



May 25, 2011

RESULTS ANALYSIS

Performance by region:

India

Turnover in FY'11 rose 17.5% to `29,396 crores (US\$6.59 billion) from `25,022 crores (US\$5.61 billion) in FY'10. Q4 FY'11 sales of `8,341 crores (US\$1.87 billion) were 13.7% higher than the `7,339 crores (US\$1.65 billion) of Q4 FY'10 and up 12.8% from the `7,397 crores (US\$1.66 billion) of Q3 FY'11.

EBITDA in FY'11 increased by 24.7% to `12,224 crores (US\$2.74 billion) from `9,806 crores (US\$2.2 billion) in FY'10. Q4 FY'11 EBITDA of `3,065 crores (US\$687 million) was down 14.8% from the `3,599 crores (US\$807 million) of Q4 FY'10 and up 8.2% from the `2,832 crores (US\$635 million) of Q3 FY'11.

Saleable steel production in FY'11 increased by 3.9% to 6.69 million tonnes compared to FY'10 and in Q4 FY'11 rose 2.8% to 1.74 million tonnes compared to Q4 FY'10 (down 0.9% quarter-on-quarter). Sales volumes in FY'11 went up by 4% to 6.42 million tonnes compared to FY'10 and in Q4 FY'11 rose 0.8% to 1.71 million tonnes year-on-year (up 4.4% from Q3 FY'11).

India is one of the fastest growing economies in the world, with scope for a large increase in per capita steel consumption. The Company's Indian revenues are set to expand in coming years because of the 2.9 million tpa expansion in Jamshedpur and the Odisha project. These, coupled with an enriched product mix and operating improvements, will contribute significantly to future earnings. Costs of production in India have been lower than those of global peers because of higher self-sufficiency in raw materials, and the Company is in a strong position to counter cost pressures. Tata Steel's associate companies are also expected to add strength to Group earnings in future.

Tata Steel India's operations benefit hugely from the continuous improvement culture embedded in the organisation. "Kar Vijay Har Shikhar" ("Conquer Every Peak"), Tata Steel's flagship initiative, was implemented across the Company, bringing major benefits and resulting in savings of `312 crores (US\$70 million).

Key milestones achieved in FY'11 are as follows:

- Total crude steel production of 6.86 million tonnes at Tata Steel India exceeded the installed capacity of 6.8 million tpa
- New annual production records were achieved for hot metal from the 'G' Blast Furnace and for hot rolled coil from the Hot Strip Mill at Jamshedpur, for clean coal at West Bokaro and for iron ore from the OMQ Division



- Tata Steel exceeded 1 million tonnes in sales to the automotive sector in FY'11, with the best ever Skin Panel and Galvanised Annealed product sales. Sales of branded products also exceeded 1 million tonnes in FY'11

Europe

Turnover of `75,991 crores (US\$17.04 billion) in FY'11 rose 15.4% from `65,843 crores (US\$14.77 billion) in the previous financial year. Q4 sales came in at `21,953 crores (US\$4.92 billion), 28.4% up from `17,091 crores (US\$3.83 billion) in Q4 FY'10 and 22.4% up from `17,940 crores (US\$4.02 billion) in Q3 FY'11.

EBITDA of `4,204 crores (US\$943 million) in FY'11 was an improvement of `5,555 crores (US\$1.2 billion) over the loss of `1,351 crores (US\$303 million) in FY'10. Q4 EBITDA of `1,560 crores (US\$350 million) was 5% down compared to the `1,643 crores (US\$369 million) of Q4 FY'10 and 295% up from the `395 crores (US\$89 million) of Q3 FY'11.

Liquid steel production in FY'11 increased marginally to 14.8 million tonnes compared to FY'10. Steel production in Q4 FY'11 rose 1.6% to 3.8 million tonnes compared to Q4 FY'10 (up by 3.9% compared to Q3 FY'11). Deliveries in FY'11 were up by 3.1% to 14.9 million tonnes compared to FY'10; they rose by 9.3% to 4.1 million tonnes in Q4 FY'11 compared to Q4 FY'10 and by 19.2% compared to Q3 FY'11.

