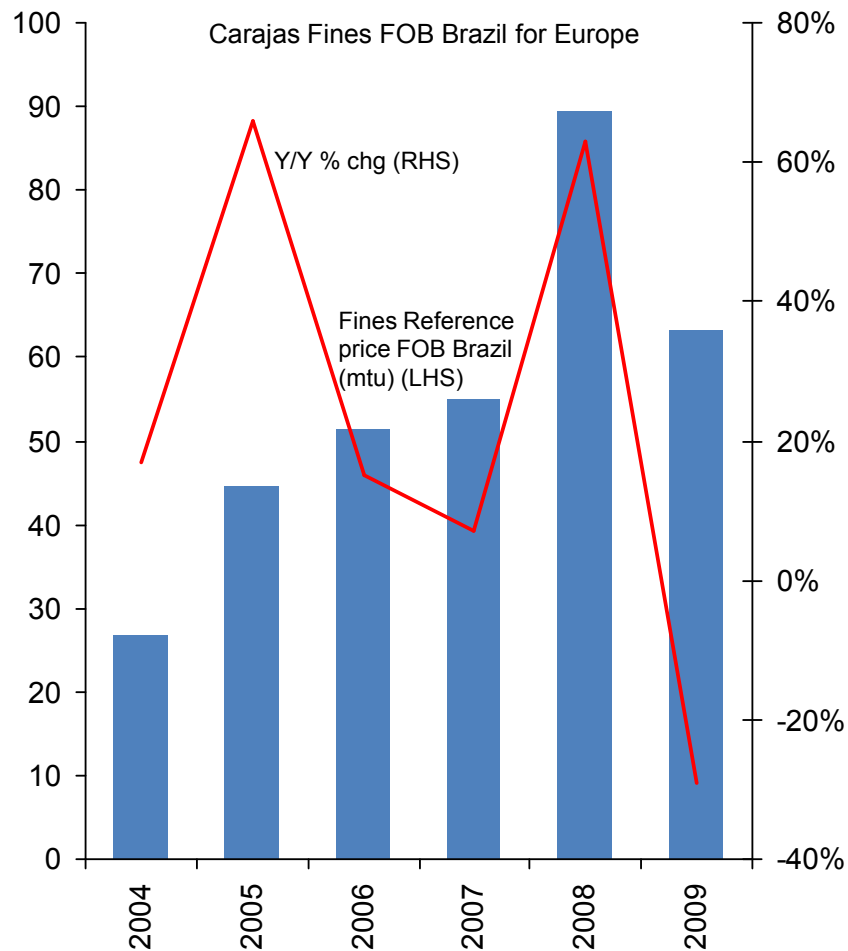
## Leading Indicators have improved sharply

- Job-losses have slowed down considerably / stopped in most economies
- House prices and retail sales data are showing improvement
- Business confidence, PMI and Industrial Production data have shown an up trend over the last 4-5 months

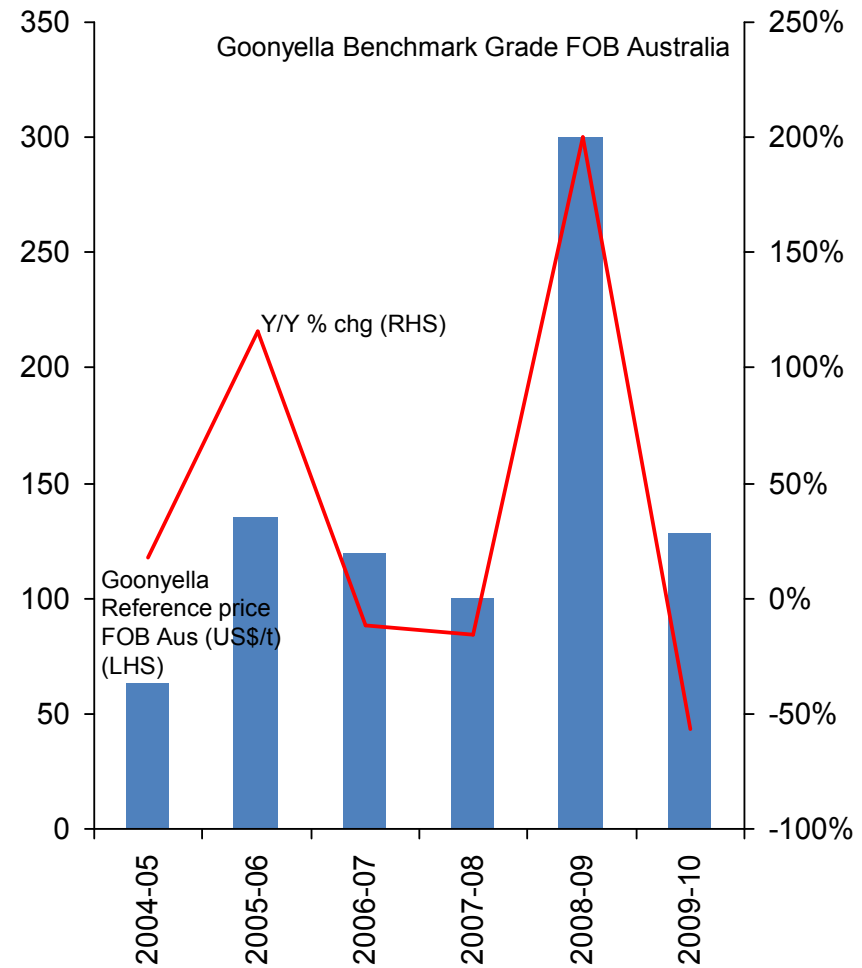
# Key Theme - Raw Material Cost Push possible in 2010



Iron Ore – Contract Prices (cents/mtu, Y/Y % chg)



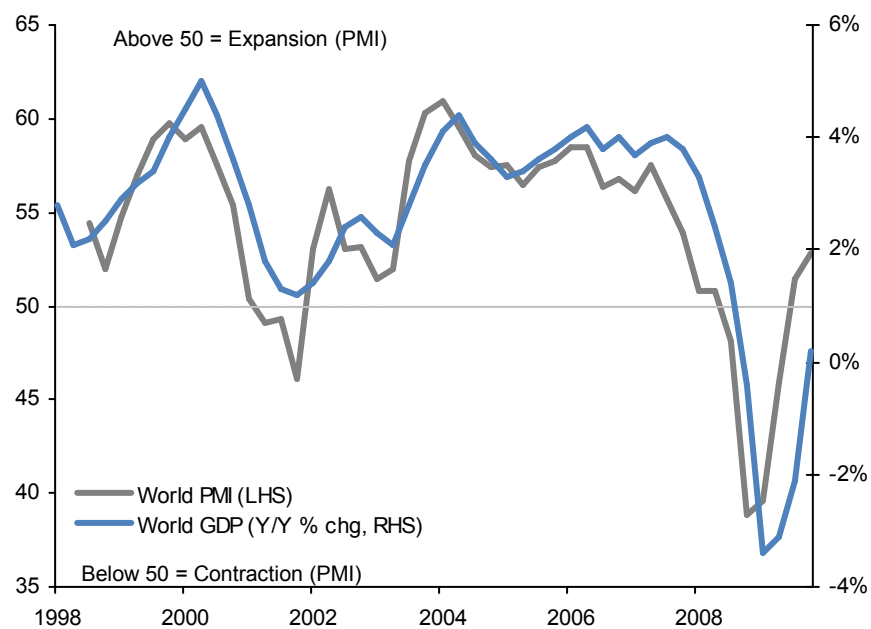
Coking Coal – Contract Prices (US\$/T, Y/Y % chg)



Source: CRU, SBB, Consensus Economics

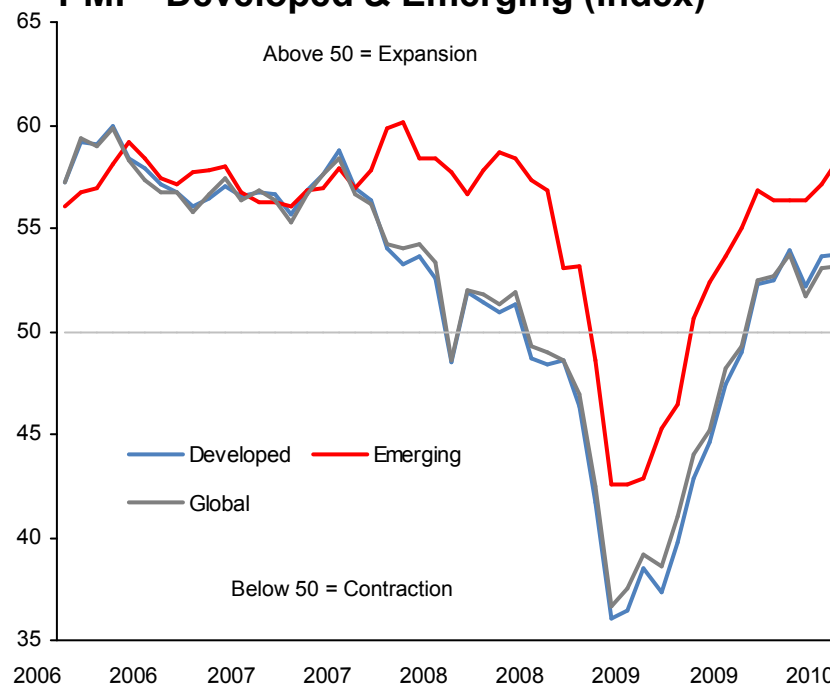
# Key Theme – Two Speed Recovery

**World GDP (Y/Y % chg) & World PMI (Index)**



Data source: Oxford Economics, Markit

**PMI – Developed & Emerging (Index)**



Data source: Markit

## Overall, strong improvement in fundamentals at end of 2009

- The Global PMI averaged 53.1 in Q4, the highest reading since late-2007
- Developed markets are still lagging emerging markets by a huge margin:
  - Avg. GDP growth @ 1% v/s 7% for emerging markets
  - Emerging markets PMI staying above 55 levels while developed markets' @ 52-53 levels

