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May 23, 2013

Tata Steel Group reports Consolidated Financial Results for the Financial Year ended March 31, 2013

Tata Steel Group ("the Group") today declared its Consolidated Financial Results for the quarter and for the Financial Year ended March 31, 2013.

Group Performance Highlights:

The Indian operations recorded robust underlying performance on the back of the ramp-up of its 2.9mtpa expansion, despite weak markets.

- Deliveries totalled 7.48 million tonnes in the financial year 2012-13 (FY'13) compared to 6.63 million tonnes in the financial year 2011-12 (FY'12), an increase of 12.8%. Q4 FY'13 deliveries were 2.28 million tonnes compared to 1.89 million tonnes in Q3 FY'13, an increase of 20.8% and 1.77 million tonnes in Q4 FY'12, an increase of 28.9%.
- The turnover recorded for FY'13 was ₹38,199 crores compared to ₹33,933 crores in FY'12, an 12.6% increase year-on-year. Turnover in Q4 FY'13 was ₹10,771 crores compared to ₹9,370 crores in Q3 FY'13 and ₹9,479 crores in Q4 FY'12.
- EBITDA for FY'13 was ₹11,698 crores compared to ₹11,559 crores in FY'12. Q4 FY'13 EBITDA was ₹3,714 crores compared to ₹2,525 crores in Q3 FY'13 and ₹2,975 crores in Q4 FY'12. Profit before tax of ₹7,837 crores in FY'13 compared to ₹9,857 crores in FY'12.
- The profit before tax for FY'13, before exceptional items, was ₹8,511 crores, compared to the ₹9,346 crores of FY'12. The profit before tax in Q4 FY'13, before exceptional items, was ₹2,859 crores, an increase of ₹1,240 crores over Q3 FY'13.
- Profit before tax in Q4 FY'13 was ₹2,174 crores compared to ₹1,619 crores in Q3 FY'13 and ₹2,371 crores in Q4 FY'12.

The European operations recorded an improvement in underlying performance on the back of increase in volumes in the quarter ended March 31, 2013.

- Deliveries totalled 13.07 million tonnes in FY'13 compared to 14.02 million tonnes in FY'12, a drop of 6.8% largely on account of repairs and outages at the operations. However, with the relighting of the Blast Furnace at Port Talbot in February, there was an increase in production and deliveries in Q4 FY'13. Q4 FY'13 deliveries increased to 3.42 million tonnes compared to 3.02 million tonnes in Q3 FY'13 and 3.55 million tonnes in Q4 FY'12.
- In FY'13, the turnover was ₹78,012 crores and the EBITDA was ₹764 crores compared to the turnover of ₹82,153 crores and EBITDA of ₹1,777 crores in FY'12. However, the FY'12 EBITDA included one-time gains of ₹1,380 crores, excluding which the underlying EBITDA for FY12 works out to ₹397 crores. In effect, the underlying EBITDA for FY13 has increased by ₹326 crore over the underlying EBITDA for FY12.
- Q4 FY'13 turnover was ₹19,166 crores compared to the Q3 FY'13 turnover of ₹18,126 crores and ₹19,923 crores in Q4 FY'12.

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- Q4 FY'13 EBITDA was ₹613 crores compared to the Q3 FY'13 EBITDA loss of ₹428 crores, an increase of ₹1,041 crores and an increase of ₹467 crores over the EBITDA in Q4 FY'12 of ₹146 crores.

The South East Asian operations' restructured its operations in Australia and China to turnaround its performance.

- Deliveries totalled 3.11 million tonnes in FY'13 compared to 2.95 million tonnes in FY'12. Q4 FY'13 deliveries were 0.8 million tonnes compared to 0.82 million tonnes in Q3 FY'13 and 0.73 million tonnes in Q4 FY'12.
- FY'13 turnover was ₹13,829 crores and EBITDA was ₹483 crores compared to the turnover of ₹12,710 crores and EBITDA of ₹213 crores in FY'12, increase of ₹1,119 crores and ₹270 crores respectively.
- Q4 FY'13 turnover was ₹3,486 crores compared to the Q3 FY'13 turnover of ₹3,465 crores and ₹3,152 crores in Q4 FY'12.
- Despite flat turnover, the Q4 FY'13 EBITDA increased to ₹224 crores as compared to the Q3 FY'13 EBITDA of ₹144 crores. It has also increased by ₹118 crores, over the Q4FY12 EBITDA of ₹106 crores.

