



**TATA STEEL**



# Results Presentation

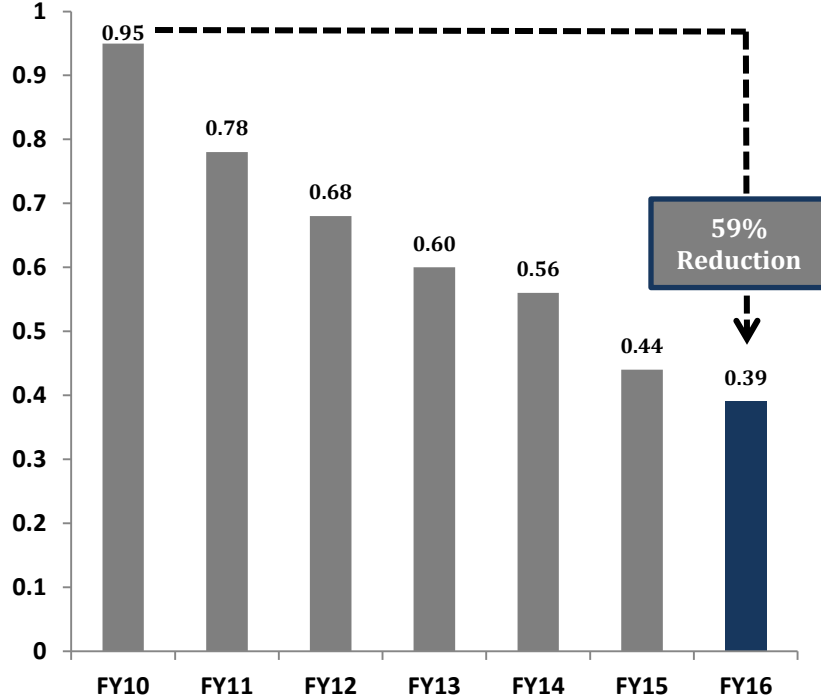
Financial Quarter and year ended 31<sup>st</sup> March 2016

25<sup>th</sup> May 2016

## Disclaimer:

Statements in this presentation 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.

LTIFR\* data for Tata steel group



## Ambition:

- ❑ Committed to ensuring all Tata steel sites are sustainably fatality free.
- ❑ Being the Benchmark in H&S in our industry

## Achievements:

- ❑ Year on year reduction in LTI continues. Over all group saw LTIFR\* declined by 59% from FY10.
- ❑ Deploying management system to embed and sustain our improvement activities.

## Key Focus areas:

- ❑ Competence development programmes in H&S leadership.
- ❑ Prioritised strategic activity in contractor management, construction and onsite traffic.
- ❑ Kalinganagar Plant start-up being undertaken under systemic risk controls as used previously at Jamshedpur.
- ❑ Health – unique capability and provision with new challenges and opportunities in all regions.

# Tata Steel is focused on engaging with communities and improving quality of life

**TATA STEEL**

## India



Primary health care services for 5,70,000 people & Ante-Natal and Post-Natal Check-ups for 7,800 women

Promoted safe sexual health behaviour among adolescents (RISHTA project) for 23,700 adolescents.



'Thousand school project' to bring back nearly 6,500 out of school children. Mid-day meal programme for 49,000 students

8,000 farmers adopt the system of Rice intensification method of paddy cultivation

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7,800 villagers provided filtered drinking water through West Bokaro River Drinking Water Project

## Europe



Almost 100,000 people across Europe benefitted from Tata Steel's Community Partnership programme in past year

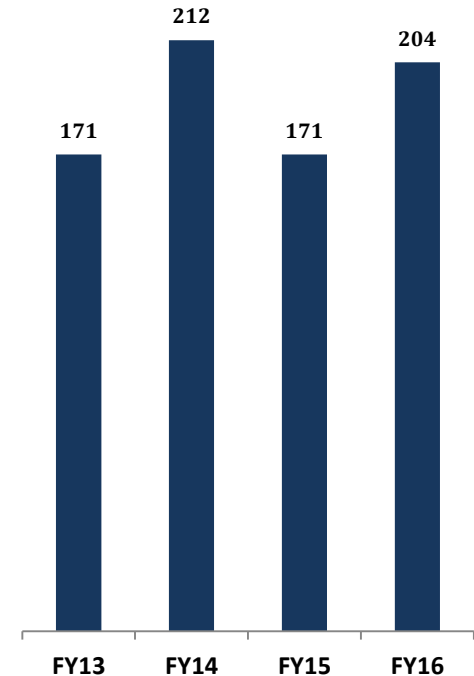
A record number of youngsters took part in Tata - Kids of Steel children's triathlons in the UK



