Management Discussion and Analysis 2011-12

INDUSTRY STRUCTURE:

Global Steel Industry:

Overall the global steel industry witnessed steady growth during 2011. The growth in global steel demand was driven by increased demand from key steel end-user industries including infrastructure, construction and automotive, especially in the emerging markets; in spite of financial turbulence in the Eurozone, weak private demand in the United States and events in Japan and the Middle East.

In 2011, the global steel demand is estimated to have increased by 6% to reach a new high of 1,373 million tonnes, 13% above the pre crisis levels in 2007. Growth was led by the emerging economies, notably China (6% up) and India (4% up), where new demand records were set. In the developed economies, demand levels remained 15-25% below 2007 levels. Europe saw steel demand increase by 5% and North America by 9% in 2011, but steel demand in Japan fell by 3%, as the impact of the earthquake and subsequent tsunami was felt on the manufacturing activity. The growth in 2011 can be segregated in two halves. In the first half of 2011, global steel consumption grew relatively faster, underpinned by infrastructure construction and manufacturing activity. In the second half of 2011, steel consumption was lower than in the first half due to moderate economic growth in China, the United States and Europe.

In 2011, global steel output reached 1.5 billion tonnes, an increase of 7% compared to 2010 and a new record for world crude steel production. All major steel producing countries apart from Japan and Spain showed growth in 2011. Growth was particularly strong in Turkey, South Korea and Italy.

Looking ahead, global steel market developments are likely to remain generally positive, but with lower growth in 2012 compared to 2011. In the first few months of 2012, apparent steel demand remained muted due to the uncertain economic climate. For 2012 as a whole, global steel demand is forecast to grow by a further 4% to reach 1,422 million tonnes. China, India and other emerging markets will continue to drive demand but recent market developments suggest likely slackening of demand. This is primarily due to the recent changes in the monetary policy in China to reduce bank credit and improve asset quality as well as lower growth forecast in India. While USA and Japan is expected to continue it's recovery, steel demand in Europe is expected to fall by 1%.

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

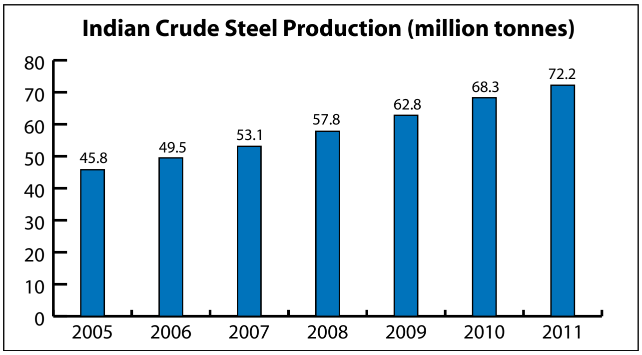
Figures in million tonnes

Rank	Country	2011	2010	Change %
1	China	695.5	638.7	8.9%
2	Japan	107.6	109.6	(1.8%)
3	United States	86.2	80.5	7.1%
4	India	72.2	68.3	5.7%
5	Russia	68.7	66.9	2.7%
6	South Korea	68.5	58.9	16.3%
7	Germany	44.3	43.8	1.1%
8	Ukraine	35.3	33.4	5.7%
9	Brazil	35.2	32.9	7.0%
10	Turkey	34.1	29.1	17.2%

Source: World Steel Association

Steel Industry in India: India improved its ranking to become the 4th largest producer of crude steel in the world during 2011 after China, Japan and the USA. The country's production grew by around 6% in 2011 over 2010.

The trend of crude steel production in India is shown in the following chart:



Source: World Steel Association

There has been a diversification in the product mix of the steel industry in India towards sophisticated value added steel used in the automotive sector, heavy machinery and physical infrastructure. In 2011, the industry was faced with stiff challenges due to rising inflationary pressures and deteriorating global growth conditions. The multiple hikes in interest rates by the central bank also impacted the industry's growth in rate sensitive key user industries. The production of flat products and long products of major Indian companies is estimated to have grown by around 7.5% and 4.5% respectively during Financial Year 2011-12 when compared with the previous financial year. Steel consumption of Flat products and Long products in Financial Year 2011-12 grew by 2.3% and 5.8% respectively. Flat product exports grew by 23% and Long product exports increased to 279k tonnes in Financial Year 2011-12 compared to 155k tonnes in Financial Year 2010-11. There was a reduction in the import of Flat and Long Products by 5% and 8% respectively. The steel prices during Financial Year 2011-12 have increased from the average prices prevailing in the previous financial year driven by increase in the input costs and improvement in demand.

UK and European Steel Industry: The recovery of the UK economy as was witnessed in Financial Year 2010-11 slowed down to 0.5% GDP growth in Financial Year 2011-12. Real disposable income increased only marginally and private consumption fell by 0.8% as personal savings have started to rise. Industrial production during the year fell by 2.2%, while unemployment increased to 5%. The UK government continued with the execution of its fiscal austerity package to bring the budget to a balanced position by 2015-16 and to protect its credit rating. The estimated UK demand for carbon steel products in Financial Year 2011-12 amounted to 9.7 mt. Estimated UK demand for the Group's main carbon steel products at 7.5 mt, remained broadly unchanged compared to 2010-11, reflecting the weak economic conditions in the UK. Imports from outside Europe peaked at 21% in the first half, declining subsequently, as importers focused on higher priced regions and buyers reduced purchases of long-lead time imports due to uncertainty In underlying demand.

Apparent steel consumption in the EU increased strongly during the first half of 2011 as underlying demand improved and prices increased. Customers increased stock levels and purchases of imports to secure supply. However, the pace of underlying growth slowed from mid-2011 mainly due to the European sovereign debt crisis. As a result, customers became unwilling to hold too much stock and focused buying on immediate needs only. This cautious buying behaviour continued throughout the second half of 2011, reflecting both the ongoing cash and credit constraints faced by businesses, and the continuing high degree of uncertainty in the general business climate. For 2011 as a whole, apparent steel consumption in the EU is estimated to have increased by 5% year-on-year. In the first months of 2012, although underlying demand remained below 2011 levels, apparent steel demand increased as customers replenished stock levels from the low levels reached in December 2011. Steel imports into the EU rose sharply during the first half of 2011 before moderating in the second half, though the absolute volumes were still higher by approximately 25% over 2010 levels at almost 20 mt.

South-East Asian Steel industry: Preliminary numbers compiled by South East Asia Iron and Steel Institute (SEAISI) suggest that apparent steel consumption in the Association of South East Asian Nations (ASEAN) at 50.5 million tonnes in 2011 grew by 4% over 2010. Overall demand in the area grew by 4% over 2010 for both Flat products as well as Long products. Flat products demand of 27 million tonnes was largely met through imports of 25 million tonnes whereas Long products demand of 24 million tonnes was mostly catered through domestic production of 18.5 million tonnes.

In **Thailand**, demand for Flat steel increased moderately by 3.5%, which was met by higher imports as domestic output declined significantly by 14%. The Flat steel consumption in

Indonesia was up by 12% at 6 million tonnes, met largely by imports as domestic output was only 2.6 million tonnes. In **Philippines**, Flat steel demand was met mostly by domestic output with stagnation in the imports and a significant decline in exports. A similar situation was witnessed in **Malaysia's** Flat steel market with a substantial increase in domestic output while imports declined by 6%. **Vietnam's** Flat steel demand declined by 2.7% whereas exports increased significantly by 40% to 1.4 million tonnes and also the increase in imports was to the tune of 5.8% to reach 5.6 million tonnes. In **Singapore**, Flat steel consumption increased by 23% to 1.5 million tonnes, met by increase in imports. Long steel demand in Singapore also witnessed a significant increase this year by almost a million tonnes. NatSteel Holdings, the only Long steel producer, expanded its production by 4.7% which, however, was not sufficient to meet the local demand. As a result, import showed a significant increase of 38% during the year.

TATA STEEL GROUP OPERATIONS:

Gross steel deliveries were at par with the previous year due to the economic situation in Europe and severe floods in Thailand. Deliveries of Tata Steel India were higher by 3% while Tata Steel Europe and Tata Steel Thailand deliveries declined by 5% and 12% respectively. Deliveries of NatSteel were at par with the previous year. The turnover for the Group at ₹ 1,32,900 crores during Financial Year 2011-12 was 12% higher than the turnover in Financial Year 2010-11 (₹ 1,18,753 crores). This increase was primarily driven by higher prices across the Group due to higher input costs. EBITDA for the Group in Financial Year 2011-12 was ₹ 13,533 crores as compared to ₹ 17,116 crores of Financial Year 2010-11 primarily due to market conditions in Europe.

The Group reported a consolidated profit after taxes (after minority interest and share of profit of associates) of ₹ 5,390 crores during Financial Year 2011-12 (₹ 8,983 crores in Financial Year 2010-11).

