

CHAIRMAN'S MESSAGE



Dear Shareholders,

It is my privilege to write to you as the Chairman of Tata Steel and I feel honoured to accept the responsibility to Chair the Board. I am happy to present to you the second Integrated Report of Tata Steel for the Financial Year 2016-17.

While the global economy is improving, with global GDP growth projected to pick up from 2.9% in 2017 to around 3.1% in 2018-2020, it remains susceptible to geo-political and other macroeconomic risks.

Meanwhile, India is expected to become the world's fifth largest economy in 2017, surpassing UK and France and the world's third largest economy by 2023, surpassing Japan and Germany. India's GDP is projected to rise from USD 2.2 trillion in 2016 to USD 3.6 trillion by 2020. This augurs well for businesses that are focused on domestic growth in the future.

The global steel industry continues to witness challenging times though the performance of the industry has been better in the Financial Year 2016-17 with improved realisations and a more disciplined supply side response. According to the World Steel Association, global steel output will be tapering in the next year and the slowdown is expected to continue through 2035 as

countries around the world start to rein in output while demand retreats.

Given the current stage of development of the Indian economy and the likely growth path for the country's economy in the next decade, the steel demand in India will witness significant growth in future. While the Steel sector in India is financially stressed currently, the Government of India has outlined its intent for ensuring long-term viability of the sector through the recently announced National Steel Policy 2017.

The consolidated Profit after Tax before exceptional items for Tata Steel was ₹4,020 crore in 2016-17 compared to a loss of ₹1,948 crore in the previous year on the back of improved realisations across geographies, ramping up of capacity in Kalinganagar and restructuring initiatives in Europe.

Going forward, Tata Steel's strategic priorities will be to focus on the Indian market, achieving operational excellence and deliver value-added and differentiated products to its customers. Additionally, Tata Steel Europe is currently pursuing the pension restructuring programme in the UK and is hopeful of concluding it soon.

It will be the endeavour of the Company to continue to improve the performance on year-on-year basis and provide better returns to the shareholders and create a strong Balance Sheet that can fund aspirational growth for the Company.

One of the core elements of Tata Steel Group's operating strategy has been its focus on sustainability and the environment. The Company is committed to minimise its impact on climate change and is continuously working on the strategy to reduce the carbon footprint of the business.

Tata Steel Group has continued its tradition of caring for the communities and stakeholders through its Corporate Social Responsibility programme. There were a number of initiatives undertaken during the year including Samvaad, the national tribal conclave in Jamshedpur and the thousand schools project in Odisha. Tata Steel remains committed to improving the quality of the lives of the communities where it operates.

Finally, I would like to thank you for the unstinted support and unwavering confidence in the Company. I would also like to thank the government, customers, suppliers, lenders for their continued support to the Company and also to the employees, unions and the management team for their deep level of commitment to the Company. I look forward to your continued and valuable support in taking the Company to greater and newer heights in the future.

Yours sincerely,

Natarajan Chandrasekaran

Chairman of the Board
Mumbai, May 16, 2017