Children from Tata Steel's IJmuiden communities joined a special rail safety programme

Employees in Wales donated more than 300 gifts to older people, as part of Tata Steel With Love Gift Appeal

## CSR Spend Trend-India (₹Cr)





## **Group Financial Performance**



## **India & SE Asia performance**

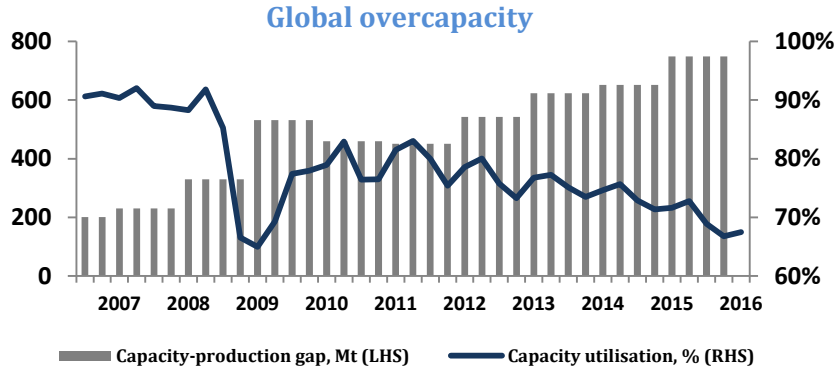


## **Europe performance**

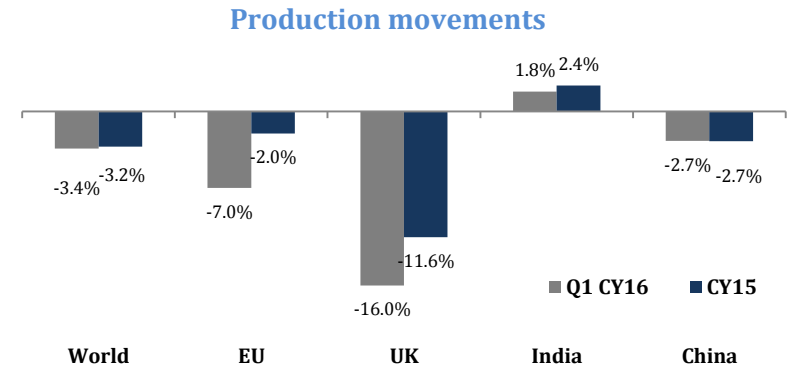
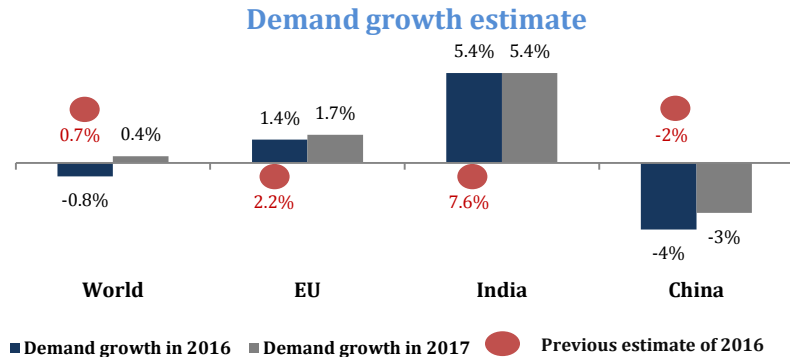