Tata Steel India:

Figures in ₹ Crores

	2011-12	2010-11
Turnover	**33,933**	29,396
Profit before tax (PBT)	**9,857**	9,777
Profit after tax (PAT)	**6,696**	6,866

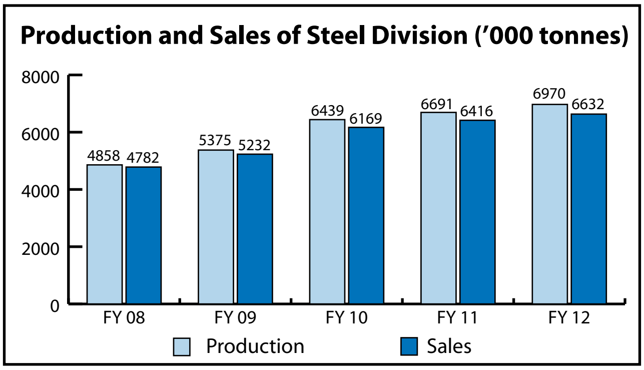
1. Steel division:

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

Figures in million tonnes

	FY 12	FY 11	Change %
Hot Metal	**7.75**	7.50	3.33%
Crude Steel	**7.13**	6.86	3.94%
Saleable Steel	**6.97**	6.69	4.19%
Sales	**6.63**	6.42	3.27%

The trend of steel production and sales is shown below:



The major production and sales highlights for Financial Year 2011-12 are shown below:

Production: Key highlights of the production performances of various units in the Steel Works are shown below:

Figures in million tonnes

	Best ever	FY 12	Previous best
G Blast Furnace	Hot metal production	**2.13**	2.11 – FY 11
LD shop #2 & Slab Caster	Slab production	**4.00**	3.80 – FY 11
LD shop #1	Billet production	**3.12**	3.05 – FY 11
Hot Strip Mill	Production	**3.94**	3.73 – FY 11
New Bar Mill	Production	**0.78**	0.72 – FY 11
Wire Rolling Mill	Production	**0.42**	0.40 – FY 10
Lime Plant	Production	**0.70**	0.69 – FY 11
West Bokaro (clean coal)	Production	**2.30**	2.20 – FY 11

The production from the larger furnaces was maximised with better productivity and lower coke consumption while increased vessel life in the steel melting area enhanced crude steel production to 7.13 million tonnes, crossing the 7 million tonnes milestone for the first time.

Sales

- Overall sales at 6.63 million tonnes grew by 3% over last year (6.42 million tonnes in Financial Year 2010-11).
- Due date performance (which measures delivery compliance) was sustained at 96% in Flat Products and improved significantly from 91% to 96% in Long Products.

Flat Products

- The sales of Flat products at 3.74 million tonnes increased by 6% in Financial Year 2011-12 (3.54 million tonnes in Financial Year 2010-11).
- The division achieved the best ever sales performance in Skin Panel (0.06 mt) and Tata Shaktee GC sheets (0.21 mt).

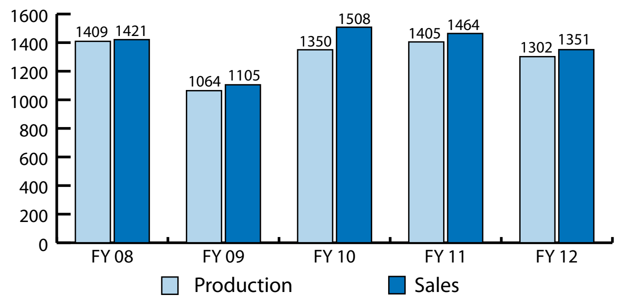
Long Products

- Sales of Long products at 2.90 million tonnes increased by 1% in Financial Year 2011-12 (2.88 million tonnes in Financial Year 2010-11).
- The division crossed one million tonne sales of Tata TISCON in retail segment, clocking an increase of 40% over Financial Year 2010-11.

2. Ferro Alloys and Minerals division:

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 total sales volume in Financial Year 2011-12 was 1,351k tonnes against the volumes of 1,464k tonnes in Financial Year 2010-11.

Growth in Financial Year 2011-12 was subdued in most parts of the world, especially in H2, due to the impact of the European crisis, strong appreciation of the Yen and a liquidity crunch in India and China. Global stainless steel production grew 3.5% in 2011at 33.4 million tonnes (against a 24% growth in 2010 at 32.3 million tonnes), impacting demand for Ferro alloys. Accordingly, the prices of Ferro Chrome dropped by 7% in Financial Year 2011-12 compared to Financial Year 2010-11.

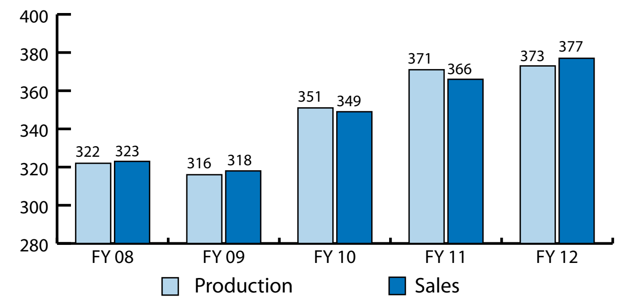
Going forward, the demand for ferro alloys is expected to improve as a result of an increase in infrastructural spending in India and China, strong steel demand from a buoyant auto sector in the US and the likely recovery in the Eurozone. The division has aggressive plans to increase its production capacity in Ferro Chrome and Silico Manganese in Financial Year 2012-13.

The division was honoured with the CAPEXIL (Chemical and Allied Export Promotion Council of India) and EEPC (Engineering Export Promotion Council) awards in Financial Year 2011-12 for its export performance in the recent years. The division also won the coveted TBEM Award (Tata Business Excellence Award) in 2011 and its mines at Sukinda were judged as the 'Overall Best Performer' during the Odisha Metalliferous Mines Safety campaign for 2011-12.

3. 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)



During Financial Year 2011-12, the Tubes division consolidated its position in the market by registering a growth in production (1%) and sales (3%), enabled by the identification of new applications for Tata Structura. The year also marks the unveiling of the 'CHARKHA' – a symbol of the innovative and futuristic applications of Tata Structura's hollow section.

The key performance highlights of the division are given below:

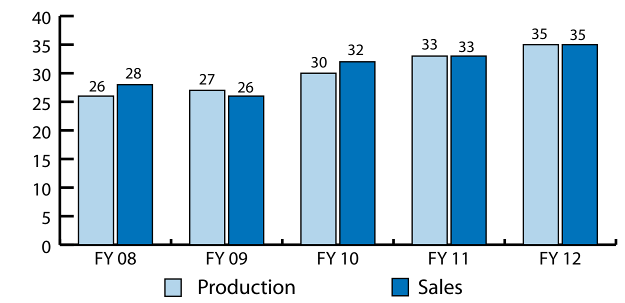
- 'Tata Pipes' continues to be the market leader in India in the conveyance tubes business for the plumbing and irrigation segments. Sales grew by 4% over the previous year. For the first time in the country, red oxide-coated pipes are being supplied to customers in firefighting and the HVAC segment.
- 'Tata Structura' sales have been the best ever at 1,08,000 tonnes. It has also been approved for usage in solar panels by global players like Areva. The solar energy segment will be one of the largest consumers of steel hollow section in future. Tata Structura has been approved by Eastern Railway for making new platforms. Over 100 new platforms are expected to be built.
- Tata Steel's 'Precision Tubes' at Jamshedpur along with Thai Summit Neel Auto (India's largest two wheeler ancillary group) celebrated the milestone of 2 million TVS moped frames made with precision tubes. Precision Tube mills successfully developed 3 high strength ERW sizes for Honda Activa Model. This is a major enabler in increasing the share of business with Honda Motorcycle and Scooter India Pvt. Ltd. (HMSI).

The Tubes division received the award of the 'Most Innovative Environment Project' at the CII Environmental Best Practices Competition held on 9-10 February, 2012 at Hyderabad.

4. Bearings division:

The performance of the bearings division in terms of production and sales volume is shown below:

Production and Sales of Bearing Division (million tonnes)



The division has posted a Y-o-Y growth of 6% and 5% in production and sales respectively, driven primarily by a robust demand from the domestic auto segment.

The division adopted various improvement initiatives like TOC (Theory of Constraints) methodology and increase in Overall Equipment Efficiency (OEE) of equipments through implementation of Total Productivity Maintenance (TPM) practices.

During Financial Year 2011-12, the division was bestowed with a number of awards and accolades from its customers. The division was conferred with the 'Gold Certificate of Merit' at the India Manufacturing Excellence Awards-2011 by Frost & Sullivan and Economic Times in recognition of the efforts in Manufacturing and the Supply Chain. The division has also qualified in the category of 'Emerging Industry Leader' in JN Tata Business Excellence Assessment, for the first time.

Tata Steel Europe (TSE):

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**82,153**	73,844
Profit before tax (PBT)	**(4,281)**	1,725
Profit after tax (PAT)	**(4,242)**	1,641

The EU continues to be the most important market for the TSE Group, accounting for 82% of its total turnover in Financial Year 2011-12.

TSE's Crude steel production stood at 14.0 million tonnes in Financial Year 2011-12, a 4% drop over the previous year. Deliveries at 14.0 million tonnes in Financial Year 2011-12 were lower by 5% over Financial Year 2010-11. The production and sales performance of TSE are shown below:

Figures in million tonnes

	FY 12	FY 11	Change %
Crude steel production	**14.0**	14.6	(4%)
Deliveries	**14.0**	14.7	(5%)

In Financial Year 2011-12, about 70% of TSE's crude steel production was used in hot rolled coils. Most of the remainder was further processed into sections, plates, speciality steels or wire rods, or sold in a semi-finished form. Approximately 25% of the hot rolled coil was sold without further processing and 55%

was further processed in cold rolling mills and coating lines. The remainder was transferred to TSE's tube mills for the manufacture of welded tubes. Principal end-user markets for the Group's steel products are the construction, automotive, packaging, lifting and excavating, energy and power and rail sectors.

