TATA STEEL

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For immediate use **PRESS RELEASE**

Mumbai, November 6, 2019

Tata Steel reports consolidated financial results for the quarter and half year ended September 30, 2019

Key Highlights:

- Health and Safety: Red risk incidents* for Tata Steel Group reduced by 55% over 1HFY19
- Consolidated steel production stood at 6.95 mn tons; deliveries grew by 3%QoQ to 6.53 mn tons
- India[1] steel production stood at 4.50 mn tons; Indian[1] deliveries increased 4%QoQ to 4.13 mn tons operations and contributed ~63% of consolidated deliveries
- Consolidated revenues were Rs.34,579 crores while India revenues stood at Rs.20,204 crores
- Consolidated adjusted EBITDA was Rs.4,018 crores and India adjusted EBITDA was Rs.3,817 crores
- Consolidated reported PAT was Rs.3,302 crores; India reported PAT was Rs.3,400 Crores. During the quarter, the Company had a favorable tax impact of Rs.4,233 crores, of which Rs.2,425 crores was on adoption of the new corporate tax rate by Tata Steel Standalone and some subsidiaries in India and Rs.1,808 Crores was on account of recognition/reversal of deferred tax assets and liabilities in offshore subsidiaries.
- The liquidity position of the group remains robust at Rs.11,858 crores comprising of Rs.4,596 crores cash and cash equivalents, and Rs.7,262 crores undrawn bank lines
- Gross debt during the quarter was Rs.1,11,549 crores. Net debt stood at Rs.1,06,952 crores

Tata Steel India and Consolidated Highlights

Key profit & Loss account items	**India**			**Consolidated[1]**		
(All figures are in Rs. Crores unless stated otherwise)	**2QFY20**	**1QFY20**	**2QFY19**	**2QFY20**	**1QFY20**	**2QFY19**
Production (mn ton)[2]	**4.50**	**4.50**	**4.30**	**6.95**	**7.15**	**6.73**
Deliveries (mn ton)	**4.13**	**3.96**	**4.32**	**6.53**	**6.34**	**6.80**
Turnover	**20,204**	**21,129**	**23,980**	**34,579**	**35,947**	**40,897**
Adjusted EBITDA[3]	**3,817**	**5,117**	**7,065**	**4,018**	**5,530**	**8,641**
Adjusted EBITDA (Rs. Per ton)	9,238	12,908	16,368	**6,156**	8,725	**12,713**
PBT before exceptional items	1,462	2,418	5,053	27	1,803	5,247
Exceptional Items	(11)	10	67	(34)	16	164
PAT from Continuing Operations	3,400	1,579	3,358	4,043	695	3,094
PAT from Discontinued Operations	-	-	-	(741)	19	22
Reported PAT (A)	**3,400**	**1,579**	**3,358**	**3,302**	**714**	**3,116**
Other Comprehensive Income (B)				**1,181**	(326)	(1,811)
Total Comprehensive Income (A+B)				**4,483**	388	1,305
Diluted EPS after exceptional items (in Rs., not annualized)				**29.25**	**5.88**	**31.06**

__1.__ Consolidated figures don't include NatSteel Holding and Tata Steel Thailand as it is classified as 'Asset held for sale'; __2.__ Production numbers for consolidated financials are calculated using Crude steel for India and liquid steel for Europe __3.__ EBITDA adjusted for fair value changes on account of exchange rate movement on investments in Tata Steel Holdings and revaluation gain/loss on external/ internal company debts/ receivables at Tata Steel Global Holdings

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**Incidents are classified into red, yellow & blue based on the consequence of event and likelihood of its occurrence. Red risk is with very high consequence and likelihood of occurrence*

1. India includes Tata Steel Standalone Limited, Tata Steel BSL Limited (TSBSL) and Tata Steel Long Products Limited (TSLP) on proforma basis without inter-company eliminations; Tata Steel BSL financials are consolidated from 18th May, 2018.

Business Environment

During the quarter, economic growth across geographies slowed down as trade frictions outweighed accommodative monetary policies across key markets. Over the last year, steel prices declined by more than US$100/ton in key geographies amidst weak demand. Softening coking coal and iron ore prices helped regional spot steel spreads improve from the lows of 1QFY20, however, a meaningful benefit should flow through in the next few quarters.

In India, economic activities remained soft, largely due to persistent liquidity issues, weakness in investment and consumption sentiment, and seasonal impact with heavy and prolonged monsoons. During the quarter, Indian steel players grappled with declining margins as domestic steel prices corrected sharply amidst continued demand weakness and high inventories.