The Group recorded **robust performance for the quarter** on the back of an increase in volumes in Q4 FY'13.

- **Groups steel deliveries** in FY'13 totalled 24.13 million tonnes compared to 24.22 million tonnes in FY'12. Deliveries in Q4 FY'13 were 6.56 million tonnes versus 5.83 million tonnes in Q3 FY'13, an increase of 12.6% q-o-q and 6.22 million tonnes in Q4 FY'12, an increase of 5.6% y-o-y.

- **Group consolidated turnover** was ₹1,34,712 crores in FY'13 compared to ₹1,32,900 crores in FY'12. Q4 FY'13 turnover was ₹34,650 crores compared to ₹32,107 crores in Q3 FY'13 and ₹33,999 crores in Q4 FY'12.

- **Group EBITDA** in FY'13 was ₹12,654 crores compared to ₹13,533 crores in FY'12. EBITDA in Q4 FY'13 was ₹4,368 crores compared to ₹2,252 crores in Q3 FY'13 and ₹3,419 crores in Q4 FY'12.

- **Group profit before tax and exceptional items** for FY13 was ₹3,257 crores compared to the ₹5,223 crores of FY12. For the Q4 FY13, the group profit before tax and exceptional items was ₹1,837 crores, an increase of ₹2,037 crores over the loss in Q3 FY13 and increase of ₹657 crores over Q4FY12.

- The Group also **monetised its portfolio** by selling part of its stake in Titan Industries Ltd to realise profits of ₹962 crores in FY'13.

- **The Eurozone crisis** has pushed regional economies in Europe and UK into a recession and the current steel demand is almost 30% lower than the pre-2008 financial crisis level. These severely depressed conditions are expected to continue over the short-to-medium term and have led to a downward revision of cashflow expectations and the valuation of the Groups' European operations. Reflecting these conditions, the Group took an **impairment charge** of ₹8,356 crores in Q4 FY'13. This is a non-cash charge and does not affect any of its financial covenants and its funding position. A significant portion of this impairment charge relates partly to the goodwill created on the acquisition of Corus Group plc in 2007 and partly to the assets of the business units that have been adversely affected by the severe contraction in demand, especially in the construction sector. The balance impairment relates to the assets in Tata Steel KZN in South Africa, Tata Steel Thailand and Tata Metaliks for Redi Plant.

- **Group Profit After Tax** (after minority interest and share of profit of associates) for FY'13 was a loss of ₹7,058 crores compared to the profit of ₹5,390 crores in the previous year (FY'12), primarily due to the non-cash impairment charge of ₹8,356 crores detailed above. The Group recorded a loss of ₹6,529 crores in Q4 FY'13 for the same reason. This compares to the loss of ₹763 crores in Q3 FY'13 and the profit of ₹433 crores in Q4 FY'12.

Tata Steel Group has undertaken a series of initiatives to expand its business and deliver value to all its stakeholders.

- In India, the Group successfully implemented its 3mtpa brownfield expansion at Jamshedpur which increased its total capacity to 10mtpa. Full ramp up of the capacity was achieved in March 2013. An incremental 1 million tonnes of steel was produced during the year, taking the total production to 7.94 million tonnes. The Group is now embarking on its next phase of growth and is setting up **a 6mtpa greenfield steel project in Odisha**. A new subsidiary, **Tata Steel Odisha Ltd.**, has been set up specifically for this project. The project will be implemented in 2 phases of 3mtpa each.
- In Europe, the Group has invested over £1 billion in the last 3 years towards improving the structural competitiveness of the business including £220m in rebuilding blast furnace no. 4 at Port Talbot, which was the largest industrial engineering project in the UK in the recent past. It continues to implement a series of initiatives to enhance competitiveness by cutting costs, increasing operational efficiency, improving product mix, and restructuring its asset portfolio. Tata Steel is also investing in developing and training people at the Tata Steel Academy and has taken on board around 500 apprentices in the UK in the last couple of years, of which 122 were taken on during the year. The Company is working closely with the UK government on a number of key issues to improve the competitiveness of the manufacturing industry in the UK.
- The Group has decided that it will not proceed with its greenfield steel project in Vietnam in the near future.