Crude steel production at different facilities in TSE along with their capacity is shown below:

Figures in million tonnes

	Production capacity	Actual production
Port Talbot steelworks, West Glamorgan, Wales	4.9	3.4
Scunthorpe steelworks, South Humberside, England	4.5	3.2
Rotherham steelworks, South Yorkshire, England	1.2	0.7
Ijmuiden steelworks, the Netherlands	7.2	6.7
Total	**17.8**	**14.0**

Excluding seasonal effects, the sales volumes of TSE improved in the last quarter of Financial Year 2010-11 to reach the highest level of quarterly sales since Financial Year 2008-09. However, this higher level of sales was not sustained in Financial Year 2011-12, with quarterly sales falling back to levels seen in early Financial Year 2010-11 and remaining reasonably flat through the year.

During Financial Year 2011-12, TSE announced various restructuring measures to introduce greater flexibility into costs and operations. These included closure or mothballing of parts of the Scunthorpe site, cessation of operations at its Construction Products business at Newport, Wales, mothballing of the hot strip mill at Llanwern, Wales, a recovery plan for its tube-making business and opening up of a new steel distribution centre at Lackenby, Teeside to match operations with projected market demand in the foreseeable future.

NatSteel Holdings:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**8,600**	7,413
Profit before tax (PBT)	**35**	143
Profit after tax (PAT)	**18**	152

During the financial year under review, NatSteel Holdings (NSH) achieved a production level of 1.63 million tonnes as compared to 1.59 million tonnes of Financial Year 2010-11, registering an increase of 3%. Sales volume at 1.81 million tonnes was almost at par with the previous year (1.80 million tonnes). The performance of the major business operations of the Company are discussed below:

During Financial Year 2011-12, the Singapore operations registered growth of 6% in sales at 893k tonnes.

NatSteel Xiamen, the Chinese subsidiary of NatSteel sold 545k tonnes of rolled products during Financial Year 2011-12, registering an increase of 9% over Financial Year 2010-11. Australian operations were in the red due to a combination of poor demand and rapidly accelerating costs. However, there was an improvement in the average revenue per tonne across all units, except Vietnam.

Tata Steel Thailand (TSTH):

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**4,110**	3,911
Profit/(loss) before tax	**(211)**	(151)
Profit (loss) after tax	**(323)**	(139)

TSTH recorded a sales volume of 1.14 million tonnes during Financial Year 2011-12 registering a decrease of 11% over Financial Year 2010-11 (1.29 million tonnes). The shortfall was due to a drop in demand owing to the worst ever floods in Thailand that affected sales in second half of Financial Year 2011-12. However, the Company improved its product mix, resulting in an improved average realisation per tonne. Floods and lower demand led to a lower production of 1.16 million tonnes in Financial Year 2011-12 (1.28 million tonnes in Financial Year 2010-11). The mini blast furnace in Thailand was mothballed from August 2011 due to the higher billet cost from the hot metal route, as against the scrap route. The Company maintained its leadership position in high-end wire rods and became the only Thailand-based producer to make an entry in the Special Bar Quality products.

Tata Metaliks:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**1,231**	1,347
Profit/(loss) before tax	**(170)**	(15)
Profit/(loss) after tax	**(113)**	1

Tata Metaliks Limited (TML), a subsidiary of Tata Steel Limited, is the largest producer of Foundry Grade Pig Iron in India. The Company has two plants in India – in Kharagpur (West Bengal) and Redi (Maharashtra) – with a total capacity of 6.5 lakh tonnes per annum. Tata Metaliks Kubota Pipes Limited (TMKPL), is a subsidiary of Tata Metaliks Limited engaged in the manufacturing of DI (Ductile Iron) Pipe with a total capacity of 1.10 lakh tonnes per annum. The production and sales for Financial Year 2011-12 and Financial Year 2010-11 are shown below:

Production	2011-12 '000 tonnes	2010-11 '000 tonnes
Pig iron	**343**	477
Ductile Iron Pipe	**50**	20

Sales	FY 12 '000 tonnes	FY 11 '000 tonnes
Pig Iron	**356**	473
Ductile Iron Pipe	**47**	19

In Financial Year 2011-12, the sales volume was lower at 356k tonnes as compared to 473k tonnes in Financial Year 2010-11 due to lower production at Kharagpur unit and the shutdown of the Redi unit from November, 2011. Higher raw material costs, a disruption in the supply of iron ore at Kharagpur and poor blast furnace health leading to higher specific consumption of raw material have resulted in negative operating margins.

TML is striving to improve its operating margin by setting up a Sinter Plant at Kharagpur and upgrading the Blast Furnace to increase the production volume. The capacity of the Kharagpur plant would be increased to 407k tonnes. The Company is also setting up Coke Oven plant at Kharagpur on BOOT (Built Operate Own and Transfer) basis.

TM International Logistics Limited:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**929**	978
Profit before tax (PBT)	**68**	72
Profit after tax (PAT)	**55**	57

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

TMILL runs terminal operations in Haldia, Kolkata and Paradip. Port management services of TMILL include container stuffing/destuffing facility and handling of various types of clean cargo, both bulk and break bulk, including project cargo. The Company owns a fleet of pay loaders, forklifts and trailers to provide port services and also a vast open storage area along with covered warehousing facilities.

TMILL has been chosen as the O&M operator at Dhamra Port, in Odisha, which lies between the existing ports of Paradip and Haldia. TMILL handles the overall operations and maintenance activity of the mechanised cargo handling system, comprising of ship loader, ship unloader, stackers and reclaimers, wagon tippler, rapid rail loading system and conveyor lines with transfer stations and control centres.

The shipping business of TMILL offers integrated solutions to customers by packaging ocean freighting with other auxiliary services like transloading and barging for draft-restricted ports or with port handling and ship agency services.

During Financial Year 2011-12, there was a marginal decrease in the profit of the Company due to a decrease in the volumes handled at Gangavaram Port. However, there has been an overall increase in volumes handled at ports due to the commencement of operations at Dhamra Port. There was a significant jump in the profit of the shipping business and increase in the TEUs (Twenty-tonne equivalent units) handled by the freight forwarding business.

The key performance highlights of the Company during Financial Year 2011-12 are:

Division		2011-12	2010-11	Change
Port operations	Million tonnes	**9.9**	7.9	25%
Shipping	Million tonnes	**5.2**	5.3	(2)%
CHA & Inland Logistics	CIF in ₹ crores	**7,616**	6,097	25%
Freight forwarding	Volume in TEUs	**34,070**	28,240	21%

Tayo Rolls Limited:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**140**	133
Profit before tax (PBT)	**(53)**	(30)
Profit after tax (PAT)	**(53)**	(30)

Tayo Rolls Limited, a subsidiary of Tata Steel Limited, is a leading roll manufacturer in India, promoted by Tata Steel Limited, Yodogawa Steel Works, Japan and Sojitz Corporation Japan in 1968.

The rolls industry, which is largely dependent on steel industry, was worst hit by the downturn in 2008. The reduction in demand due to lower consumption of rolls was compounded by stringent inventory control instituted by steel manufacturers, resulting in lower off-take. This situation has improved to some extent during Financial Year 2010-11 and Financial Year 2011-12. However, the continued sluggish demand in USA, Europe and other developed nations last year, had an effect on the volume of overall export of rolls from India, thereby resulting in higher allocation of capacities for the domestic market which adversely impacted the order volume and realisation. The Company also witnessed severe working capital shortage during the year which adversely affected production and had to close at a lower level of production as compared to Financial Year 2010-11.

The completion of the integrated forging facilities for the Forged Roll and Engineer Forgings gives enough opportunity to the Company to cater to the requirement of the Forged Roll segment. The excess forging capacity to be used for Engineering Forgings will also provide the Company with an opportunity to explore newer markets, which may isolate it from the volatility of the steel industry.

Financial Year 2011-12 saw a turnaround of the pig iron business of the Company with realisations firming up. The furnace, which was shut down from August, 2010, was functional again on 15th April, 2011. The Company also entered into a conversion agreement with Tata Steel in August, 2011 wherein Tata Steel supplies iron ore and nut coke to Tayo for conversion to pig iron. The pig iron business is expected to grow further in Financial Year 2012-13.

The key highlights during the year in shown below:

Figures k tonnes

	2011-12	2010-11	Change %
Rolls Production	**7.2**	7.2	–
Rolls Sales	**7.2**	7.5	(4)%
Pig Iron Production (own)	**5.1**	10.7	(52)%
Pig Iron Sales (own)	**4.0**	8.1	(51)%
Pig Iron Production (conversion)	**12.2**	–	–
Pig Iron Sales (conversion)	**10.7**	–	–
Ingot production	**1.9**	2.4	(21)%
Ingot Sales	**1.3**	1.6	(19)%

During Financial Year 2011-12, the Company made a preferential allotment of 8.5% Non-Cumulative Redeemable Preference Shares amounting to ₹ 85 crores to its promoters.