In Europe, rising trade protectionism and overhang of Brexit continued to weigh on business confidence. Steel demand remained under pressure with continued weakness in key steel consuming sectors during the quarter; margins declined with drop in steel prices as complete benefit of recent raw material price correction is yet to flow through.

Despite this challenging business environment, the company has delivered a 3%QoQ growth in sales volumes; primarily driven by 4%QoQ growth at its India operations.

Key Operating and Financial Highlights of full year and the quarter:

Indian operations:

- India steel production remained flat on QoQ basis at 4.50 mn tons in 2QFY20
- India steel deliveries grew 4%QoQ to 4.13 mn tons in 2QFY20. Despite the slowdown, the Company was able to successfully maintain its sales volumes in Branded Products & Retail segment and Industrial Product & Projects segment. The sharp slowdown in the automotive sector, particularly in the commercial vehicle segment, was offset by higher exports.
- India revenues from operations for the quarter stood at Rs.20,204 crores; India adjusted EBITDA for the quarter was Rs.3,817 crores. Adjusted EBITDA margin stood at 18.9% and adjusted EBITDA/t was Rs.9,238.
- Tata Steel Standalone developed six new products during the quarter; of which two were successfully commercialized.
- Solid waste utilization, at Tata Steel Kalinganagar, improved to 109.9% in 2QFY20 as against 94% in 1QFY20. Specific water consumption, Tata Steel Jamshedpur, improved to 3 m^3/tcs in 2QFY20 as against 3.46 m^3/tcs in 1QFY20.
- Tata Steel Kalinganagar phase II expansion is underway. The cold roll mill complex and pellet plant has been prioritized which will allow for greater value addition and drive cost reduction.
- TSBSL continues to improve utilization rates and operational KPIs. It has successfully developed indigenous hot rolled steel for 22 skin panels for India's one of the largest auto manufacturer. It has

also successfully commercialized skin panel steel for the commercial vehicle segment. It has received approval for API X70 grade HR coils from Indian oil marketing companies and has secured orders for API pipes for cross country pipeline/city gas distribution projects.

- Tata Steel Long Products completed the acquisition of Iron Ore mines during July 2019, though ore supplies from the same were delayed due to heavy monsoons. It continues to steadily work on integration and stabilization of the newly acquired facilities and to drive improvements in various operating parameters. While realizations were affected by the sharp slowdown in the auto sector, TSLP successfully maintained its market share in terms of deliveries. To counter the slowdown, TSLP has begun working on tapping complementary demand from Tata Steel's existing Wire Rod customers and increasing share of business with existing customers while simultaneously diversifying to non-auto segments like Agriculture, Railways and Lifting & excavation.

European operations:

- In 2QFY20, Tata Steel Europe liquid steel production was impacted by weak market conditions, planned summer shutdowns and unplanned outages.
- Revenue from operations decreased to Rs.14,035 crores in 2QFY20 due to weaker steel prices; partially offset by marginally better sales volumes. Sales volumes increased by 1.2%QoQ to 2.29 mn tons. 2QFY20 EBITDA stood at Rs.165 crores.
- Tata Steel Europe has launched a transformation program to make operations simpler, leaner and sustainable for long-term success. During the quarter, it completed the sale of First Steel business, UK and Cogent Power Inc, Canada. It is also working to close or sell Orb Electrical steels in South Wales, Wolverhampton Engineering Steels Service Centre in UK and Degel business in Germany.
- Tata Steel Europe continues to strengthen its sales mix. It launched three new products during the quarter. During the quarter, high-value differentiated product sales exceeded 39%

Key corporate developments:

- TSBSL merger with Tata Steel is underway; we are working to complete the process by end FY20, subject to necessary regulatory approvals
- To drive scale, synergies and simplification, Tata Steel is consolidating its Indian subsidiaries in 4 business verticals viz. Long products, Downstream, Mining and Infrastructure. The process is expected to be completed in next 6-9 months, subject to necessary regulatory approvals. Tata Steel has also begun the process of closing over 100 legal entities across the group and as of date, has already filed for liquidation of over 50 entities.
- The Sukinda chromite mine lease expires on March 31, 2020. As the Odisha government has not yet notified the auction of this mine, Tata Steel is working towards closing mining at Sukinda as well as associated operations in a smooth and responsible manner. Tata Steel is also exploring alternative business models for its chrome ore business to ensure continuity in serving out long term customers globally.