The European operations' performance dramatically improved during the year. Production and deliveries rose despite the mothballing of Teesside Cast Products (TCP) in February 2010. The fourth-quarter figures were particularly strong, benefiting from a range of one-off items. Most notable was the completion of the TCP sale in March 2011.

Nevertheless the European operations continue to face major challenges. The Long Products hub has not returned to profit since the financial crisis. This unsustainable situation led to the announcement last week of a restructuring of the business designed to transform it for long-term success. The operating assets at Scunthorpe will be reconfigured so that they become aligned with still-weak demand, especially in construction. About 1,500 jobs in Long Products will be at risk as a result. But the company is planning to invest `2,867 crores (US\$643 million) in the business over the next five years.

This investment programme in Long Products has already started. An upgrade to the Hayange rail mill in France will enable the production of longer, 108-metre rail. Two investments in high-quality plate have been announced at the Dalzell and Clydebridge works in Scotland. The Scunthorpe Wire Rod Mill is also to receive an upgrade to improve its output of cold-heading steels. Together these investments will cost about `343 crores (US\$77 million).

An investment of about `379 crores (US\$85 million) has also been announced for the Port Talbot works, where a new cooling system will be built in the steelmaking plant. This investment, together with the No 4 furnace rebuild next year and the BOS Gas Recovery Plant that was opened in 2010, brings to about `2,140 crores (US\$480 million) the value of the most important recent capex items at the Port Talbot plant.



These investments are in line with the reinvigorated Tata Steel strategy in Europe, which aims at strengthening customer relationships through market differentiation, technical innovation, cost leadership and operational excellence.

The company is using the technical knowhow embedded in the European operations to research ways to use steel sustainably in the future. During the quarter the Company opened the new Sustainable Buildings Envelope Centre, a joint research partnership with the Low Carbon Research Institute that has funding from the Welsh Assembly Government. This initiative is one of three that Tata Steel is involved in researching new uses of steel to increase the energy efficiency and sustainability of the built environment. One of the other initiatives, also at the Shotton works, is researching new photovoltaic coatings in partnership with Dyesol of Australia to enable buildings to generate their own power. Funding has been approved to take this research programme to a second, pre-industrialisation phase.

European steel demand continues to improve slowly, but the twin challenges of high, volatile raw materials prices and EU Climate Change policy remain dominant factors in the outlook for Europe's steel industry. It is welcome that the UK Government said last week that it would seek to ensure the new Carbon Price Floor will not undermine British manufacturing competitiveness after it comes into force in 2013. The detail of how this risk is to be avoided has yet to be made clear.

South East Asia

NatSteel

FY'11 turnover came in 18.5% higher at `7,413 crores (US\$1.7 billion) compared to `6,257 crores (US\$1.4 billion) in the previous year. Q4 turnover of `1,940 crores (US\$435 million) was 30% up from the `1,488 crores (US\$334 million) of Q4 FY'10 and 4.4% down from the `2,030 crores (US\$455 million) of Q3 FY'11.

EBITDA of `303 crores (US\$68 million) in FY'11 was an increase of 21.4% over the `250 crores (US\$56 million) in FY'10. Q4 EBITDA came to `53 crores (US\$12 million), up 10.4% from `48 crores (US\$11 million) in Q4 FY'10 and 32% from `40 crores (US\$9 million) in Q3 FY'11.

Finished steel production in FY'11 was down 0.7% to 1.59 million tonnes compared to FY'10 and in Q4 FY'11 was down 2.9% to 0.38 million tonnes compared to Q4 FY'10 (down by 10% compared to Q3 FY'11). Deliveries in FY'11 were up 1.4% to 1.8 million tonnes compared to FY'10 and in Q4 FY'11 were down 3.3% to 0.41 million tonnes compared to Q4 FY'10 (down by 13.3% compared to Q3 FY'11).

Tata Steel Thailand

Turnover at Tata Steel Thailand of `3,911 crores (US\$877 million) in FY'11 was 23.9% up from the `3,157 crores (US\$708 million) in FY'10. Q4 turnover of `1,160 crores (US\$260 million) was 28% up from the `908 crores (US\$204 million) of Q4 FY'10 and 30.2% up from the `891 crores (US\$200 million) of Q3 FY'11.