Tata Steel Processing & Distribution Limited:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**1,864**	1,592
Profit before tax (PBT)	**81**	63
Profit after tax (PAT)	**55**	43

Tata Steel Processing and Distribution Limited (TSPDL) is the largest steel service centre in India with a steel processing capacity of around 2 million tonnes. It has 8 steel processing units and several distribution locations across the country.

During the last few financial years, the Company has diversified its business portfolio by entering into the manufacture of high value auto components for Auto Majors like Caterpillar and Tata Motors through its commissioned facility at Tada, Andhra Pradesh and Pantnagar, Uttarakhand respectively.

During Financial Year 2011-12, the Company recorded an all-time high tolling and distribution production volume of 1.58 million tonnes, as compared to 1.46 million tonnes in the previous year. Higher volumes supplemented with better realisations enabled the Company to achieve an all-time high revenue and EBITDA during Financial Year 2011-12. Different units of the Company received reputable accolades, notable amongst which are:

- The Pantnagar Unit won the prestigious Northern Region Tata Innovista Award for the second consecutive year. The unit was also declared the 'Idea Champion' at the 13th 'National Suggestion Summit' conducted by Indian National Suggestion Schemes Association.
- The Pune Unit was the recipient of the 'Best in Class Operational Excellence Award' from Stars of the Industry Group, Mumbai.
- The Tada Unit achieved the prestigious Silver Certification in Caterpillar's worldwide Supplier Quality Excellence Programme.
- The highest number of volunteer hours (approx. 1000 hours) contributed on a single day were recorded within the Company, on the occasion of 'World CSR Day'.

The Tinplate Company of India Limited:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**641**	810
Profit before tax (PBT)	**28**	51
Profit after tax (PAT)	**17**	36

The Tinplate Company of India Limited (TCIL) is the largest indigenous producer of tin-coated and tin free steel sheets in India, manufacturing various grades of electrolytic tinplates (ETP) and tin-free steel (TFS) sheets used for metal packaging. TCIL has also been 'value-adding' its ETP/TFS products by way of providing printing and lacquering facility to reach closer to food processors/fillers.

During Financial Year 2011-12, the Company achieved a production of 256k tonnes as compared to 241k tonnes in Financial Year 2010-11, registering an increase of 6%. Turnover for Financial Year 2011-12 at ₹ 641 crores was lower by 21% as compared to Financial Year 2010-11 (₹ 810 crores), primarily on account of reductions in export volume of around 32% due to adverse international market conditions, lower production and sale on 'own' account compensated by a higher conversion volume by around 30%. The profits of the Company were lower as compared to the previous year due to depressed global tinplate prices, a steep increase in input steel and tin prices, unfavourable exchange rates, higher depreciation and interest charge relating to the new CRM2 facilities.

TCIL was an associate company of Tata Steel till Financial Year 2010-11 and became a subsidiary with effect from 1st April, 2011 consequent upon the automatic and compulsory conversion of the 3% Fully Convertible Debentures (which were issued in September 2009) into Equity Shares.

Tata NYK Shipping Pte Ltd.:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**698**	660
Profit before tax (PBT)	**(114)**	3
Profit after tax (PAT)	**(114)**	3

TATA NYK Shipping Pte Ltd., a 50:50 joint venture between TATA Steel Ltd., India and NYK Line, a Japanese shipping major has been incorporated to cater to the growing sea-borne trade for the Tata group and the Indian markets.

The Company is primarily into the business of owning, operating and chartering of ships to carry dry bulk and break bulk cargo including coal, iron ore, limestone and steel products.

The Company has steadily grown its fleet from two ships in 2007 to a current fleet size of 20 ships (2 owned and 18 chartered).

The company has a diversified fleet, ranging from Supramax (58,000 DWT), Panamax (75,000 DWT) and Capesize (180,000 DWT) vessels. The vessels are deployed for the Tata Group and

Indian dry bulk cargo, based on the available port facilities and cargo requirements across geographies.

Despite the difficult market conditions, the Company registered a growth of 42% in the cargo carriage (11.2 million tonnes in Financial Year 2011-12 as compared to 7.9 million tonnes in Financial Year 2010-11). However, the revenue increased by only 6% owing to the fact that spot shipping freight rates dropped by 50%. This substantial decline in spot freight rates resulted in a loss of ₹ 114 crores in Financial Year 2011-12 as compared to a profit of ₹ 3 crores in Financial Year 2010-11.

The Company has taken steps to restructure its long-term fleet and to create more long-term business opportunities to minimise the impact of market volatilities.

TRL Krosaki Refractories Limited:

(Formerly : Tata Refractories Limited)

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**1,000**	926
Profit before tax (PBT)	**18**	67
Profit after tax (PAT)	**10**	44

During first quarter of Financial Year 2011-12, Tata Steel Limited sold its 51% equity stake out of total 77.46% equity stake in Tata Refractories Ltd. (TRL) to Krosaki Harima Corporation, Japan. Consequently, Tata Steel and its subsidiary's holding in TRL (now known as TRL Krosaki Refractories Limited) has reduced to 26.62%. Accordingly, it has ceased to be a subsidiary and became an associate.

TRL Krosaki has maintained its leadership position in refractories market in India, producing and supplying the full range of refractories products required for Iron and Steel and other core industries.

The Company's performance was impacted by the economic downturn which severely subdued the demand for industrial goods. Gross production at 222k tonnes was lower by 5% as compared to 235k tonnes during Financial Year 2010-11. Similarly, sales volume was also lower by 6% at 299k tonnes as compared to 318k tones during Financial Year 2010-11. Despite lower sales volume, the Company was able to achieve higher revenue primarily due to better product mix leading to a higher average realisation. Higher input costs of raw materials, fuel and power along with increase in finance cost during Financial Year 2011-12 resulted in 47% lower profit before tax (PBT) as compared to Financial Year 2010-11.

Tata Sponge Iron Limited:

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**636**	683
Profit before tax (PBT)	**112**	150
Profit after tax (PAT)	**76**	101

Tata Sponge Iron Limited, a manufacturer of sponge iron and producer of power is located at Joda, Odisha. During the financial year 2011-12, the production volumes were lower by 29% as compared to previous year. Lower production is mainly on account of disruption in supply of iron ore.

In Power business, the Company achieved a generation of 134.40 million kwh of power in Financial Year 2011-12 as compared to 191.39 million kwh in Financial Year 2010-11. The sale of surplus power during the Financial Year 2011-12 was 88.31 million kwh against with 133.77 million kwh sold in the previous year. The shortfall in generation and sale of power is also due to stoppage of sponge iron kilns due to shortage of iron ore.

During Financial Year 2011-12, the lower sponge iron turnover is partly offset by higher realisation. However, the shortages of raw materials resulting in lower production and increase in the cost of raw materials have adversely impacted the profitability for the year.

Tata Steel KZN Pte Limited :

Figures in ₹ Crores

	FY 12	FY 11
Turnover	**463**	597
Profit before tax (PBT)	**(169)**	(55)
Profit after tax (PAT)	**(169)**	(55)

Tata Steel KZN, located at Richards Bay on the KwaZulu-Natal coast of South Africa, is in the business of making high-carbon ferrochrome. During Financial Year 2011-12, saleable production volume of 94k tonnes decreased by 12% as compared to 107k tonnes registered during Financial Year 2010-11. This was a result of the furnaces being shut for 3.5 months during winter. The sales were lower by 20% from 116k tonnes in Financial Year 2010-11 to 93k tonnes in Financial Year 2011-12. Increased losses in Financial Year 2011-12 were mainly contributed by a steep increase in electricity costs, weakening of the Rand against USD, lower realisation per tonne of ferrochrome and lower production volumes.

The operational highlights of the Company during the year were the following:

- Improved average daily hot metal production during H2 Financial Year 2011-12.
- Improved furnace availability.
- Reduction in average monthly auxiliary power consumption.
- Lowest fines generation in Financial Year 2011-12.
- Successful commissioning of modified Briquette plant in February 2012.

OUTLOOK:

The global economy is on a recovery path due to concerted policy actions around the world although it is still looking fragile in some regions. Primary uncertainty remains with the Eurozone, where high debt levels and austerity measures may drag the economic improvement for a prolonged period. US has shown sustained improvement and looks set for a slow but steady growth in the coming period. Chinese GDP growth and targets remains strong albeit softening to some extent in the recent quarters. Growth in the Indian economy is expected to remain strong, although the momentum in industrial activity is losing steam. Overall, the world GDP is expected to grow by 3.3% in 2012 with emerging and developing economies leading the growth (+5.4% in 2012) and developed economies growing by 1.2%.

Steel prices have recovered from the lows reached in December last year with increased buying activity seen across regions. However, the momentum seems to have lost steam and with the economic conditions in many parts of the world not looking strong, steel capacity utilisation remains below 80%. Seaborne iron ore and coking coal prices have shown resilience at lower levels and are expected to remain relatively stable in the coming months. In view of this, the extreme mismatch of steel price and raw material costs seen in the previous year is not expected to recur in the current year, although the margins for steelmakers worldwide continue to remain under pressure.