- Tata Steel remains committed to divest its 70% stake in Tata Steel Thailand. Currently, Synergy Metals and Mining Fund (Synergy) is carrying out detailed due diligence and preparing for the Mandatory take over process. Tata Steel and Synergy are in active conversation to finalize the definitive document shortly.
- On 4th October 2019, Tata Steel's step-down subsidiary, Natsteel Holdings Pte. Ltd has signed an agreement to sell its 56.5% equity stake in Natsteel Vina Co. Ltd, Vietnam, to a Vietnam based company 'Thai Hung Trading Joint Stock Company'. We are working to complete the process in 3QFY20 subject to necessary regulatory approvals.

Management Comments:

Mr. T V Narendran, CEO & Managing Director:

"The business environment in India and other geographies continued to be challenging and weighed heavily on steel prices. Tata Steel worked closely with customers across business segments to drive sales and maintain volumes. We are focused on driving productivity improvements across our various operations as well as the supply chain to reduce costs and minimize the impact on margins. We hope the end of monsoon season and the onset of festive demand leads to a pick-up in overall consumption and the steel demand.

Our acquisitions continue to stabilize and improve on their operating performance. Our Kalinganagar Phase 2 expansion program is progressing well and we are prioritizing the Pellet plant for cost reduction and the CRM plant for value addition. We are also re-organizing our India footprint in four verticals to drive scale, synergies and simplification which will create value for our stakeholders."

Mr. Koushik Chatterjee, Executive Director and CFO:

"Amidst a very challenging economic environment which saw steel prices drop by over $100/t, Tata Steel reported consolidated revenues of Rs.34,579 crores and consolidated adjusted EBITDA of Rs.4,018 crores. Our India operations reported an adjusted EBITDA of Rs.3,817 crores, which is an EBIDTA margin of 18.9%. While our gross debt has increased during the quarter due to an increase in working capital, we have renewed our focus on cashflow maximization through operational improvements, working capital reduction and rationalization of capex which will help us deleverage.

During the quarter, we tied up US$525m of foreign currency loans which will help lengthen our debt maturity profile. Our liquidity position continues to be strong with cash balance of Rs.4,596 crores and unutilized bank lines of Rs.7,262 crores."

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 may differ materially from those directly or indirectly expressed, inferred 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 or due to the environment, Government regulations, laws, statutes, judicial pronouncements and/or other incidental factors.

About Tata Steel

Tata Steel Group is among the top global steel companies with an annual crude steel capacity of 33 million tonnes per annum (MnTPA). It is one of the world's most geographically-diversified steel producers, with operations and commercial presence across the world. The group (excluding SEA operations) recorded a consolidated turnover of US $22.67 billion in the financial year ending March 31, 2019. In 2018, Tata Steel acquired Bhushan Steel Ltd (now renamed as Tata Steel BSL Ltd).

A **Great Place to Work-Certified™** organisation, Tata Steel Ltd., together with its subsidiaries, associates and joint ventures, is spread across five continents with an employee base of over 65,000.

Tata Steel retained the 'Global Steel Industry Leader' position in the DJSI 2018. The Company has been recognised as the Climate Disclosure Leader in 'Steel category' by CDP (2017). Besides being a member of the World Steel Climate Action Programme, Tata Steel has won several awards including the Lighthouse recognition for its Kalinganagar Plant – a first in India, Prime Minister's Trophy for the best performing integrated steel plant for 2016-17, 'GreenPro' certification for products (Tata Pravesh Steel Doors, Tata Structura, Tata Pipes) by CII, Authorized Economic Operator (AEO) status (Tier 2) by the Directorate of International Customs (Ministry of Finance, Govt. of India), 'Corporate Strategy Award' by Mint (2018), Golden Peacock Award for Risk Management (2018) and Best Risk Management Framework & Systems Award (2019) by CNBC TV18. The Company also received the 'Most Ethical Company' award from Ethisphere Institute for the eight time (2019), Steel Sustainability Champion (2018) by the World Steel Association, Dun & Bradstreet Corporate Awards (2019), Golden Peacock HR Excellence Award by Institute of Directors (2018), 'Best Companies To Work For' recognition by Business Today, 'Asia's Best Integrated Report' award by the Asia Sustainability Reporting Awards (2017), among several others.

In 2018, the Company launched a corporate brand campaign #WeAlsoMakeTomorrow. (www.wealsomaketomorrow.com).

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