TATA

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Tata Steel's Profit after tax doubles for the quarter

Tata Steel Limited today declared Consolidated Financial Results for the nine months and three months ending December 31, 2010.

Group Performance Highlights:

- **Tata Steel Group's Profit after tax** for Q3 FY'11 at ₹1,003 crores (US$224 million) was around 112% higher than the profit of ₹473 crores (US$106 million) in the corresponding period of the previous year (Q3 FY'10). During the first nine months of the financial year 2010-11 (9M FY'11), the Group recorded Profit after tax (after minority interest and share of profit of associates) of ₹4,807 crores (US$1.08 billion) compared to a loss of ₹4,443 crores (US$994 million) in 9M FY'10, an improvement of ₹9,250 crores (US$2.07 billion).

- **Group EBITDA** in 9M FY'11 was ₹12,399 crores (US$2.8 billion) compared to ₹4,007 crores (US$896 million) in 9M FY'10. Group EBITDA in Q3 FY'11 at ₹3,374 crores (US$755 million) was 0.8% lower than the ₹3,401 crores (US$761 million) recorded in Q3 FY'10.

- **Group consolidated turnover** in 9M FY'11 of ₹84,929 crores (US$19 billion) was 13.4% up from the ₹74,889 crores (US$16.75 billion) in 9M FY'10. The consolidated turnover at ₹29,089 crores (US$6.5 billion) in Q3 FY'11 was 11% up from the ₹26,202 crores (US$5.86 billion) in Q3 FY'10 on account of higher average realisations across the Group compared with the corresponding period.

- **The Group's steel deliveries** in 9M FY'11 fell 1.7% to 17 million tones as compared to 17.3 million tonnes in 9M FY'10 due to lower deliveries at the European operations. Steel deliveries fell 5.7% to 5.68 million tonnes in Q3 FY'11 from the 6.02 million tonnes in Q3 FY'10. The third quarter of FY'11 witnessed lower deliveries in Europe and Thailand due to weak demand compensated by higher deliveries at NatSteel, primarily from its unit in Xiamen, China.

- **Net Finance Charges for the Group** at ₹743 crores (US$166 million) during the December quarter showed an increase of ₹80 crores (US$18 million) over Q2 FY'11 mainly on account of higher interest due to higher working capital requirements in Europe due to increased raw material prices.

- **Gross and Net Debt:** The Group's gross debt at the end of December 2010 stood at ₹59,085 crores (US$13.22 billion). The Group's net debt at the end of December 2010 stood at ₹52,836 crores (US$11.82 billion).

1. Financial Performance Analysis:

Consolidated Financial results summary (under Indian GAAP) for the nine months ending December 2010

All figures in US$ m, unless specified

9MFY11	9MFY10	HIGHLIGHTS	Q3 FY'11	Q3 FY'10
17.0	**17.3**	**Steel Deliveries (m tonnes)**	**5.68**	**6.02**
19,000	16,754	Turnover	6,508	5,862
2,774	896	EBITDA	755	761
14.6	5.4	EBITDA Margin (%)	11.6	13.0
727	760	Depreciation	252	258
448	528	Net Finance Charges	166	171
1,583	(707)	PBT	352	279
8.3	(4.2)	PBT Margin (%)	5.4	4.8
1,075	(994)	Profit after Taxes, Minority Interest and Share of Associates	224	106
5.7	(5.9)	PAT Margin (%)	3.4	1.8

For the purposes of converting all financial numbers to US$ for all comparable periods, a US$/₹ exchange rate of 44.70 has been used throughout this document.

Executive Comment

Tata Steel Managing Director Mr HM Nerurkar stated: "The performance of the Indian operations in the third quarter, in spite of inflationary concerns, continued to be robust on the back of improved product mix and efficiency enhancement measures. The expansion at Jamshedpur is expected to provide an impetus to future earnings. The South East Asian operations were affected in the third quarter by rising scrap prices and a lag in implementing higher finished product prices."

Tata Steel Europe MD & CEO Dr Karl-Ulrich Köhler said: "Higher raw materials costs and seasonal factors adversely affected our December quarter. We are gearing up to meet continuing market challenges by reinvigorating our strategy. We have rebranded and refinanced our European operations and are introducing a new customer-centric organisational structure. International steel prices have been rising since the end of last year on the back of restocking and raw material cost increases, while in Europe there is an export-led recovery in certain major economies and sectors."

Tata Steel Group

Group sales of ₹84,929 crores (US$19 billion) in 9M FY'11 were up 13.4% from the ₹74,889 crores (US$16.75 billion) in 9M FY'10. Q3 FY'11 sales of ₹29,089 crores (US$6.51 billion) were up 11% from the ₹26,202 crores (US$5.86 billion) in Q3 FY'10.