Worldsteel forecasts that apparent steel consumption worldwide will grow by 3.6% to 1,422 mt in 2012 and should grow by 4.5% in 2013. Steel demand in the EU in 2012 is expected to contract by 1.2% in 2012, while growing by 3.3% in the following year. This represents below 80% of the pre-crisis demand levels. Chinese steel demand growth is expected to be moderate as the government pursues economic restructuring. As such, steel demand in China is projected to grow by 4% every year in the next two years. Indian steel demand growth is expected to remain subdued due to slowdown in investments and delayed start-up of industrial projects. However, the automotive segment, the focus area for the Company, is expected to grow by 11-13% in Financial Year 2012-13. As per worldsteel forecasts, steel demand in India should grow by 6.9% in 2012 and the growth should accelerate to 9.4% in 2013.

FINANCE:

The chances of a slow but continued global recovery in Financial Year 2011-12 were largely constrained by intensifying strains in the Eurozone and fragilities elsewhere, with heightened increase in financial volatility arising mainly from concerns about the depth of fiscal challenges in the Euro periphery area. Against a backdrop of unresolved structural fragilities, a barrage of shocks hit the international economy early last year, including the devastating Japanese earthquake and tsunami and unrest in some oil-producing countries, leading to supply-chain disruptions and increased commodity induced inflationary pressures across the globe. While major advanced economies like United States tried to sustain their recovery by addressing their medium-term fiscal imbalances and reforming their financial systems, a credit downgrade of US treasuries by major credit rating agencies rattled the investor's confidence in the financial markets. On the other hand, despite a series of discussions and ratification of bail-out programmes, the Eurozone economy was plagued by ever-rising sovereign yields, the effects of banks deleveraging on the real economy and internal political instability arising from the need of additional fiscal consolidation.

From fears of overheating in the first half, emerging and developing economies have also started to slow down in the second half of financial year possibly due to fragile external environment, greater-than-expected effect of macro-economic policy tightening or weaker underlying growth. In the past few months, growth in the advanced economies managed to surprise on the upside, as consumers in the United States unexpectedly lowered their saving rates with increasing confidence in the economic outlook and the business fixed investment staying strong. However, the main priority of the policy makers throughout the world, remains to restore confidence in the capital markets, put an end to the crisis in euro zone by supporting growth, while containing deleveraging, encouraging reforms and providing more liquidity and monetary accommodation.

In line with the deleveraging journey started in the previous financial year, the Company continued to rebalance its capital structure. The Company deleveraged by prepaying ₹ 3,960 crores of borrowings during the year. In May 2011, Tata Steel successfully launched the second tranche of its first ever offering of Corporate Hybrid Perpetual Securities through an additional issuance of ₹ 775 crores. The unique features of these securities are that they are perpetual in nature, with no maturity or redemption, and are callable only at the option of the Company thereby incorporating equity characteristics. In order to maintain a liquidity buffer, the Company also tied up an unsecured long-term Rupee term loan facility of ₹ 2,000 crores to be drawn over the next 10 months and repaid over the next five years.

As a positive development, S&P's upgraded Tata Steel Ltd's Corporate Rating to BB from BB- with Stable outlook in August 2011 on the back of the company's sound financial profile and strong cash flows. The Company's rating had been raised because the agency expects it to sustain the significant improvement in its cash flow protection measures in the fiscal ending 31st March, 2012. They also anticipate that the Company's cash flows will further improve in fiscal 2013 due to the commissioning of brown field expansion. The agency also revised the financial risk profile of Tata Steel to 'significant' from 'aggressive' due to its de-leveraging measures and higher cash flows.

The Company had made a preferential issue of Ordinary Shares and Warrants to Tata Sons Limited on 23rd July, 2010. As per the preferential issue, 12 million warrants were issued, where each Warrant entitled Tata Sons Limited to subscribe to one Ordinary Share of the Company at a price of ₹ 594 per share. Consequently, as per the SEBI (ICDR Regulations 2009), an amount equivalent to 25% of the price i.e. ₹ 148.50 per Warrant aggregating to ₹ 178.20 crores was received from Tata Sons Limited in July 2010. On 20th January, 2012, Tata Sons Limited exercised the option to convert all the Warrants into Ordinary Shares at ₹ 594 per share and paid the Company the balance amount of ₹ 534.60 crores.

As on 31st March, 2012, the cash and cash equivalent in Tata Steel Limited, India was ₹ 3,901 crores and ₹ 10,753 crores for the Group.

FINANCIAL PERFORMANCE:

Tata Steel Standalone:

Profit after tax at ₹ 6,696 crores during the financial year 2011-12 was almost flat as compared to the financial year 2010-11 (₹ 6,866 crores). The diluted earnings per share was at ₹ 66.62 for Financial Year 2011-12 (Financial Year 2010-11: ₹ 70.99) while the basic earnings per share for Financial Year 2011-12 was at ₹ 67.84 (Financial Year 2010-11: ₹ 75.63).

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

a) Net sales and other operating income

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Sale of products	**35,656**	30,747	4,909	16%
Sale of power and water	**980**	796	184	23%
Income from town, medical and other services	**51**	36	15	42%
Other operating income	**318**	323	(5)	(2%)
Sales and other operating income	**37,005**	31,902	5,103	16%
Less: Excise Duty	**3,072**	2,506	566	23%
Net sales and other operating income	**33,933**	**29,396**	**4,537**	**15%**

Steel sales volume during Financial Year 2011-12 at 6.63 million tonnes recorded an increase of 3% over Financial Year 2010-11 (6.42 million tonnes). Net sales increased by 15% due to better market conditions and enhanced product mix. Division wise net sales are shown below:

Figures in ₹ Crores

Net Sales	FY 12	FY 11	Change	Change %
Steel	**29,874**	25,568	4,306	17%
Tubes	**1,783**	1,616	167	10%
Ferro Alloys and Minerals	**2,100**	2,045	55	3%
Bearings	**176**	167	9	5%
Total	**33,933**	**29,396**	**4,537**	**15%**

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

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Purchase of finished, semi-finished steel and other products	**210**	180	30	17%

The purchase of finished and semi-finished products were higher than previous year due to higher purchases at Steel and Bearing divisions to support higher volumes as well as higher purchases at Growth Shop in relation to Kalinganagar project.

c) Raw materials consumed:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Raw materials consumed	**8,014**	6,244	1,770	28%

Raw Materials consumed increased primarily due to increase in production, increase in cost of imported coal, use of purchased coke and other raw materials during the year.

d) Payments to and provisions for employees:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Payments to and provisions for employees	**3,047**	2,837	210	7%

The payments to and provisions for employees were higher by 7% over the previous year primarily on account of normal wage increase and arrear wage provisions partially offset by decrease in the retiring benefits as per actuarial valuation.

e) Stores consumed:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Stores consumed	**1,693**	1,417	276	19%

Stores consumed (including industrial gases and spares) increased over Financial Year 2010-11 primarily on account of higher price and consumption of operational refractories, industrial gases, and other stores & spares to support higher production.

f) Repairs to machinery:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Repairs to machinery	**1,163**	1,064	99	9%

Repairs to machinery increased by 9% as compared to Financial Year 2010-11 mainly on account of increase in civil contract jobs, overhauling and other equipment maintenance activities at mines and collieries and various steel making facilities in the Steel Works partly offset by lower maintenance activities at Finishing Mills.

g) Conversion charges:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Conversion charges	**1,514**	1,193	321	27%

Conversion charges are higher by 27% over Financial Year 2010-11 primarily due to increases in conversion volumes and rates at both Long products and Flat products and Ferro Alloys & Minerals division. Higher volume for tin coating activities and Pig iron conversion resulted in further increase in the conversion charges.

h) Purchase of power:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Purchase of power	**1,804**	1,405	399	28%

The increase of 28% in Financial Year 2011-12 is mainly due to increase in cost for own use and higher purchases for outside sales.

i) Freight and handling charges:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Freight and handling charges	**1,704**	1,541	163	11%

Higher volumes of despatches along with increase in rates led to the 11% increase in Freight and handling charges.

j) Royalty:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Royalty	**912**	615	297	48%

Royalty charges in Financial Year 2011-12 were higher due to increase in royalty rates of iron ore as well as increase in rates and volume at Ferro Alloys and Minerals Division.

k) Rates and Taxes:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Rates & Taxes	**372**	291	81	28%

Rates and taxes during Financial Year 2011-12 increased primarily on account of substantial increase in tariff for water charges.

l) Other expenses:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Other expenses	**2,662**	1,499	1,163	78%

Increase in other expenses is primarily due to forex losses during the year. During Financial Year 2011-12, there was also increase in expenses in technical consultancy charges, product promotion and hiring and packing charges.

m) Finance costs and Net Finance cost:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Finance costs	**1,925**	1,736	189	11%

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Net Finance costs	**1,062**	1,350	(288)	(21%)

The decline in net finance cost is driven by higher interest income on short-term deposits with bank and profit on sale of current investments partly offset by higher interest on NCDs and term loans.

n) Fixed Assets:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Gross Block	**39,544**	28,458	11,086	39%
Less: Impairment	**133**	126	7	6%
Less: Depreciation	**11,986**	10,915	1,071	10%
Net Block	**27,425**	17,417	10,008	57%