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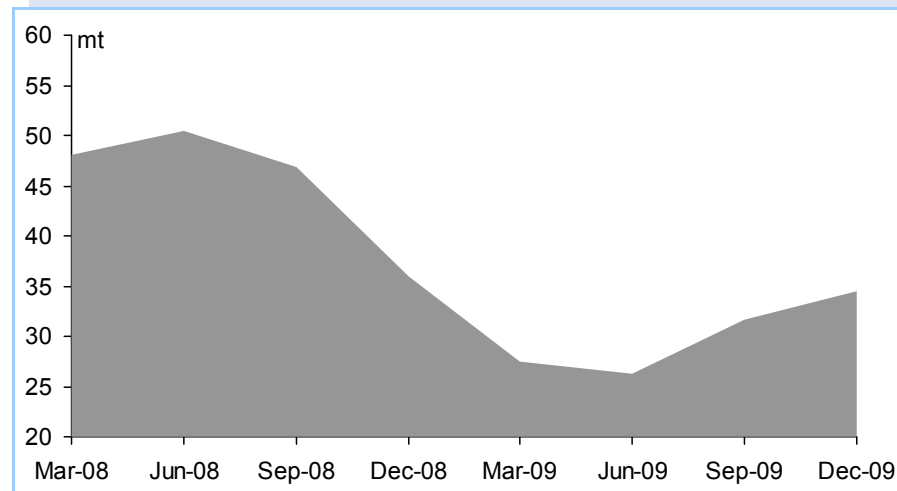
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# European Steel Environment

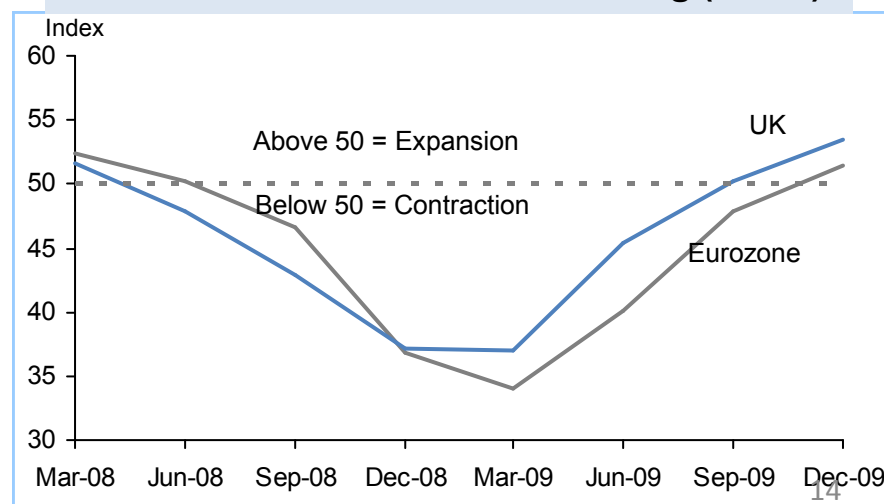
- EU27 market was 118mt in 2009 (35% y/y decline)
- December quarter 2009
  - ❑ EU27 demand down 8% y/y, up 17% on H1 2009
  - ❑ Stock adjustment coming to an end
- Stocks are now low at end users and service centres
- Steel using sectors beginning to recover
  - ❑ Industrial activity has returned to growth
  - ❑ Automotive supported by one-off scrapping schemes
  - ❑ Construction remains very weak, particularly in UK

Source: Eurofer & Markit

### EU27 – Apparent Steel Consumption (mt)



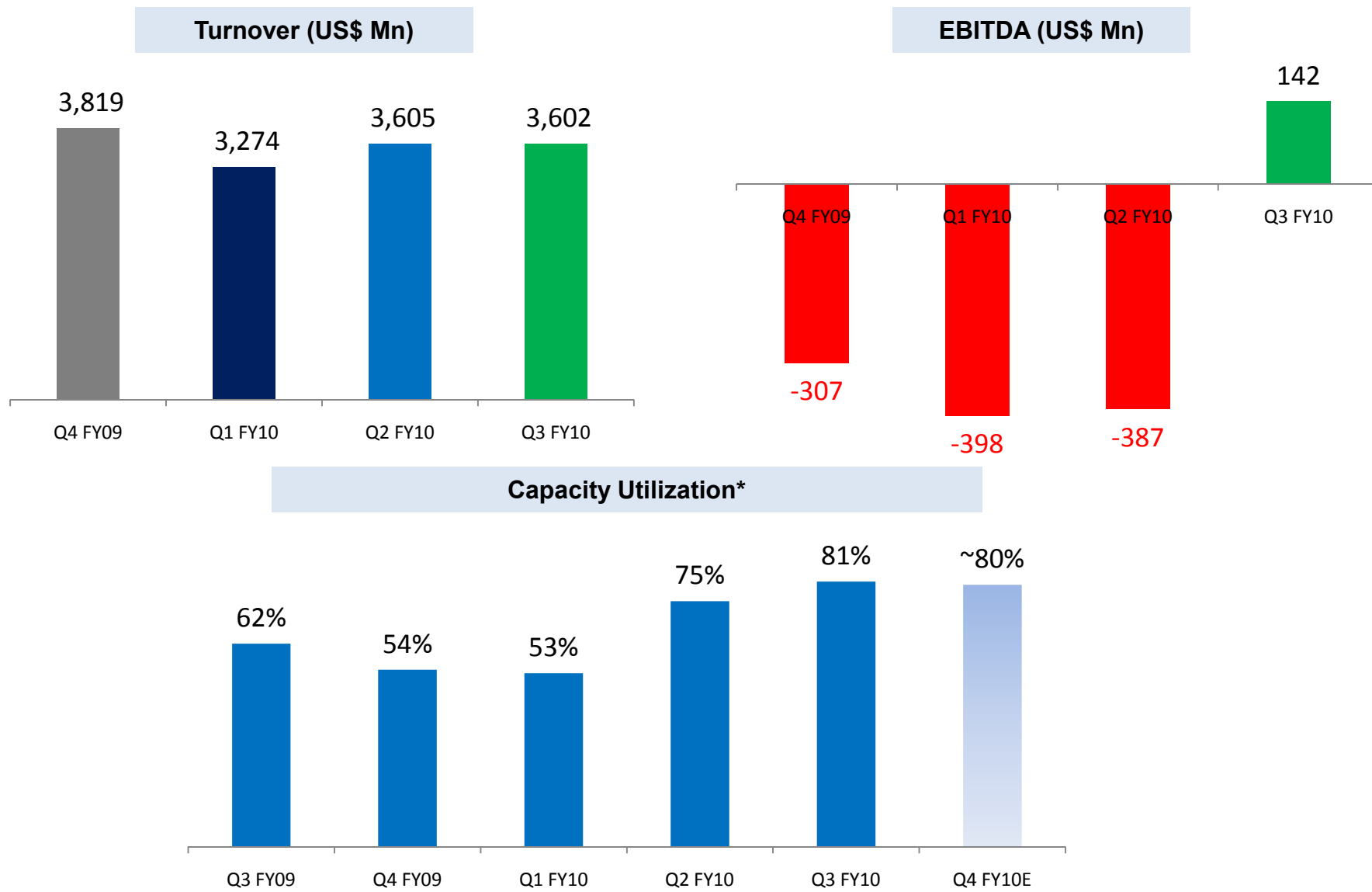
### Eurozone & UK PMI manufacturing (index)