Tata Steel Thailand posted EBITDA of `53 crores (US\$12 million) in FY'11, 61% down from `137 crores (US\$31 million) in FY'10. Q4 EBITDA of `39 crores (US\$9 million) was 160% up



from the ₹ 15 crores (US\$3 million) of Q4 FY'10 and an increase of ₹ 95 crores (US\$21 million) from the loss of ₹ 56 crores (US\$13 million) of Q3 FY'11.

Finished steel production in FY'11 was up 6.1% to 1.28 million tonnes compared to FY'10 and in Q4 FY'11 was up by 1.2% to 0.36 million tonnes compared to Q4 FY'10 (up by 20.5% compared to Q3 FY'11). Deliveries in FY'11 were up by 7.8% to 1.29 million tonnes compared to FY'10 and in Q4 FY'11 were up by 6.2% to 0.36 million tonnes compared to Q4 FY'10 (up by 20.8% compared to Q3 FY'11).

The South East Asian operations were adversely affected in FY'11 by rising scrap prices that could not be fully passed on to customers. Political turbulence also had a negative impact on Tata Steel Thailand's performance in the first half of the financial year. However, the operations of NatSteel in Singapore, Vietnam, China and Australia are expected to be on a stronger footing in FY'12 because of robust growth forecasts and increasing construction activity in these economies.

Tata Steel Thailand continues to focus on developing its customer base in neighbouring markets and increasing the proportion of value-added products in its output. The Company has launched an initiative to reduce costs by increasing domestic scrap purchases and reducing its reliance on imports. The prospects for improved performance at both NatSteel and Tata Steel Thailand have increased on the back of the higher infrastructure investment budgeted by the Singaporean and Thai governments.

2. Financing Developments:

- a) Tata Steel drew a sum of ₹ 2,500 crores (US\$561 million) in the form of Non Convertible Debentures in January 2011.
- b) In March 2011 Tata Steel successfully completed India's first ever offering of Corporate Hybrid Perpetual Securities through an issue of ₹ 1,500 crores (US\$333 million). The unique features of the securities are that they are perpetual in nature with no maturity or redemption and are callable only at the option of the Company. The Distribution rate on the securities is set at 11.8% p.a. Another series of perpetual bonds carrying a coupon of 11.5% payable semi-annually was issued in May 2011 to raise ₹ 775 crores (US\$174 million).
- c) Tata Steel made the following debt repayments in May 2011:
 - i. Non Convertible Debentures – Series 3 of ₹ 290 crores (US\$65 million).
 - ii. Non Convertible Debentures – Series 2 of ₹ 1,090 crores (US\$244 million).

3. Corporate Developments:

- a) **Execution of Heads of Agreement with New Millennium Capital Corp to develop taconite iron ore projects**

Tata Steel entered into an agreement with New Millennium Capital Corp (NML) to develop the LabMag and KéMag iron ore deposits (Taconite Projects), which have 5.6 billion tonnes of reserves. Tata Steel and NML are to form an 80:20 joint venture to develop the Taconite Projects, if found viable on conclusion of the feasibility study.



The feasibility study is estimated to cost `227 crores (US\$51 million) and should be completed within 21 months starting from March 2011.

b) Sale of Teesside Cast Products

Tata Steel Europe sold Teesside Cast Products to Sahaviriya Steel Industries UK Limited, a subsidiary of Thailand's largest steel producer, in a deal valuing the business at `2,091 crores (US\$469 million). The transaction was closed on March 24, 2011.

c) Induction of Strategic Partner in Tata Refractories Limited

Tata Steel Limited (TSL) and Krosaki Harima Corporation (KHC) signed definitive agreements to induct KHC as a strategic partner in Tata Refractories Limited (TRL). Under this arrangement KHC will acquire 51% of TSL's 77.46% stake in TRL. KHC is an associate company of Nippon Steel Corp of Japan. Tata Steel will receive a cash consideration of approximately `576 crores (US\$129 million). The transaction is subject to the approval of relevant regulatory authorities in India and Japan and is expected to complete by the end of May 2011.

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