The increase in fixed assets represent primarily the 2.9 mtpa expansion at Jamshedpur and Kalinganagar project at Odisha.

o) Investments:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Trade investments	**1,804**	1,889	(85)	(4%)
Investment in subsidiary companies	**47,275**	41,676	5,599	13%
Investment in mutual funds	**1,204**	3,000	(1,796)	(60%)
Total investments	**50,283**	46,565	3,718	8%

Total investments increased by 8% over March 2011. This increase was primarily due to further capitalisation of subsidiaries during Financial Year 2011-12. Decrease in trade investment is mainly due to The Tinplate Company of India Limited (TCIL), becoming a subsidiary during Financial Year 2011-12.

p) Stores and spares and Stock-in-trade:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Stores & Spares	**923**	716	207	29%
Stock-in-trade	**3,936**	3,238	698	22%
Total inventories	**4,859**	3,954	905	23%

Inventories have gone up by 23% as compared to Financial Year 2010-11 due to increase in volumes as well as increase in cost. Increase in stores & spares is due to planned maintenance activities during first quarter of Financial Year 2012-13.

q) Sundry Debtors:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Gross Debtors	**915**	439	476	108%
Less: provision for doubtful debts	**11**	15	(4)	(27%)
Net Debtors	**904**	424	480	113%

Increase in Debtors is mainly on account of discontinuation of Receivable Purchase (RP) program during Financial Year 2011-12.

r) Loans and Advances:

Figures in ₹ Crores

	FY 12	FY 11	Change	Change %
Loans and advances	**8,244**	16,912	(8,668)	(51%)

The decrease primarily represents repayment of loan by Tata Steel Holding (TSH) as well as reduction in advance against equity due to issuance of shares by TSH during the year.

s) Cash flow and Net debt:

Cash Flow:

Figures in ₹ Crores

	FY 12	FY 11	Change
Net Cash flow from operating activities	**10,256**	8,339	1,917
Net Cash flow from investing activities	**(2,859)**	(13,085)	10,226
Net Cash flow from financing activities	**(7,599)**	5,651	(13,250)
Net increase/(decrease) in cash & cash equivalents	**(202)**	905	(1,107)

Net cash flow from operating activities: The net cash generated from operating activities was ₹ 10,256 crores during the year ended 31st March, 2012 as compared to ₹ 8,339 crores during April to March 2011. The cash operating profit before working capital changes and direct taxes during Financial Year 2011-12 was ₹ 11,829 crores, as compared to ₹ 11,240 crores during Financial Year 2010-11, as a result of higher profits during the current year. Increase in inventories in the current year were more than compensated by increase in creditors and decrease in trade and other receivables resulting in the overall decrease in working capital. The payment of income taxes (including the dividend distribution tax) during Financial Year 2011-12 was ₹ 3,298 crores as compared to ₹ 2,870 crores during the same period last year.

Net cash from investing activities: The net cash outflow from investing activities amounted to ₹ 2,859 crores in Financial Year 2011-12 as compared to an outflow of ₹ 13,085 crores during Financial Year 2010-11. The outflow broadly represents an incremental investment in subsidiaries (₹ 2,542 crores) and capex (₹ 7,059 crores) offset by sale of current and other investments (₹ 2,802 crores), receipt of shareholders' loan repayment and inter corporate deposits (₹ 4,007 crores) and interest and dividend income received (₹ 565 crores).

Net cash from financing activities: The net cash outflow from financing activities was ₹ 7,599 crores during Financial Year 2011-12 as compared to an inflow of ₹ 5,651 crores during Financial Year 2010-11. The outflow was primarily due to repayment of borrowings net of fresh drawl (₹ 5,895 crores) and interest and dividend payments (₹ 2,744 crores) partly offset by proceeds from perpetual securities (₹ 775 crores) and issue of equity (₹ 535 crores).

Net debt:

	FY 12	FY 11	Change
Gross Debt	**26,172**	28,301	(2,129)
Less: Cash and Bank balances	**3,950**	4,142	(192)
Less: Current investments	**1,204**	3,000	(1,796)
Net Debt	**21,018**	**21,159**	**(141)**

Net debt as on 31st March, 2012 was ₹ 21,018 crores as compared to ₹ 21,159 crores as on 31st March, 2011. During the current fiscal year, the decrease in net debt is primarily due to net repayments including prepayments of certain facilities.

Tata Steel Group:

Tata Steel Group posted a consolidated profit after tax (after minority interest and share of profit of associates) of ₹ 5,390 crores against a profit of ₹ 8,983 crores in the previous year primarily due to market conditions in Europe.

Net sales and other operating income:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**33,933**	29,396	4,537
TS Europe	**82,153**	73,844	8,309
NatSteel Holding	**8,600**	7,413	1,187
TS Thailand	**4,110**	3,911	199
Others	**22,566**	16,252	6,314
Eliminations & Adjustments	**(18,462)**	(12,063)	(6,399)
Group Total	**1,32,900**	**1,18,753**	**14,147**

Tata Steel, India turnover increased by 15% due to better market conditions and enhanced product mix. Turnover of TSE increased by 3%, Nat Steel increased by 4% and there was a reduction in the turnover of TSTH by 2% (in their respective reporting currencies).

Purchase of finished, semi-finished and other products:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**210**	180	30
TS Europe	**10,274**	7,352	2,922
NatSteel Holding	**6,595**	5,613	982
TS Thailand	**2,826**	2,141	685
Others	**5,367**	3,928	1,439
Eliminations & Adjustments	**(4,199)**	(3,324)	(875)
Group Total	**21,073**	**15,890**	**5,183**

Increase in TSE was due to higher purchase prices and also increased purchase of external steel during the year due to production issues. The increase in NSH and TSTH mainly reflects increase in scrap prices. 'Others' include the effect of TCIL becoming a subsidiary during the year and increase in volume of operations in TSPDL.

Raw materials consumed:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**8,014**	6,244	1,770
TS Europe	**35,853**	30,328	5,525
NatSteel Holding	**116**	105	11
TS Thailand	**514**	783	(269)
Others	**12,502**	8,430	4,072
Eliminations & Adjustments	**(11,541)**	(7,141)	(4,400)
Group Total	**45,458**	**38,749**	**6,709**

The increase in Group's Raw materials consumed broadly reflects the increase in raw material prices impacting Indian and European operations. Reduction in Thailand is due to temporary closure of Mini Blast Furnace (MBF).

Payments to and Provisions for Employees:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**3,047**	2,837	210
TS Europe	**12,885**	11,955	930
NatSteel Holding	**563**	471	92
TS Thailand	**114**	104	10
Others	**620**	517	103
Eliminations & Adjustments	**–**	(44)	44
Group Total	**17,229**	**15,840**	**1,389**

Employees' cost in Tata Steel, India increased on account of normal wage increase and arrear wage provisions partly offset by lower provisions for retiral benefits as per actuarial valuations. In TSE there was a marginal reduction due to restructuring initiatives, the same was more than offset by the adverse exchange rate impact (GBP to INR).

Purchase of Power:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**1,804**	1,405	399
TS Europe	**2,046**	1,759	287
NatSteel Holding	**392**	312	80
TS Thailand	**341**	325	16
Others	**414**	318	96
Eliminations & Adjustments	**(82)**	(104)	22
Group Total	**4,915**	**4,015**	**900**

Increase in cost for own use and higher purchases for outside sales resulted in the increase in Tata Steel, India. Increase in TSE was on account of higher energy prices.

Freight and handling charges:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**1,704**	1,541	163
TS Europe	**3,823**	3,688	135
NatSteel Holding	**181**	156	25
TS Thailand	**31**	31	–
Others	**1,014**	1,044	(30)
Eliminations & Adjustments	**(93)**	(70)	(23)
Group Total	**6,660**	**6,390**	**270**

Freight and Handling charges for the Group were higher by 4% in Financial Year 2011-12 over Financial Year 2010-11 mainly on account of increased despatches and rates in Tata Steel, India. In TSE the increase is on account of the exchange rate impact (GBP to INR).

Other Expenditure:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**7,839**	5,880	1,959
TS Europe	**16,568**	15,210	1,358
NatSteel Holding	**620**	544	76
TS Thailand	**502**	499	3
Others	**1,875**	1,395	480
Eliminations & Adjustments	**(1,470)**	(1,049)	(421)
Group Total	**25,934**	**22,479**	**3,455**

Other Expenditure represents the following expenses:

Figures in ₹ Crores

	FY 12	FY 11	Change
Stores & spares consumed	**8,024**	6,541	1,483
Fuel Oil consumed	**1,020**	874	146
Repairs to building	**486**	415	71
Repairs to machinary	**5,244**	4,858	386
Relining expenses	**116**	87	29
Conversion charges	**1,168**	1,124	44
Rent	**3,377**	2,833	544
Royalty	**928**	622	306
Rates & Taxes	**830**	727	103
Insurance charges	**249**	310	(61)
Commission, Rebates & Discounts	**257**	229	28
Provision for wealth tax	**2**	1	1
Adjustments relating to previous years (net)	**(19)**	(19)	–
Other expenses	**4,933**	4,280	653
Provision for Doubtful Debts and Advances	**82**	191	(109)
Excise Duty	**95**	94	1
Less: Exp (other than interest) trfd to capital and other accounts	**858**	688	170
Other Expenditure	**25,934**	**22,479**	**3,455**

Increase in other expenditure in Tata Steel, India was mainly due to Forex losses, increase in Royalty rates and higher conversion charges. There was a decrease in TSE on account of credit in relation to the TCP consortium arbitration settlement and insurance claim offset by exchange rate impact (GBP to INR).