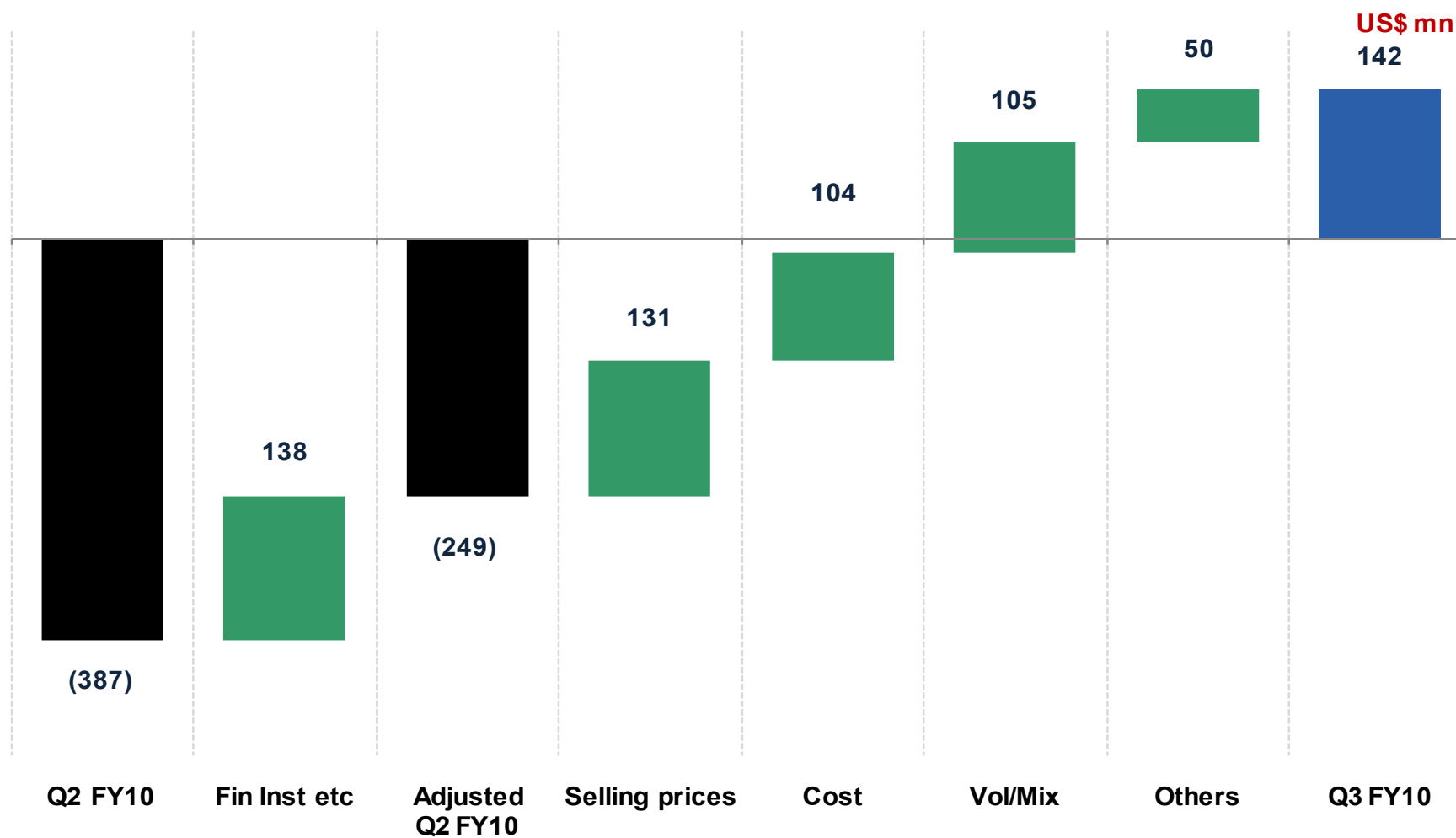
# Performance Focus for Q3 operations – Tata Steel Europe

- Increase utilization to meet customer expectations/demand
- Minimise losses of TCP and Long Products operations
- Continue to implement 'Fit For Future' programmes
- Turnaround of financial performance compared to H1 FY10
  - Volume
  - Price
  - Product Mix
  - Costs

# Operating Performance – Tata Steel Europe



# EBITDA Bridge: Q2 FY10 to Q3 FY10 – Tata Steel Europe



# Partial Mothballing Teesside Cast Products

- Redcar Blast Furnace and Lackenby steelmaking to be partially mothballed by the end of February 2010
  
- In April 2009 international consortium prematurely and illegally terminated 10-year Off take Agreement. This is the sole reason for the TCP mothballing
  
- Tata Steel Europe spent many months talking to as many potential partners as possible to find an alternative long-term solution for TCP. For some of this time TCP was operating solely on internal orders provided by Corus. TCP incurred an EBIT loss of US\$ 222 Mn in April- September period
  
- Tata Steel Europe will remain a significant presence on Teesside area, employing almost 2,500 people
  
- The company is working with employees, local authorities, regional bodies and the UK government to mitigate the effects of the mothballing
  
- Various schemes are on the drawing board to regenerate the Tees Valley, and Tata Steel Europe will support and/or participate in suitable viable projects

# Response to market conditions and positioning for future

## Ongoing initiatives

<p>Weathering the Storm And Fit for Future I &amp; II</p>	<ul style="list-style-type: none"> <li>• Fit for Future headcount reduction will total around 5,600 by end of March</li> <li>• Specialty Steel business now breakeven</li> <li>• Most Service Centre rationalisation complete</li> <li>• Consolidation of UK building systems operations at Shotton virtually complete</li> <li>• Tubes restructuring is in progress</li> </ul>	<p>YTD savings US\$ 1.2 Bn</p>
<p>Partial mothballing TCP</p>	<ul style="list-style-type: none"> <li>• Partial mothballing of Teesside Cast Products' Redcar Blast Furnace and Lackenby steelmaking by the end of February 2010 The partial mothballing will result in the loss of about 1,600 jobs</li> </ul>	<p>Reduce losses and exposure to slab market</p>
<p>Supply Chain Transformation</p>	<ul style="list-style-type: none"> <li>• Four year plan to improve order fulfilment process bringing it in line with world class standards</li> <li>• Aims to reduce Working Capital and improve Customer Service</li> <li>• Annual benefits projected to be over US\$ 100 Mn p.a. with one-off cash benefits over US\$ 300 Mn</li> </ul>	<p>Board approved US\$ 114 Mn expenditure</p>
<p>Customer First</p>	<ul style="list-style-type: none"> <li>• Target to improve customer satisfaction and improve and increase the customer base</li> <li>• Company-wide programme to put our customers first in every aspect of our business</li> <li>• Setting up a single global strategic marketing unit and developing an industry focused approach targeting eight key market sectors</li> </ul>	<p>Initial market sector plans completed</p>

# Outlook for Tata Steel Europe

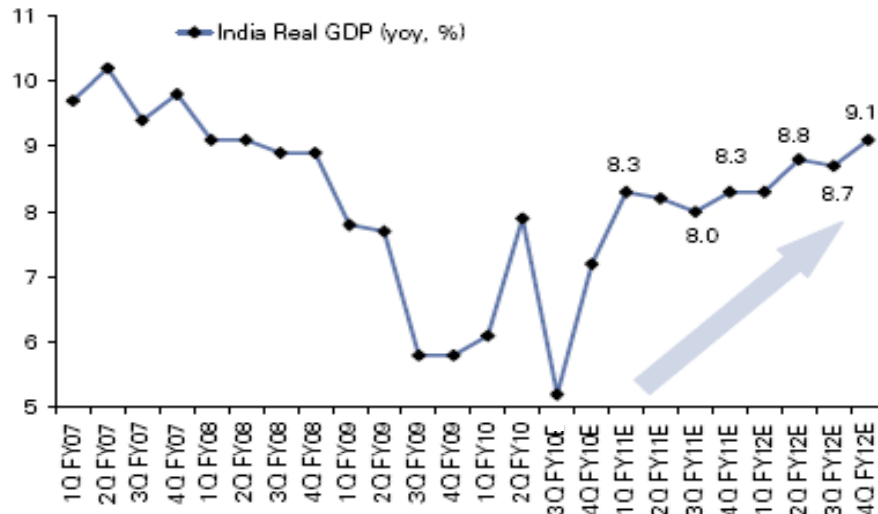
- The group continues to work towards its 2012 LTIF target of 0.4. Has launched the “Zero Harm” campaign in Europe focussing on 6 hazard areas
- EBITDA improvement trend to continue into Q4 and FY 11 as more cost reduction benefits are realised
- Steel prices to increase as steelmakers seek to recover higher input costs
- Production in Q4 will be lower than Q3 due to:
  - the mothballing of TCP
  - 4 week planned repair at Blast Furnace No 7 IJmuiden
- Deliveries in Q4 will be higher than Q3 with continued efforts in the market place
- Focus on reducing inventories at Tata Steel Europe
- Capacity utilisation for Q4 expected to remain stable at around 80% without TCP
- Tight control of cash continues as a priority