The Group posted EBITDA of ₹12,399 crores (US$2.77 billion) in 9M FY'11, up by 209.4% from ₹4,007 crores (US$896 million) in 9M FY'10. Q3 FY'11 EBITDA of ₹3,374 crores (US$755 million) was down 0.8% from the ₹3,401 crores (US$761 million) registered in Q3 FY'10.

India

Turnover at Tata Steel in India of ₹21,056 crores (US$4.71 billion) in 9M FY'11 was up 19.1% from ₹17,683 crores (US$3.96 billion) in 9M FY'10. Q3 FY'11 sales of ₹7,397 crores (US$1.66 billion) were up 16% from the ₹6,375 crores (US$1.43 billion) in Q3 FY'10.

Tata Steel India posted EBITDA of ₹9,158 crores (US$2.05 billion) in 9M FY'11, up 47.5% from ₹6,207 crores (US$1.39 billion) in 9M FY'10. Q3 FY'11 EBITDA of ₹2,832 crores (US$634 million) was up 17% from the ₹2,420 crores (US$541 million) in Q3 FY'10.

Saleable steel production in 9M FY'11 was up 4.3% to 4.95 million tonnes compared to 9M FY'10 and in Q3 FY'11 was up 3.8% to 1.75 million tonnes compared to Q3 FY'10. Sales volumes in 9M FY'11 were up 5.2% to 4.7 million tonnes compared to 9M FY'10 and in Q3 FY'11 were up 2.7% to 1.64 million tonnes compared to Q3 FY'10.

Indian crude steel production rose more than 6% in 2010, but the country remained a net importer of steel, demonstrating the market potential for Indian steelmakers. The outlook for the domestic steel industry this year is positive due to robust growth in infrastructure, automotive and real estate. Tata Steel India's 3 million-tonne expansion project is on track and is likely to be commissioned in the latter part of FY'12.

Europe

Turnover at Tata Steel's European operations of ₹54,038 crores (US$12.09 billion) in 9M FY'11 was up 10.8% from the ₹48,752 crores (US$10.91 billion) in 9M FY'10. Q3 FY'11 sales of ₹17,940 crores (US$4.01 billion) were up 7.1% from the ₹16,755 crores (US$3.75 billion) in Q3 FY'10.

Tata Steel's European operations posted EBITDA of ₹2,644 crores (US$591 million) in 9M FY'11 compared to an EBITDA loss of ₹2,994 crores (US$670 million) in 9M FY'10, an increase of ₹5,638 crores (US$1.3 billion). Q3 FY'11 EBITDA of ₹395 crores (US$88 million) was down 40.2% from the ₹660 crores (US$148 million) in Q3 FY'10 due to higher raw material prices and lower deliveries.

Liquid steel production in 9M FY'11 remained flat at 11 million tonnes compared to 9M FY'10. Steel production in Q3 FY'11 was 3.66 million tonnes, down by 13.1% compared to 4.21 million tonnes in Q3 FY'10. Deliveries in 9M FY'11 were up by 0.9% to 10.74 million tonnes compared to 9M FY'10. Deliveries in Q3 FY'11 were down by 5.9% to 3.47 million tonnes compared to 3.69 million tonnes in Q3 FY'10.

During the quarter, the first under Dr Karl-Ulrich Köhler as MD & CEO, work progressed on the establishment of the new sector-focused sales and marketing teams that are a key element of Tata Steel's reinvigorated European strategy.

Technical innovation is another key element of the new strategy. During the quarter, two new research facilities were announced, strengthening the Group's partnership activities with academia and the government:

- *SPECIFIC* (the Sustainable Product Engineering Centre for Innovative Functional Industrial Coatings) is a £20 million 5-year programme supported by Tata Steel in South Wales to develop and bring to market new coatings for roofs and walls made of steel or glass that will enable buildings to generate, store and release energy.

- The £5 million *HTIC* (High-Temperature Innovation Centre) will carry out development work on Teesside in areas such as novel sources of fuel and energy, recovery of raw materials and reduction in organic wastes.

Besides, the Company is investing £6.5 million in two new vacuum arc remelting furnaces and additional testing equipment at its Stocksbridge works in the UK to assist in raising output of high-value aerospace steels. A £1.3 million processing centre is being built at Scunthorpe for steel plate used in wind farm construction.

A fire in the building that houses one the three pickling lines at the IJmuiden plant will keep the line out of action for several months. Every effort is being made to minimise disruption to company deliveries through the use of alternative pickling facilities, but the Company has declared force majeure.

