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Tata Steel reports Consolidated Financial Results for the quarter ending June 30, 2014

Tata Steel Group today declared its Consolidated Financial Results for the quarter ended June 30, 2014. Operating performance improved across all geographies as Group EBITDA for the first quarter ended June 30, 2014 rose to ₹4,325 crores from ₹3,755 crores the year before. Net profit for the quarter came in at ₹337 crores affected by exceptional charges of ₹262 crores.

Group Performance Highlights:

All figures in ₹ Crore, unless specified	**Q1 FY'15**	**Q4 FY'14**	**Q1 FY'14**
Steel Deliveries (million tonnes)	**6.46**	7.62	6.08
Turnover	**36,427**	42,428	32,805
EBITDA	**4,325**	4,917	3,755
Depreciation	**1,550**	1,472	1,403
Finance Costs	**1,252**	1,169	992
PBT	**1,424**	2,436	1,494
Profit after Taxes, Minority Interest and Share of Associates	**337**	1,036	1,139
Basic and Diluted Earnings per Share (₹)	**3.02**	10.20	11.28

India

The Indian operations continued to perform strongly and improved over the previous year on all parameters.

Hot metal and crude steel production reached 2.53 million tonnes and 2.33 million tonnes respectively in Q1 FY'15 while saleable steel production increased to 2.25 million tonnes. The Cold Rolling Mill (CRM) and New Bar Mill achieved best ever quarterly production. The new CGL#3 and CAPL lines have started commercial operations while the Coke Oven Battery #11 fully ramped up during the quarter.

- Deliveries in Q1 FY'15 increased to 2.1 million tonnes versus 2 million tonnes in Q1 FY'14. We continued to increase our deliveries to our target segments in the domestic markets, with exports constituting barely 1% of total sales in Q1 FY'15. Sales of Automotive and Special Products increased by 16% over the last year and the share of value added and high-end products increased further. We made further inroads in the Branded Products, Retail and Solutions segment with sales in Q1 FY'15 increasing by 12% over Q1 FY'14. Sales to Industrial Products, Projects and Exports remained steady with increases in the share of value added products.

- Turnover in Q1 FY'15 increased by 11% to ₹10,468 crores from ₹9,455 crores in Q1 FY'14. This improvement was driven by higher volumes and better realisation.

- Q1 FY'15 EBITDA was ₹3,266 crores, 13% higher compared to ₹2,897 crores in Q1 FY'14. The EBITDA margin improved by 56 basis points compared to the previous year.

- Profit after tax in Q1 FY'15 was ₹2,268 crores compared to ₹1,356 crores in Q1 FY'14. Profits included exceptional gains of ₹788 crores from the sale of the stake in The Dhamra Port Company Limited.

Europe

Despite a reduction in the market spread compared with the year-earlier quarter, profitability improved. Production and deliveries were similar to the year-before level.

European steelmakers have been contending this year with rising imports, which are limiting their ability to take advantage of growing European demand.

The European operations pursued their objective of supporting customer success in their own markets through product and service improvement. Ten new products have been launched so far this year, such as a new automotive steel grade which combines strength and formability, making it ideal for the crash-protection structure of vehicles. These efforts have resulted in the proportion of differentiated products in the operations' sales rising by around a fifth compared to last year.

The Company started processing centres in the Netherlands and Germany during the quarter to support customers by supplying them with lighter, stronger steels. Both facilities will be supporting customers in Germany – a strategic market for Tata Steel.

The focus on costs was also maintained, leading to year-on-year savings of £30 million in Q1 FY'15.

- Liquid steel production in Q1 FY'15 was virtually unchanged at 3.7 million tonnes from the level in Q1 FY'14. Deliveries increased by 2% to 3.2 million in Q1 FY'15 from 3.14 million tonnes in Q1 FY'14.
- Turnover in Q1 FY'15 was ₹20,741 crores compared to ₹18,432 crores in Q1 FY'14.
- EBITDA increased by 28% to ₹995 crores from ₹777 crores in Q1 FY'14 while the EBITDA margin improved by 58 basis points.
- Q1 FY'15 EBIT improved to ₹136 crores versus ₹12 crores in Q1 FY'14.

South East Asia

Deliveries increased at NatSteel while the operations in Thailand reported steady performance despite continued weak market conditions. During the quarter a new 'Cut and Bend' facility was introduced into the Thai markets to improve our value added product offerings to the customers.