# Agenda

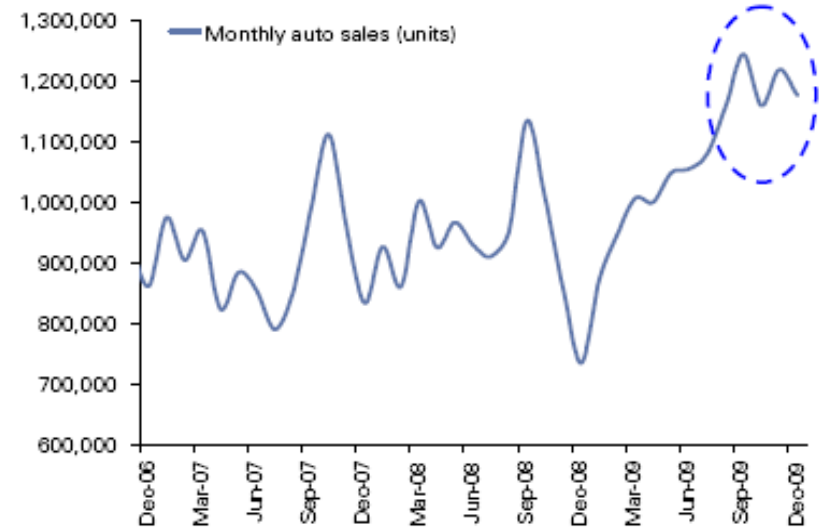
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# Indian Economic Environment

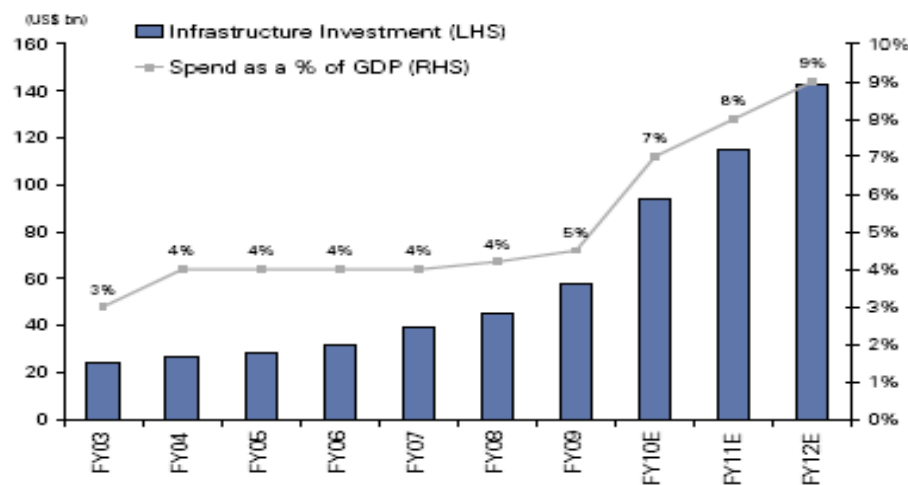
**Strong GDP recovery in FY11 – 8.2% growth vs. 6.65% in FY10**



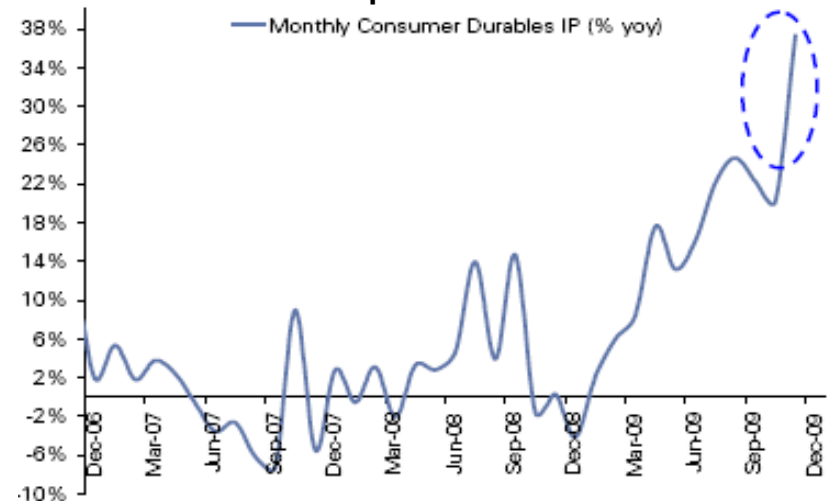
**Indian Monthly Auto Sales**



**Government infrastructure investment %(GDP) – Acceleration in capex plans, especially infrastructure**



**Indian monthly consumer durable sales are on an upward trend**

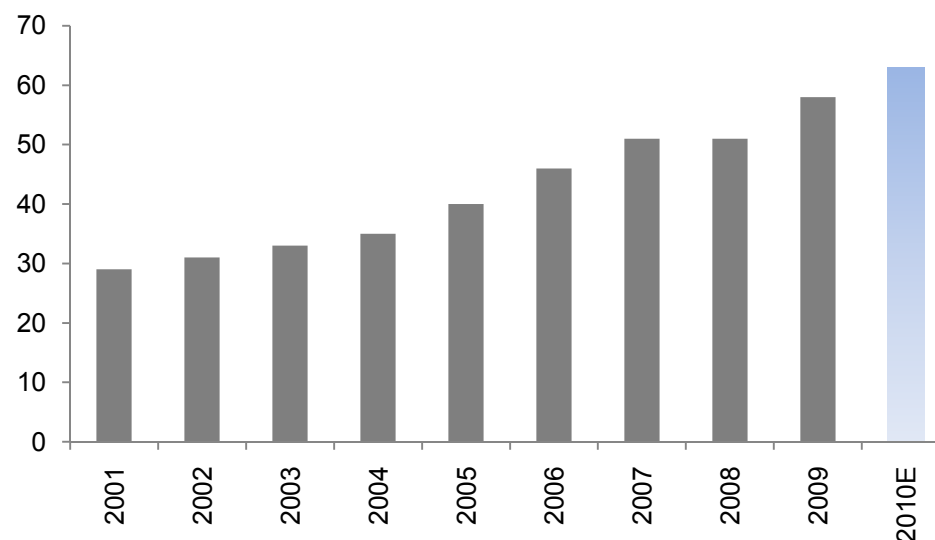


Source: Goldman Sachs Research Estimates

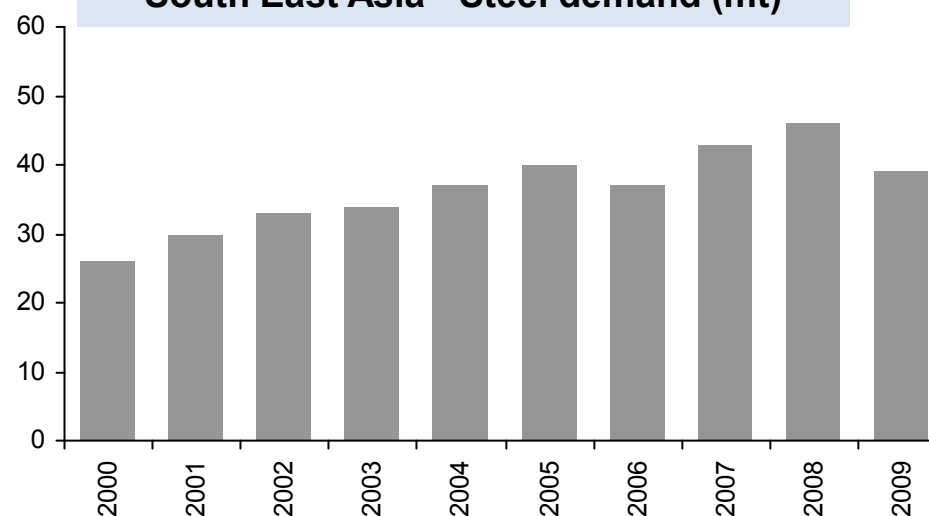
# Indian and S.E. Asian steel Environment

- Indian consumption was 58mt in 2009 (14% y/y gain)
- December quarter 2009, Indian demand up 20% y/y
- Industrial activity accelerating and construction robust; expected to continue in 2010
- South East Asian consumption estimated at 40mt in 2009 (15% y/y decline)
- Domestic demand and exports beginning to recover; Consumption expected to rise in 2010