Finance costs and Net Finance cost:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**1,925**	1,736	189
TS Europe	**3,253**	2,501	752
NatSteel Holding	**53**	37	16
TS Thailand	**52**	45	7
Others	**1,039**	504	535
Eliminations & Adjustments	**(2,072)**	(867)	(1,205)
Group Total	**4,250**	**3,956**	**294**

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**1,062**	1,350	(288)
TS Europe	**3,201**	2,424	777
NatSteel Holding	**46**	34	12
TS Thailand	**50**	43	7
Others	**199**	(25)	224
Eliminations & Adjustments	**(1,206)**	(307)	(899)
Group Total	**3,352**	**3,519**	**(167)**

Reduction in Tata Steel India's Net finance costs were primarily due to higher interest income on short-term deposits with banks and profit on sale of current investments partly offset by higher interest on NCDs and term loans. The increase in TSE represents higher interest on New Senior Facility Agreement (NFSA) and finance charges on securitisation arrangements. Finance charges related to inter-company securitisation arrangements gets eliminated within the group on consolidation.

Stores and Spares Stock:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**923**	716	207
TS Europe	**803**	715	88
NatSteel Holding	**84**	71	13
TS Thailand	**301**	237	64
Others	**155**	105	50
Eliminations & Adjustments	**–**	(2)	2
Group Total	**2,266**	**1,842**	**424**

Increase in stores & spares at Tata Steel, India is due to planned maintenance activities during first quarter of Financial Year 2012-13. In TSE, the increase is on account of exchange rate impact (GBP to INR).

Stock-in-trade:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Finished Goods	**8,657**	8,118	539
WIP	**5,679**	4,065	1,614
Raw Materials	**8,996**	10,031	(1,035)
Total Inventory	**23,332**	**22,214**	**1,118**

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**3,936**	3,238	698
TS Europe	**17,060**	16,696	364
NatSteel Holding	**915**	748	167
TS Thailand	**844**	782	62
Others	**932**	783	149
Eliminations & Adjustments	**(355)**	(33)	(322)
Group Total	**23,332**	**22,214**	**1,118**

The overall finished and semi-finished inventory increased over March 2011 on account of increase in volumes as well as increase in cost. The raw material inventory decreased mainly in TSE due to lower volumes and increase in NRV provisions.

Sundry Debtors:

Figures in ₹ Crores

	FY 12	FY 11	Inc./(Dec.)
Tata Steel	**904**	424	480
TS Europe	**7,449**	10,643	(3,194)
NatSteel Holding	**696**	484	212
TS Thailand	**133**	187	(54)
Others	**13,607**	8,020	5,587
Eliminations & Adjustments	**(7,911)**	(4,946)	(2,965)
Group Total	**14,878**	**14,812**	**66**

Debtors in India were higher than previous year primarily on account of discontinuation of the receivable purchase schemes. Increase in NSH is on account of higher sales with longer credit periods. Included in 'Others' are Proco debtors, receivable from TSE on account of securitisation of TSE debtors getting eliminated at group consolidation level.

Cash Flow and Net debt:

Cash Flow:

Net cash flow from operating activities: The Group generated ₹ 11,284 crores from operations during Financial Year 2011-12 as compared to ₹ 5,512 crores in Financial Year 2010-11. While the consolidated profit in the Financial Year 2011-12 at ₹ 5,390 crores was lower than Financial Year 2010-11, cash from operations was higher than the last year due to decrease in working capital in Financial Year 2011-12, whereas during the last year there was an increase of working capital.

Net cash from investing activities: A sum of ₹ 3,666 crores was applied in the current year towards investing activities including capex of ₹ 12,136 crores partly offset by sale of investments including sale proceeds of equity stake in RML and sale of current investments as compared to previous year application of ₹ 7,584 crores.

Net cash from financing activities: Cash from financing activities (equity raised/loans availed net of repayments and interest payments) in the current year is an outflow of ₹ 8,304 crores as compared to an inflow of ₹ 5,973 crores during last year.

Net decrease in cash and cash equivalents was ₹ 687 crores, excluding ₹ 634 crores effect of exchange rate on translation of foreign currency cash & bank balances, in the year 2011-12 resulting in a cash and cash equivalent balance of ₹ 10,753 crores as on 31st March, 2012 for the Group.

Net Debt:

Figures in ₹ Crores

	FY 12	FY 11	Change
Gross Debt	**59,897**	60,679	(782)
Less: Cash and Bank balance	**10,841**	10,893	(52)
Less: Current investments	**1,398**	3,159	(1,761)
Net Debt	**47,658**	**46,627**	**1,031**

Net Debt at ₹ 47,658 crores at end March 2012 was higher than March 2011 by ₹ 1,031 crores. Both in Tata Steel, India and TSE net debt was lower compared to last year offset by adverse exchange rate impact (GBP to INR).

RISKS, OPPORTUNITIES AND THREATS:

The Tata Steel Group aims to address the opportunities offered 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 its risks, opportunities and threats is discussed in the sections below.

Growth Strategy:

Since Financial Year 2005, the Group has added capacity of 25 million tonnes across South East Asia, the United Kingdom and Europe through acquisitions. The crude steel capacity at its existing steel plant in Jamshedpur will increase by almost 3 million tonnes to 9.7 million tonnes (crude steel production in Financial Year 2011-12: 7.13 million tonnes). There are substantial market opportunities, in India particularly, that warrant further expansion of steel capacity.

The greenfield project in Odisha, India, is progressing and capacity is planned to increase by 6 million tonnes in two phases of 3 million tonnes each. The Dhamra Port commenced commercial operations in May 2011 and Tata Steel is seeing an integrated logistics cost benefit on the cargo moved through Dhamra Port, which is expected to further increase once the Odisha project is commissioned.

Tata Steel's installed capacity in Europe is sufficient to address regional demand. Growth in this region is planned to take place via technical innovation and diversified product offerings to identified market sectors. Initiatives supporting this include a strategic review of the asset portfolio, business specific improvement plans and securing access to cost effective raw materials.

Industry Cyclicality:

The steel industry is subject to cyclical swings arising from factors such as excess capacity, regional demand and supply imbalances and volatile swings in market demand and prices, more recently exacerbated by swings in input prices as well as the debt crisis in Euro zone.

After showing a positive growth trend in Financial Year 2010-11, global demand for steel started tempering again in line with slowing economic growth in both developed as well as emerging markets. The Indian operations benefitted from strong domestic demand and achieved record crude steel output at 7.13 million tonnes. The South East Asian plants also benefitted from good demand and operated close to full capacity.

Steel demand has not recovered to pre-crisis levels in the developed countries. Tata Steel Europe continued to calibrate its production at levels consistent with market demand in the UK and Europe, besides continuing efforts to prioritise capex and manage working capital.

Raw Materials Security and Price Volatility:

During the financial year 2011-12, volatile raw material prices have only reinforced the validity of the strategic objective to achieve greater raw material security to insulate the Group from swings in prices and the resultant impact on profitability. Further steps have been taken to achieve this.

Development of the Benga project in Mozambique, a 35-65% joint venture with Riversdale continues and its first shipment is expected in Financial Year 2012-13. The Direct Shipping Ore project in Labrador, Canada, through the joint venture with NML is also expected to begin production in Financial Year 2012-13. In addition, a feasibility study will be undertaken with regard to the adjacent LabMag and Kémag projects; together, these contain an estimated 5.6 billion tonnes of proven and probable iron ore reserves.

The Group's raw materials depend, to a large extent, on worldwide supply and demand relationships, notably iron ore, metallurgical coal and scrap. A majority of suppliers of iron ore and coal to the seaborne markets have now shifted from annual to quarterly pricing, and some of these are now seeking to shorten pricing periods to monthly or spot terms. The Group is working with suppliers to achieve competitive prices and has agreed to a range of pricing bases, whilst adjusting its commercial policy to maximise opportunities presented by moves to shorter term pricing.

Health, Safety and Environmental Risks:

The manufacture of steel involves steps that are potentially hazardous if not executed with due care. The Group's businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety and the environment in the countries in which it operates and these rules are becoming more stringent. In Europe, new CO_2 emission caps and trade regulations may leave the EU steel industry with a greater competitive disadvantage than the current trading scheme. However no final decisions have been taken on the proposals as yet.

Regarding Health and Safety, the Group's philosophy is that all injuries can be prevented. The Group's Lost Time Injury Frequency Rate in 2011-12 reduced by 14% over that of last year. Due to the nature of their operations, extra efforts are being taken to ensure workplace safety in the mines and collieries in India.

To meet environmental standards, dust and other emission levels are monitored to ensure they stay within permissible limits. Besides ongoing operational initiatives in Europe for reducing CO_2 emissions, in India, the capacity increase coincide with a planned improvement in CO_2 emissions per tonne by replacing multiple blast furnaces with a smaller number of high-capacity furnaces and several other measures to enhance energy efficiency.