- Q1 FY'15 deliveries were 1.08 million tonnes, 26% higher than the 0.86 million tonnes in Q1 FY'14. This volume growth was achieved by the NatSteel operations as deliveries from the Thai operations were similar to the previous year.
- Turnover in Q1 FY'15 was ₹4,045 crores versus ₹3,908 crores in Q1 FY'14. This increase was primarily a result of higher volumes offset by a decline in steel prices.
- EBITDA for Q1 FY'15 was ₹30 crores, lower than the ₹93 crores in Q1 FY'14 due to a severe price-cost squeeze, especially for the NatSteel operations.

The Group continues to undertake several financial initiatives to strengthen the balance sheet. Non-core assets such as Dhamra Port and Borivali land are being monetised.

In July 2014, Tata Steel successfully did a dual tranche debut USD bond of US$ 1.5 billion. The issue comprised US$ 500 million 4.85% Unsecured Bonds due on January 31, 2020 and US$ 1 billion 5.95% Unsecured Bonds due on July 31, 2024 by Abja Investment Co Pte Ltd, a wholly owned subsidiary of Tata Steel Limited incorporated in Singapore.

On 30th July, 2014, Rio Tinto reached an agreement for sale of Rio Tinto Coal Mozambique which includes the Benga Project in which the Company has a 35% stake. Consequently the Company undertook an impairment review exercise of its investment in the Benga Project and the Board approved a non-cash write-down of ₹1,577 crores.

During the quarter under review, the mining operations in Odisha were suspended for a fortnight following the interim order by the Honourable Supreme Court of India. This led to some disruption in the iron ore availability from the mines covered under the order for use in Jamshedpur operations. Pending renewal of the mining leases, the State Government issued Express Orders that enabled the Company to resume its mining operations within the quarter in two iron ore mines and two manganese mines in Odisha. The Company was able to implement various mitigation plans such that there was minimal impact on the deliveries of saleable steel.

The Express Orders for the Khondbond Iron Ore Mines and Sukinda Chromite Mines are still pending with the State Government. Consequently, the mining operations and expansion of the mining capacity have been suspended and this has led to the stoppage of the operations of Ferro Alloys plants at Bamnipal and its wholly owned subsidiary, TS Alloys since the first week of August 2014.

The Company continues to engage with the State Governments and the Ministry of Mines, Government of India for processing the express order and the renewal of the mining leases.

Executive Comment

Mr T V Narendran, Managing Director of Tata Steel India and South East Asia, said: "The economic sentiment has improved in India after the general elections and the new government has been clearly communicating its intentions to bring the economy back to the growth path. Government's thrust on development of core industries like housing and infrastructure should boost steel demand in the coming quarters. We continue to grow our delivery volumes with enrichment of the overall product mix. During the quarter we have started commercial operations of our continuous annealing line and a new galvanising line. In addition, the Coke Oven Battery#11 has been commissioned and the facility was ramped up in record time. Our KPO Phase 1 project is progressing as per schedule and will be operational by the end of this fiscal. In South East Asia, we are focussing on improving our product offering, expanding our customer reach and optimising costs to improve the performance."

Dr Karl-Ulrich Köhler, MD & CEO of Tata Steel in Europe, said: "European steel demand is moving in the right direction. Though demand remains well below levels we would regard as healthy, we can see greater stability emerging in the markets we serve. Our quarterly financial performance improved slightly, despite market spreads tightening compared to the previous year. This would not have happened without the work we are doing to reduce costs and improve our products and services. We maintained the good pace set last year in our portfolio enhancement programme. We have launched ten new products and increased the proportion of differentiated sales by almost 20%.

Our operational performance matched that of a year ago, when we restored output to more normal levels. But Europe's position as the world's most open market is bringing in a rising tide of imports. While we fully support free trade, all trade must be fair and international rules fully respected and enforced. Our focus on operational reliability and costs will continue as we pursue further progress towards sustainable financial performance."

Mr Koushik Chatterjee, Group Executive Director (Finance and Corporate), said: "With the new government in India announcing measures to put the economy back on the growth track, the business sentiment has improved. However, we expect the visible changes in the economy to flow through only on the back of higher government spending over the next few months. Tata steel's profitability has improved in key geographies with Indian and European operations registering EBITDA margin expansion as compared to the last year. Despite significant capex spend during the quarter, mainly for the greenfield project in Odisha, we were able to reduce the net debt. The Company continued to pursue its strategy of monetising its non-core assets as demonstrated by the sale of its stake in Dhamra Port. We have recently issued a dual-tranche debut USD bond of US$1.5 billion to diversify our capital base and increase debt maturity."

Disclaimer

Statements in this press release describing the Groups' performance 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 Group's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Group operates, changes in Government regulations, tax laws and other statutes and incidental factors.

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