South East Asia

Turnover at Tata Steel's South East Asian operations of ₹8,224 crores (US$1.84 billion) in 9M FY'11 was up 17.2% from the ₹7,016 crores (US$1.57 billion) in 9M FY'10. Q3 FY'11 sales of ₹2,921 crores (US$653 million) were up 20.3% from the ₹2,428 crores (US$543 million) in Q3 FY'10.

Tata Steel's South East Asian operations posted EBITDA of ₹264 crores (US$59 million) in 9M FY'11, down 18.3% from ₹323 crores (US$72 million) in 9M FY'10. There was an EBITDA loss of ₹16 crores (US$3 million) in Q3 FY'11 compared to the EBITDA of ₹104 crores (US$24 million) registered in Q3 FY'10 because of the reduced spread between rebar and scrap prices.

Saleable steel production in 9M FY'11 was 2.12 million tonnes compared to 2.05 million tonnes in 9M FY'10. Saleable steel production in Q3 FY'11 was up 3.3% to 0.72 million tonnes compared to 0.7 million tonnes in Q3 FY'10. Sales volumes in 9M FY'11 were up 5% to 2.32 million tonnes compared to 2.21 million tonnes in 9M FY'10. Sales volumes in Q3 FY'11 were up 6.5% to 0.78 million tonnes compared to 0.73 million tonnes Q3 FY'10.

NatSteel has identified initiatives to build a customer-focused culture and improve customer engagement through initiatives like Customer Value Management (CVM). The Company is improving the reliability and responsiveness of its deliveries to customers by increasing delivery compliance and shortening supply lead times. It is also investing in modernising its machinery and facilities to improve efficiency and reduce plant downtime. Tata Steel Thailand will continue its focus on developing its rebar customer base in Laos, Myanmar and Cambodia and on increasing sales of rebar and high-grade wire rod to existing and new customers in Vietnam, Indonesia and South Korea.

2. Financing Developments:

a) The Company launched a follow-on public offer on January 19, 2011 and raised ₹3,477 crores from the capital market. Out of the total FPO proceeds, ₹1,875 crores will be used to part-finance capital expenditure for the expansion of the Jamshedpur works and ₹1,090 crores to pay the redemption amount of some maturing redeemable non-convertible debentures.

b) The Company secured commitments for subscriptions to privately placed Redeemable Non Convertible Debentures totalling ₹3,000 crores (US$671 million) in two tranches, with a final maturity of 20 years from the date of allotment. The proceeds drawn in January 2011 will be used to meet the Company's expansion projects in India.

3. Corporate Developments:

a) CAPL Joint Venture with Nippon Steel

Tata Steel Limited (TSL) and Nippon Steel Corporation (NSC) signed a Joint Venture Agreement on January 7, 2011 to set up India's first Continuous Annealing and Processing Line (CAPL) for the production of 600,000 tonnes per annum of automotive cold rolled steel at Jamshedpur. TSL will hold 51% and NSC 49% of the equity capital of the Joint Venture Company. The line will be built for a capital cost of approx. ₹2,300 crores and is expected to come on stream in 2013.

b) Joint Venture with New Millennium Corporation Limited

Tata Steel had an exclusive right to negotiate an arrangement with NML to develop two of its iron ore projects, LabMag (with reserves of 3.5 billion tonnes) and KéMag (with 2.1 billion tonnes), up to December 31, 2010. Tata Steel entered into a term sheet with NML on that day to extend the exclusivity period for the projects to February 28, 2011 on payment of a facilitation fee of US$600,000. Tata Steel and NML are negotiating definitive agreements for the development of the projects and are expected to enter into these agreements by the new expiry date, subject to approval from Tata Steel's Board.

NML received environmental approval for Phase 1 of its joint venture Direct Shipping Ore project with Tata Steel on January 5, 2011 from the Government of Newfoundland & Labrador. This approval is a stepping-stone towards the commencement of construction work. It is expected that iron ore production will start by the second quarter of 2012.

c) Partial final Arbitration Award in favour of Teesside Cast Products

Tata Steel UK Limited (TSUK), a subsidiary of Tata Steel, received a partial final award in its favour in an arbitration proceeding between TSUK and certain off-takers of its Teesside Cast Products Plant ("Off-Takers") on January 5, 2011. The arbitral tribunal amongst other things found that the Off-Takers did not validly terminate their off-take agreements. The arbitration proceedings are being held under the auspices of the ICC

International Court of Arbitration and will now move to the next phase, namely determining the amount of damages.

Disclaimer

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

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