Technology Risks:

A key challenge of the Group is to ensure that its plants are equipped with updated technologies in order to serve clients, secure cost competitiveness and maintain R&D leadership.

To that effect, the Group's R&D efforts have continued to be geared at improving existing processes to advance the Group's cost competitive position.

R&D efforts are also being made to advance the Group's proprietary knowledge in order to produce new generations of steel products.

Furthermore, the Group has engaged in a 600k tonnes Continuous Annealing Processing Line Joint Venture with Nippon Steel Corporation (NSC). This JV will benefit from NSC's world-class technology for production of high-grade cold-rolled steel sheet and the Company's leadership position in the Indian automotive industry to serve its customers with innovative products and services.

Financing:

Tata Steel Group's expansion is dependent on sufficient cash generation and attracting fresh equity and loans to that effect.

The debt for the Corus acquisition in 2007 that resides in Tata Steel Europe's balance sheet is a specific risk to the Group in the light of a set of covenants to be met. In September 2010, £3,670 mn of senior secured facilities arranged for this purpose were refinanced with new senior secured facilities comprising £3,400 mn of term loans and a £690 mn revolving credit facility, to provide future working capital for Tata Steel Europe. These facilities have final maturities of between five and seven years, and minimise repayment obligations over the next five years.

Pensions:

Tata Steel Europe has significant pension obligations arising from the provision of retirement benefits including defined benefit plans to virtually all its employees. The market value of its net pension assets substantially exceed the net assets of Tata Steel Europe and thus any adverse change can have a material impact on its financial statements as well as on the level of company pension contributions.

TSE has put in place a framework to manage pension risks and works with schemes' trustees to ensure that obligations remain affordable and sustainable. As part of this framework proposals have been announced to close the UK defined benefit scheme to new recruits, and to cap the contribution rate for future service for existing members at an affordable and sustainable level. A range of measures has already been adopted by the principal schemes in TSE to manage liabilities and to protect against investment market risk exposure, whilst maintaining asset performance. Further actions will be considered as and when appropriate.

Forex, Credit, Liquidity and Counterparty Risk:

Through its global operations, the Group operates in several currency areas. The major currencies used in its sales and procurement activities are the US Dollar, Euro, Sterling and the Indian Rupee. 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.

Related to its pro-active funding strategies (see 'Financing'), cash and bank balances of the Group stood at ₹ 10,753 crores as at 31st March, 2012.

The Group imposes strict approval procedures and limits to contain counterparty risks and does not enter into leveraged derivative instruments.

Regulatory and Compliance Risks:

The Group operates in multiple geographies and thus has compliance obligations with diverse and complex laws and regulations. In countries where the political systems are still evolving, frequent changes to investment and economic policies are common and any unforeseen changes can expose the Group's businesses.

To limit such exposures, the Group operates primarily in countries where investment flows are free and where well-established political, business and legal frameworks are in place. For new investments into emerging economies, country risk assessments are conducted as part of the investment evaluation. Protecting the reputation of Tata Steel and the wider Tata Group is an integral part of this.

INTERNAL CONTROL SYSTEMS:

In Tata Steel India, the Corporate Audit Division continuously monitors the effectiveness of the internal controls with an objective to provide 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 focused on the following objectives:

- All operational and related activities are performed efficiently and effectively.
- Significant financial, managerial and operating information that is relevant, accurate and reliable is provided on time.
- Review the process of identification and management of business risks.
- Resources are acquired economically, used efficiently and safeguarded adequately.
- Employees' actions are in accordance with the Company's policies and procedures, Tata Code of Conduct and applicable laws and regulations.
- Significant legislative and regulatory provisions impacting the organisation are recognised and addressed appropriately.
- 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.
- 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 the compliance to the plan.

During the year, the Audit Committee met regularly to review the 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 Audit Committee's observations and suggestions were acted upon by the Management.

In Tata Steel Europe, 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 reports to the Director (Finance) on a day-to-day basis and has direct access to the Chairman of the Audit committee, who meets with the Director (Audit) several times each year. 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 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 that occurred 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.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS:

Tata Steel Group recognises people as the primary source of its competitiveness, and continues to focus on people development by leveraging technology and developing a continuously learning human resource base to unleash their potential and fulfill their aspirations.

The Company's vision is to be the global steel industry benchmark for value creation and corporate citizenship and become an employer of choice. This has to be done by making a difference through its people, by fostering team work, nurturing talent, enhancing leadership capability and acting with pace, pride and passion. The year under review saw the HR activities directed towards this end through initiatives in areas of training, talent management, compensation, leadership development and knowledge sharing.

Major highlights of new initiatives in these areas in Tata Steel India during the financial year under review were:

Training

With a view to enhancing the technical capability of the people, a 3-year certificate programme at NIT was started this year for two more disciplines i.e. Electrical and Metallurgy, apart from the Mechanical discipline which was introduced last year. Within the Company, for the first time ever, a course on Combustion in Reheating Furnaces was designed, developed and delivered jointly by SNTI and R&D.

The identification of training needs has been and continues to remain a focus area as this is the basis on which subsequent training is designed. This year, the Company launched the 'Enterprise Capability Building System' (ECBS) for the Shared Services Division. This online system presents random questions on selected topics from the question bank created to suit the participants work profile and generates the participants score on the 4Q model automatically at the end of the exercise. This is a tool for identifying training needs.

Compensation & HR Services

The Company firmly believes that in the quest for maintaining a high performance culture, a calibration of performance and merit is important. This needs to be supported by a compensation structure which is comparable to the market so as to attract and retain the best talent especially against growing competition. Accordingly, the Company did a salary correction for all the officers in the year under review. While the results of such initiatives are visible over a period of time, as an immediate indicator, the measure resulted in the enhancement of retention rate by 1%.

With the setting up of new operations overseas, required support was provided for international mobility of people through country-specific packages and benefits. Concurrently, the development of a repatriation process facilitated transition of officers from TSE to TSI.

In order to provide better services to our officers and address the concerns and queries raised by them in the area of HR Processes, Compensation and other HR areas, an HR Service Desk was launched during the year.

Talent Management

In view of the Company's growth plans and current requirements, the primary emphasis is on the quality of talent and this could only be achieved by institutionalisation of a robust talent acquisition process. The Selection Process across the technical and business schools from which the Company recruits, was strengthened with inclusion of a Written test, Psychometric test, and a vigorous interview process. New campus schemes were introduced for MT-Geologists, Fire and Safety Professionals and MT-Administration. Further, the Company also introduced a due diligence process for senior-level recruitment. These measures are helping in meeting the talent requirements of greenfield and brownfield projects as per the needs of the business.

Leadership Development

The Global Leadership Development Program (GLDP) was designed for the Senior Leaders of the Tata Steel Group to come together as one Company and assist in conveying what it means to be part of Tata and the Tata Steel Group (TSG) as a global company. The aim is to build a shared understanding of the TSG Plan and work together as one team to live the Tata Values, inspire one another and bring out the best in all the Company's people, customers, suppliers and the communities that the Company serves.

Knowledge Sharing

It is believed that learning in totality is imperative to ignite the passion and inert potential of human beings. Towards this end, 'The Round Table' was launched as a platform for individuals to get together, share their ideas with each other and join in thoughtful conversation with knowledgeable persons in the pursuit of holistic learning. Four sessions were held during the year on different themes. The 'Window on the World' programmes continued during the year. A wide array of speakers participated on topics ranging from science and technology to spiritualism.

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

- In a survey done by Fortune India in collaboration with the Hay Group, the company received the highest score in Talent Management among India's 50 most admired companies.
- Tata Steel was ranked as a Best Employer in the Aon Hewitt Best Employer Study 2011.
- Tata Steel was adjudged the 'Best Company' at the CII National Work Skill Competition.
- SNTI was declared the 'Best Establishment' in the Eastern Region at the 86th Regional Competition of Apprentices. The competition is conducted by Directorate General of Employment and Training, Ministry of Labour and Employment, Government of India.

The European operations have not experienced any significant industrial relations problems during the year. The number of employees in TSE at the end of March 2012 was 33,300 as compared to 34,200 on 31st March, 2011. The reduction mainly resulted from restructuring measures due to the continued economic downturn.

There are well established and effective arrangements at each business location for communication and consultation with work councils and trade union representatives, to systematically provide employees with information on matters of concern to them. Well-developed policies and procedures have operated in all parts of the group for a considerable time for the purpose of consulting and negotiating with trade unions, the European works council and employee representatives on a regular basis, so that views of employees can be taken into account in making decisions that are likely to affect their interests.

UK Steel Enterprise Limited ('UKSE'), the Company's subsidiary that helps the economic regeneration of communities affected by changes in the steel industry, delivered a package of support measures to a variety of businesses across all steel areas of the UK to help them create new job opportunities for steel communities.

TSE has two major pension schemes – the British Steel Pension Scheme (BSPS) in the UK and the Stichting Pensioenfonds Hoogovens (SPH) in the Netherlands where the members, along with the Company, contribute to meet the cost of future service benefits subject to review at the future actuarial valuations.

STATUTORY COMPLIANCE:

The Managing Director makes a declaration at each Board Meeting regarding the 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 Chief Financial Officer as the Compliance Officer ensures compliance with the guidelines on the insider trading for prevention of insider trading.

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.