**Indian Steel Consumption (mt)**



**South East Asia - Steel demand (mt)**

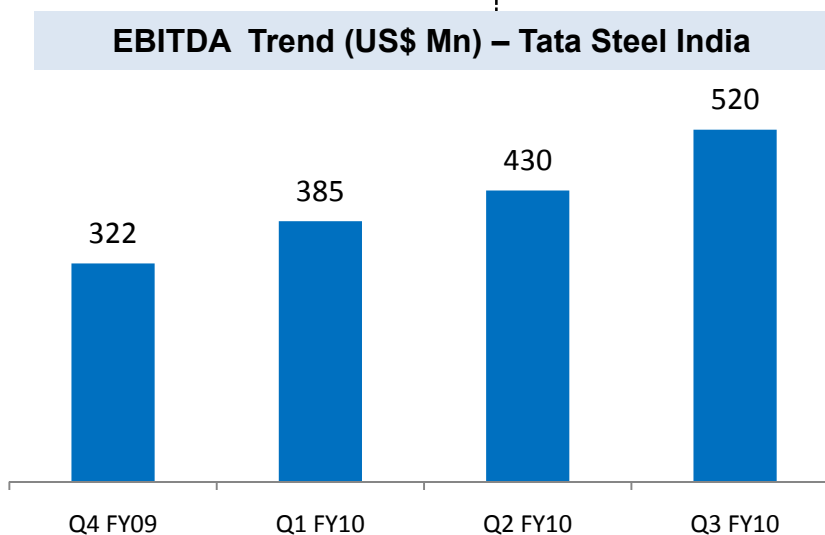
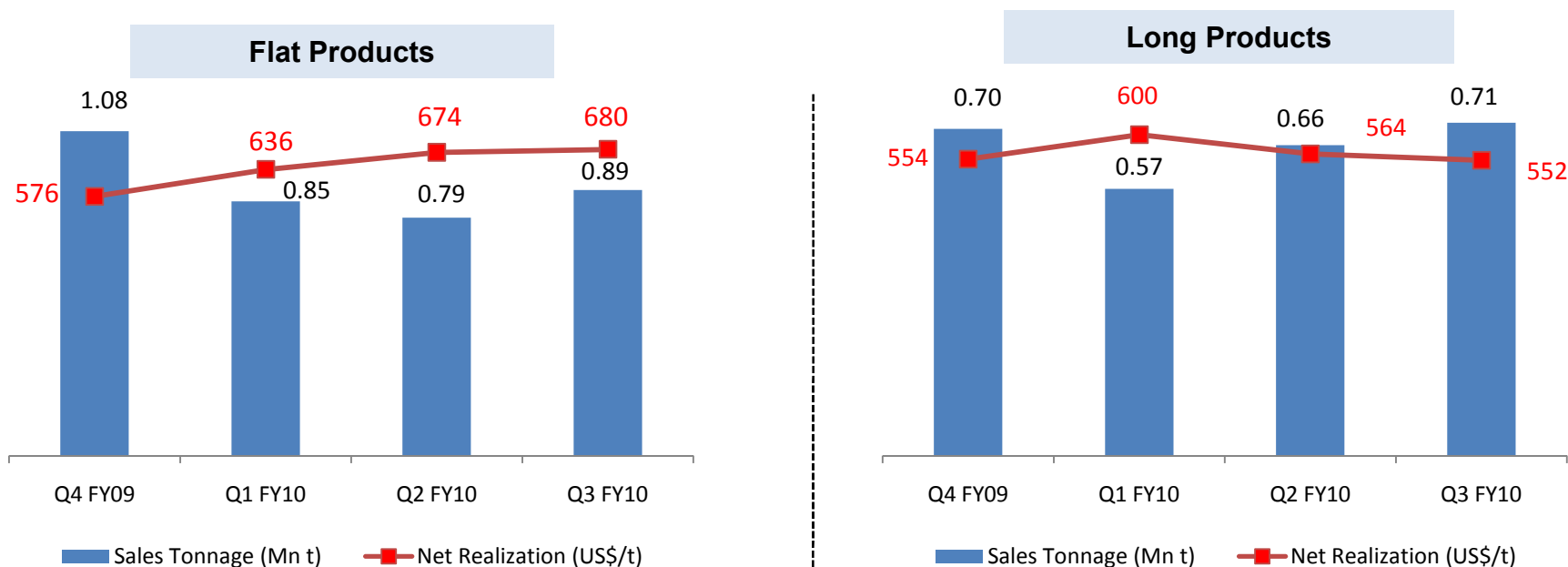


# Operational Achievements – Tata Steel India



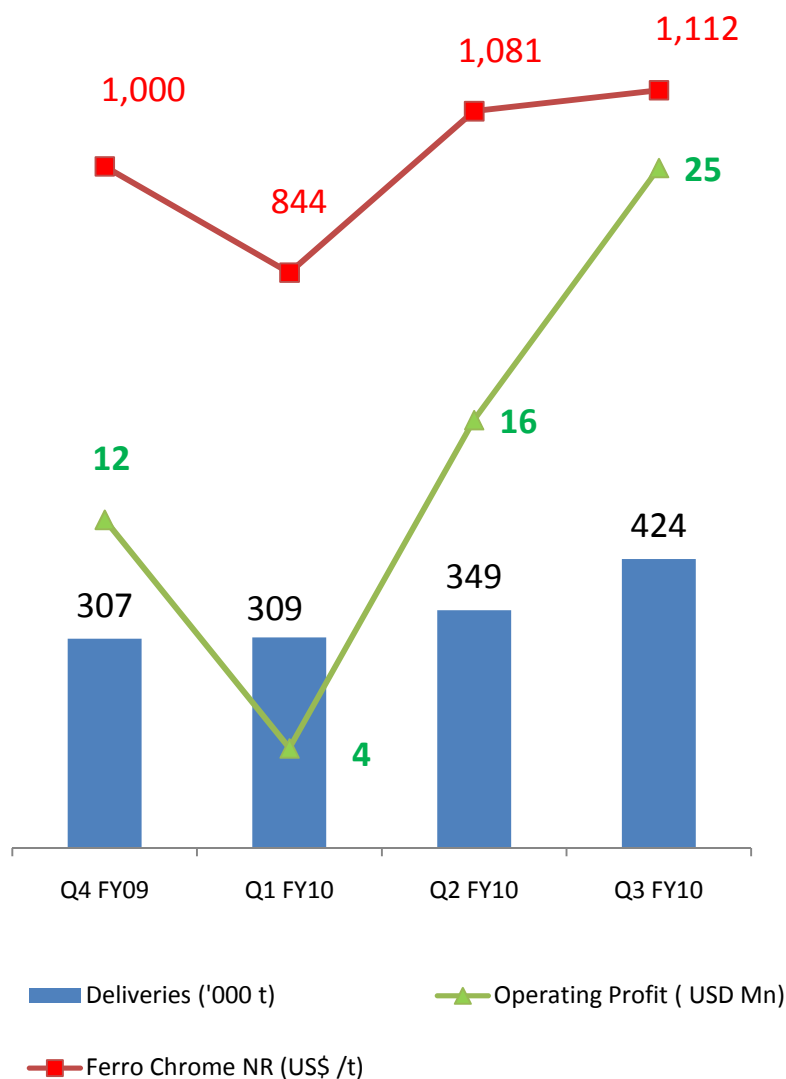
- Successful commissioning of Top Gas Recovery Turbine at 'G' Blast furnace
- Hot Metal production in December'09 was highest ever at 0.651 million tonnes (@ 7.81mtpa)
- Crude steel production in December'09 crossed the 0.600 million tonnes mark for the first (which is @ 7.2mtpa against the rated capacity of 6.8mtpa)
- Saleable steel production in December'09 was the highest ever at 0.592 million tonnes (@ 7.1mtpa)
- Launch of new brand called "Tata Tiscon-Ready build" in cut and bend segment of rebars

# Operating Performance – Tata Steel India



Conversion Rate USDINR – 46.52 uniformly applied for all comparable periods

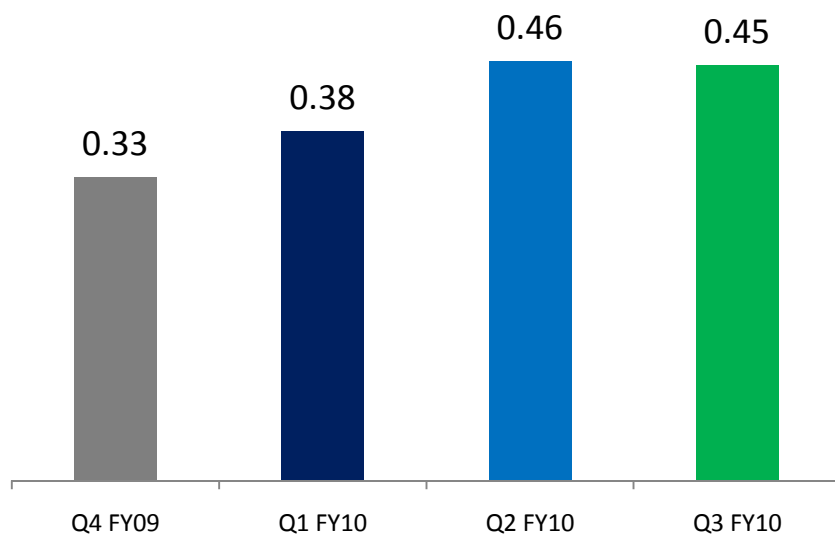
# Ferro Alloys & Minerals Division



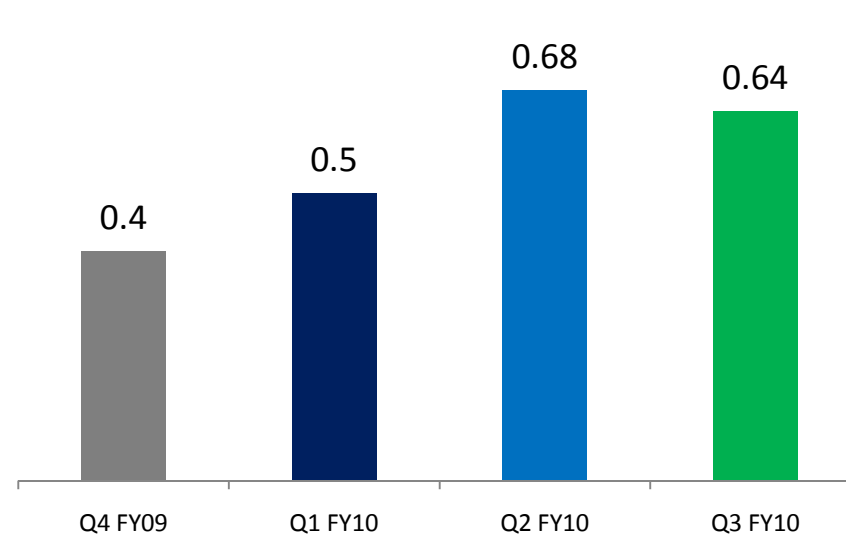
- Low ferroalloys stock in Asia was the trigger for this price up turn from Q309
- Higher Ferro Chrome demand on the back of improved stainless steel prospects coupled with cost pressures from electricity tariff rise in South Africa will lead to higher Indian export offer prices
- Tata Steel became fifth largest Chrome Alloys producer in the World ( with current rate of production)