During FY'13, Tata Steel Group raised ₹31,799 crores of debt from various banks and financial markets taking its **Gross Debt** to ₹66,074 crores.

- An amount of ₹15,472 crores was incurred on capital expenditure and ₹27,099 crores was utilised towards repayment of principal obligations.
- The closing cash and cash equivalents as of March 31, 2013was ₹10,652 crores
- The **Net debt** was ₹55,421 crores versus ₹47,657 crores at the end of March 2012.

Tata Steel Group has also secured above **₹24,000 crores through significant financing deals** in April and May 2013 :

- The Group was able to successfully negotiate financial closure for its 6mtpa Kalinga Project. **₹22,800 crores of project financing** was tied up for with a consortium of 21 banks and financial institutions. This will meet the funding requirement of both the phases of the project.
- In April 2013, Sing$300 million was raised through a 10 year bond at a yield of 4.95%. This is the largest and longest dated **Sing$ bond transaction** ever achieved for a private sector Indian company and successfully established a strong pricing benchmark in the international bond markets.

The Board of Directors of the Company has recommended a dividend of ₹8 per equity share for the financial year ended March 2013.

Financial Performance Analysis:

Consolidated financial results summary (under Indian GAAP) for the year ended 31 March 2013

All figures in ₹ Crore, unless specified

FY'13	FY'12	HIGHLIGHTS	Q4 FY'13	Q3 FY'13	Q4 FY'12
24.13	24.22	Steel Deliveries (Mn tons)	6.56	5.83	6.22
1,34,712	1,32,900	Turnover	34,650	32,107	33,999
12,654	13,533	EBITDA	4,368	2,252	3,419
9.4%	10.2%	EBITDA Margin	12.6%	7.0%	10.1%
5,575	4,517	Depreciation	1,470	1,463	1,093
3,517	3,352	Net Finance Charges	913	964	915
3,257	5,223	PBT (before exceptional items)	1,837	-200	1,180
2.4%	3.9%	PBT Margin (before exceptional items)	5.3%	-0.6%	3.5%
-4,133	8,585	PBT (after exceptional items)	-5,576	-220	1,180
-3.1%	6.5%	PBT Margin (after exceptional items)	-16.1%	-0.7%	3.5%
-7,058	5,390	Profit after Taxes, Minority Interest and Share of Associates	-6,529	-763	433
-5.2%	4.1%	PAT Margin	-18.8%	-2.4%	1.3%

Executive Comment

Tata Steel Managing Director Mr HM Nerurkar said: "Despite the weakening market conditions in the last year, the Indian operations posted a strong growth in production and deliveries. Our investment over the years in customer relationship building, developing distribution chain, undertaking market research and retail focus paid dividend through the significant sequential increase in deliveries in the last quarter. I convey my heartiest congratulations to all the employees for achieving this commendable performance. The brownfield expansion is now fully ramped up and we are committed to commissioning the greenfield plant in Odisha on schedule. The South East Asian operations have performed well with improving demand, product differentiation, efficiency improvement and restructuring measures."

Tata Steel Europe MD & CEO Dr Karl-Ulrich Köhler said: "Europe's economic deterioration last year reversed the modest recovery in European steel demand that had been going on since 2009 and our deliveries fell as a consequence. We acted decisively in response to the renewed downturn by focusing intensely on costs and cash flow management. We took £200 million of fixed cost out of the business and reduced our steel stocks to record lows by year-end. We also acted to restructure our support functions and asset base. But we did not allow the downturn to divert us from our longer-term objective of building an all-weather business. We invested significantly in improvements to our operational base and we made substantial progress in strengthening our long-term relationships with end customers in our chosen sectors. And we increased the proportion of high-value, differentiated products and services in our sales, which have risen by almost 20% in the last two years. These improvements have given us a firmer foundation as we enter another tough year of subdued steel demand in Europe."

Disclaimer

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* US$/INR conversion rate of 54.275 can be used to convert the rupee figures.