# Operating Highlights – NatSteel Asia

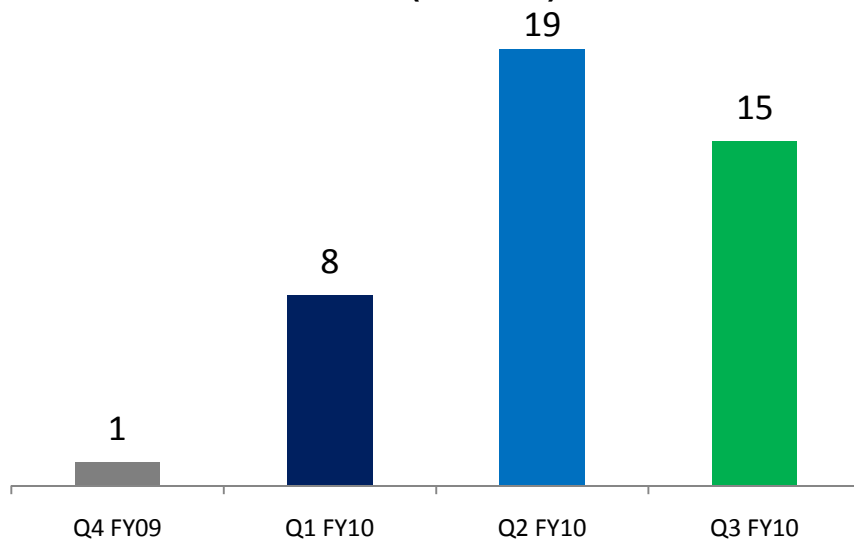
**Finished Steel Production (Mt)**



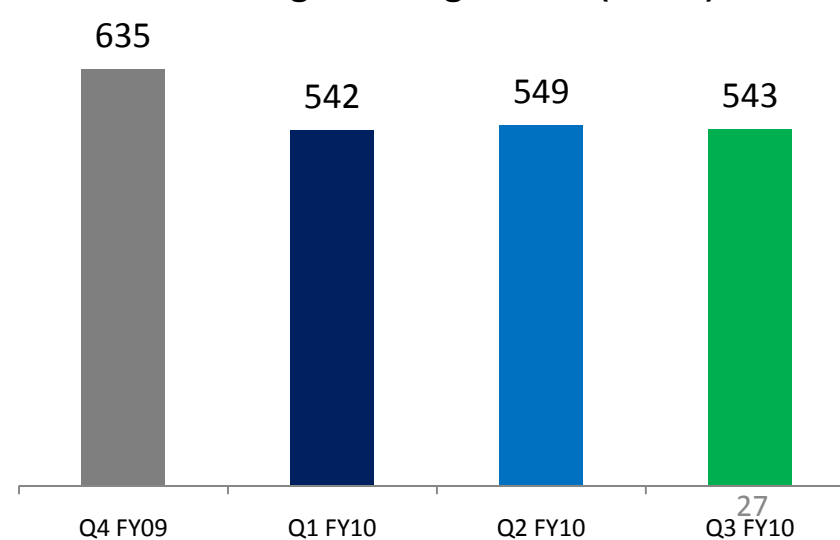
**Deliveries (Mt)**



**EBITDA (US\$Mn)**

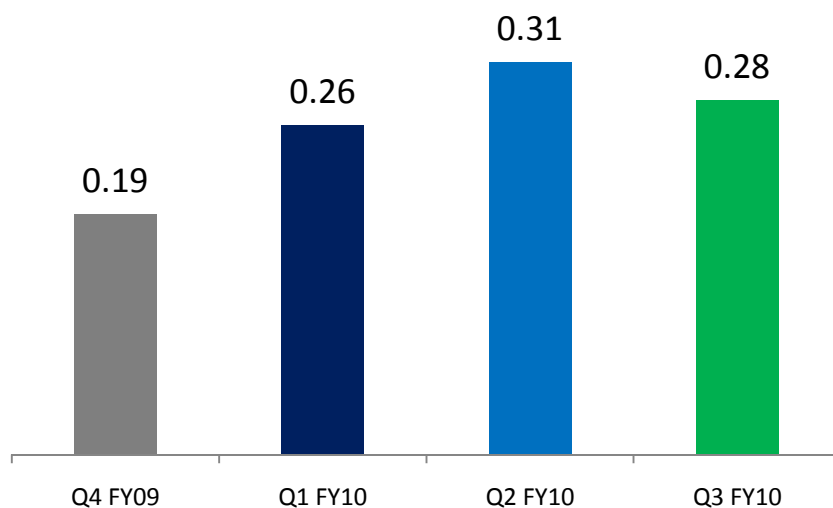


**Average Selling Prices (US\$/t)**

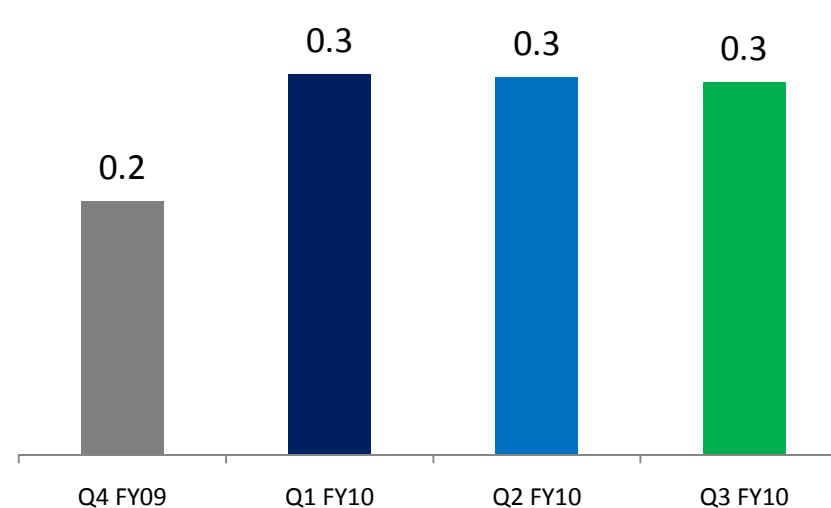


# Operating Highlights – Tata Steel Thailand

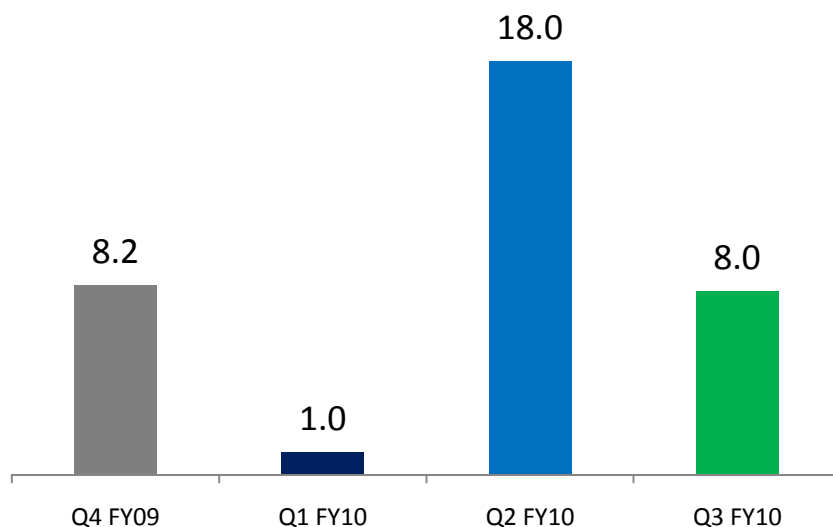
**Crude Steel Production (Mt)**



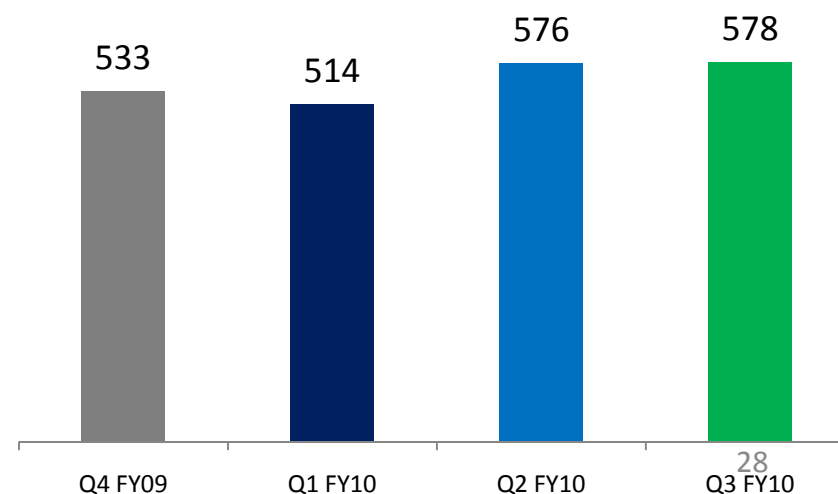
**Deliveries (Mt)**



**EBITDA (US\$ Mn)**



**Average Selling Prices (US\$/t)**



## Outlook – India

- Strong demand momentum in India likely to continue, driven by robust infrastructure and consumption expenditure
- Annual deliveries of around 6.2 Mn Tonnes
- Present monthly capacity utilization exceeds the rated capacity of 6.8 Mtpa of crude steel
- Pricing conditions remain firm
- Contracts rolled over in Sep'09 at higher prices

# Outlook – S.E. Asia

## NatSteel Asia

- SEA apparent steel demand expected to grow by 10% in 2010
- Expectation of positive construction growth in 2010 will lead to increased steel usage in Singapore, Australia , Malaysia and Vietnam
- Operational excellence program to improve efficiency and productivity and optimize the supply chain

## Thailand

- Thailand GDP in CY2010 is expected to be in the range of 3-3.5% as compared to -3% in 2009
- Long Product demand is expected to be 4.6 Mn Tonnes in 2010 registering 10% growth Y-o-Y
- The 'Strong Thailand Program' likely to continue to stimulate the Thai economy with US\$ 4.8 Bn expected to be spent in 2010 out of total budget of US\$ 40 Bn
- TSTH continues to focus on product mix enrichment for special quality wire rods
- Mini Blast Furnace will enhance captive metalics in TSTH
- Due to improved market situation, the capacity utilization of TSTH mills is in the range of 75-80%

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# Group Financial Performance – Q3 FY10

US \$ Mn

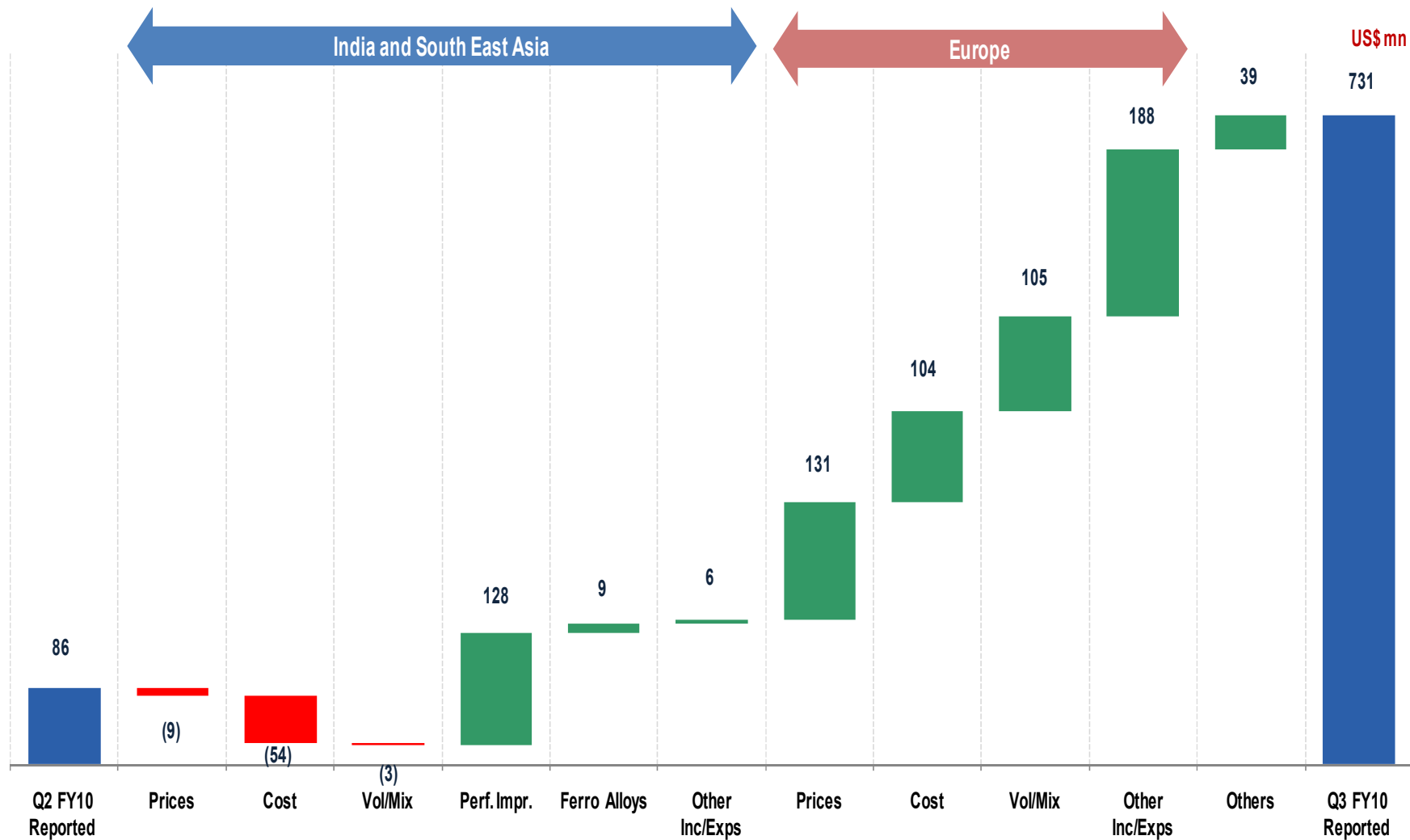
	Tata Steel	TS Europe	NSH*	TSTH	Tata Steel Group**
Deliveries (mt )	1.6	3.8	0.6	0.3	6.2
Turnover	1,370	3,602	351	171	5,632
EBITDA – Reported	520	142	15	8	731
EBITDA margin (%)	38	4	4	5	13
PBT – Reported	375	(152)	4	(0)	268
PBT margin (%)	27	-	1	-	5
One off items – Loss / (Gains)					42
Diluted EPS (US\$) ***					0.11

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

(\*\*\*) Diluted EPS (Not annualized)

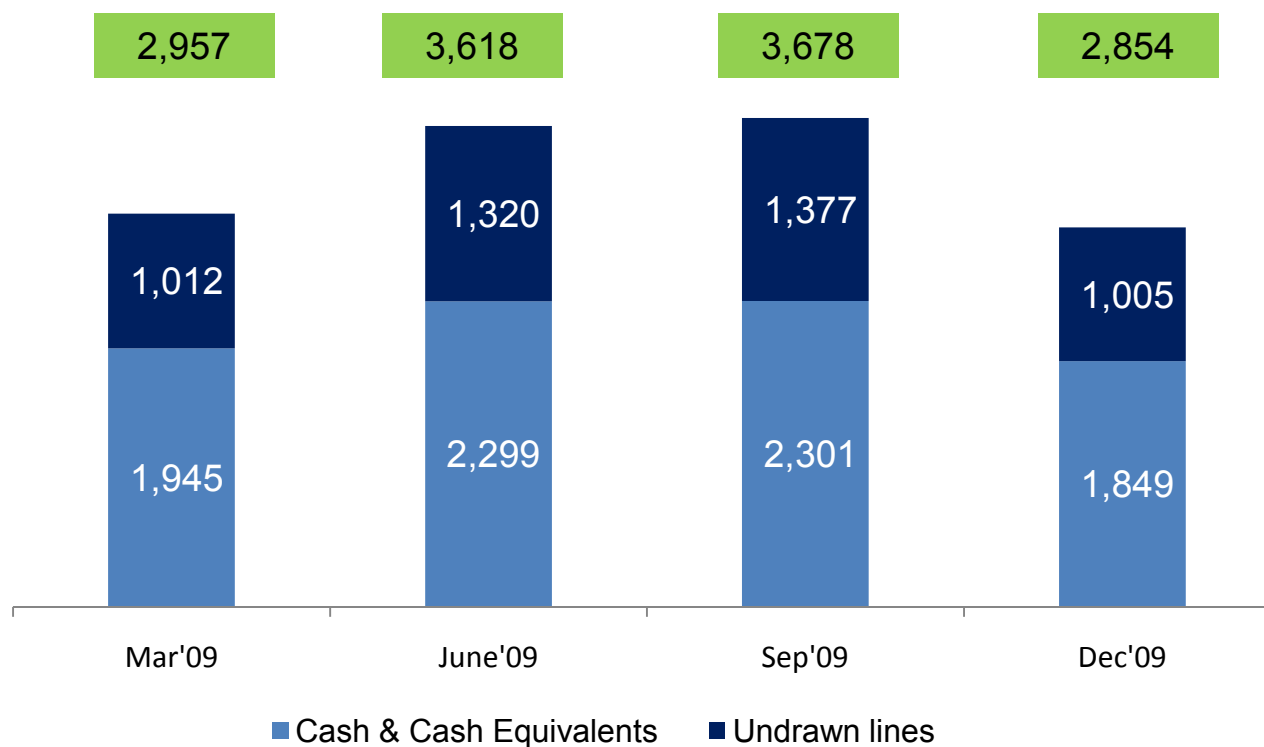
Conversion Rate : USDINR – 46.52

# Group EBITDA Bridge – Q2 FY10 to Q3 FY10



# Group Liquidity Position

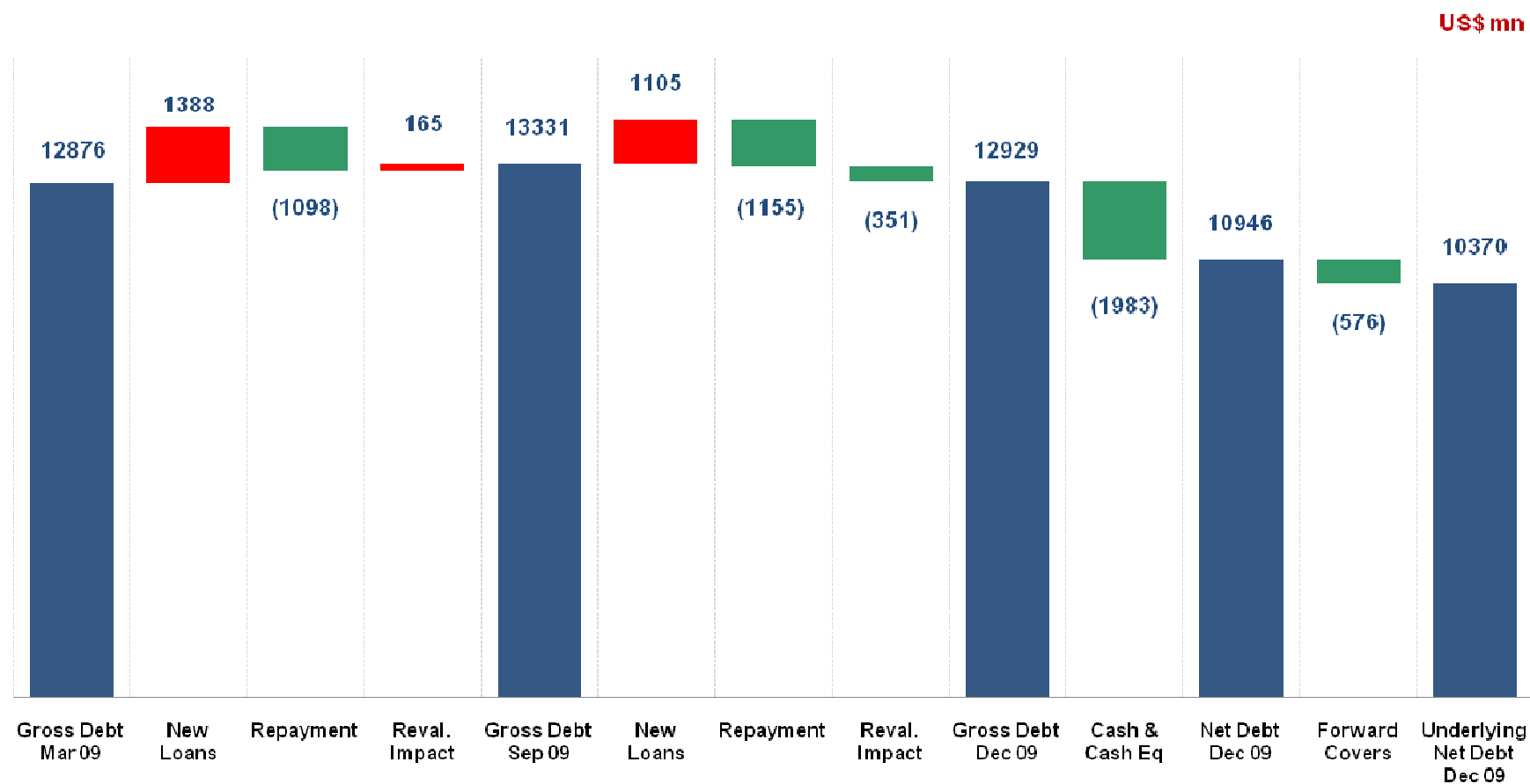
US \$ Mn



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

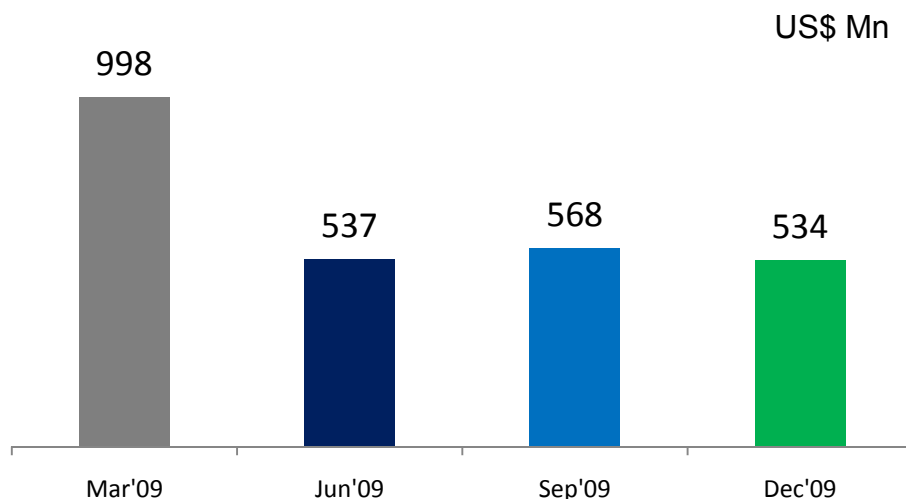
Conversion Rate : USDINR - 46.52

# Gross Debt Movement & Net Debt Position



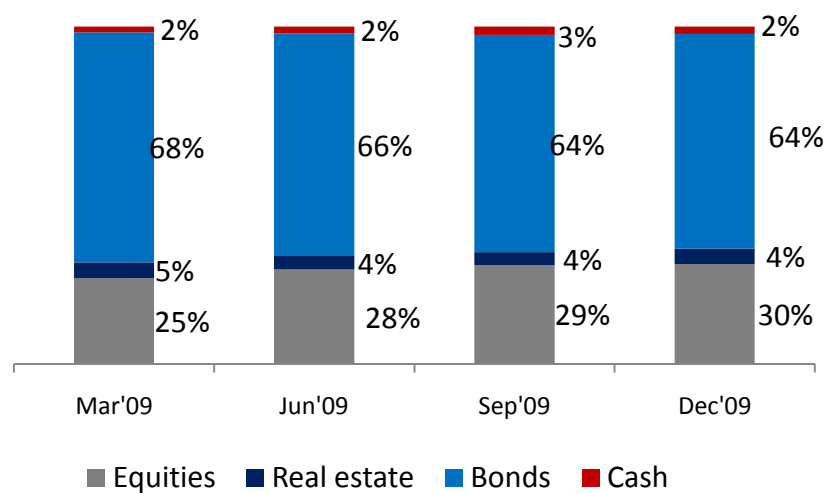
# Pensions- Tata Steel Europe

## Combined Surplus of all TSUK Pension Funds



**Aggregate size of Tata Steel Europe's Pension Schemes : £ 10 Bn**

## Asset Mix in BSPS



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## Recent Developments

- **JV with Nippon Steel** - Tata Steel Limited and Nippon Steel Corporation for the production and sales of automotive cold rolled flat products at Jamshedpur to address the localization needs of Indian automotive customers for high grade cold rolled steel sheet. TSL will hold 51% and NSC will hold 49% of equity capital of the JV Company having a capacity of 600,000 tonnes
- **MOU with NMDC** – Setting up integrated steel plant in India, Exploitation of mineral resources, primarily iron ore and joint development of mines in India and abroad
- **Dhamra Port Company Ltd** – Port will be commissioned in July 2010
- **Tata NYK**- Promoters have agreed to inject equity to enable the company to strengthen its fleet size from 11 to 18 vessels
- **New Millennium Ltd** – DSO Project's feasibility study has been completed. Project cost estimated to be C\$300 million

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# Business Outlook

- China likely to produce close to 600 mt in 2010
- Raw material price increase in 2010 may have cost push impact on the industry
- Very strong demand from emerging economies. India , Brazil likely to reach their highest apparent steel consumption levels
- Europe's GDP likely to grow by 1-2% in 2010
- Steel prices have trended up in the New Year early 2010
- Industry Utilization rates and improved macro economic drivers will determine the pace of recovery
- Global liquidity concerns have eased significantly in the last six months

# Q&A