## **Appendix**

# Global steel industry continues to be impacted by surplus capacity and demand contraction

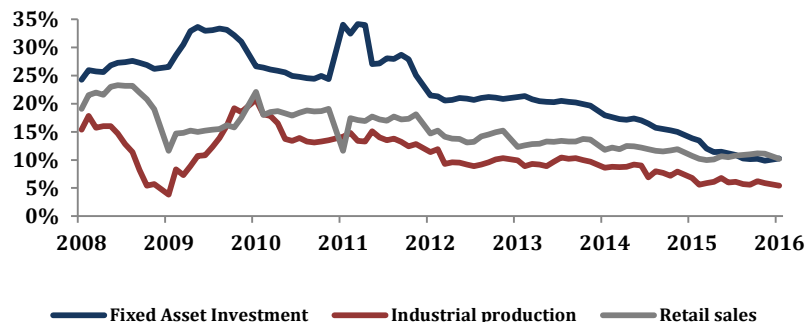


- Global steel environment faced headwinds from sluggish global trade, China slowdown, weak investment sentiment from lower oil and other commodity prices and volatile financial markets.
- Slow pace of capacity rebalancing with deteriorating demand led to mill utilization levels reaching multi year low before recovering towards the fag end.



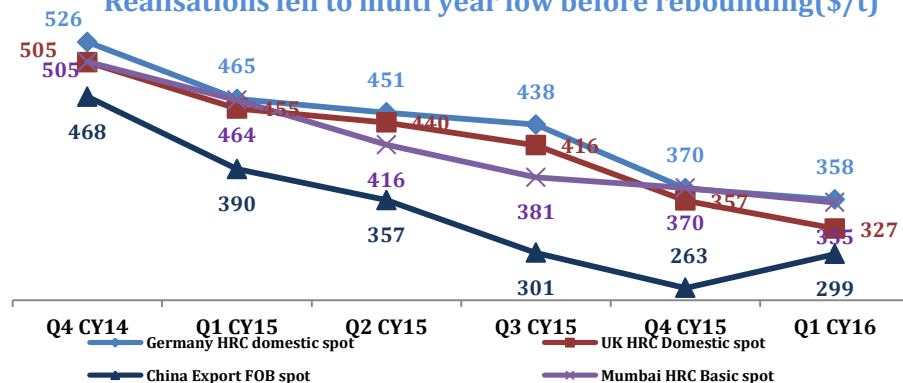
# Structural rebalancing in China impacting demand supply equation globally

China Investment, Production and Sales(YoY Change%)

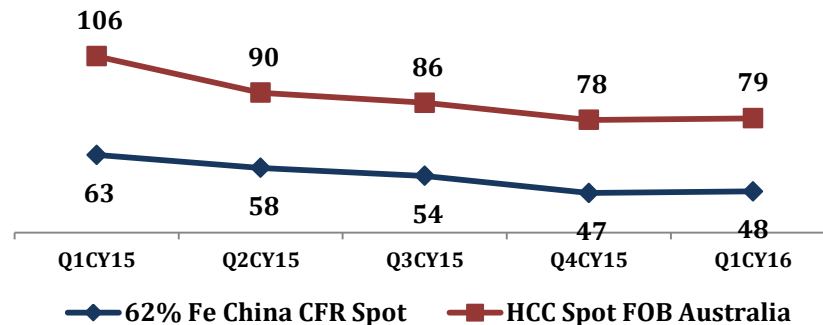


- ❑ Slowdown in major steel consuming sectors resulted into Chinese mills focusing on exports.
- ❑ Geopolitical issues and volatile currencies added to pressure on commodity markets with steel realisations falling to multi year low.
- ❑ Beginning CY16 witnessed restocking led recovery with dollar weakness aiding stabilization of cost curve.

Realisations fell to multi year low before rebounding(\$/t)



Raw material prices have dropped sharply before recovery (\$/t)



## Key highlights of the quarter and year

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### India

- ❑ Best ever hot metal production of 10.65 MT
- ❑ Sustained increase in deliveries despite weak business environment
- ❑ Increasing share of value added products with best ever branded retail sales
- ❑ Start of commercial production at Kalinganagar Steel Plant

### Europe

- ❑ Curtailment of production in UK
- ❑ Sale process for Long Products Europe business initiated
- ❑ Exploring all options for portfolio restructuring including potential divestment of Tata Steel UK, in whole or in parts
- ❑ Successful restructuring of BSPS to make it sustainable

### Group

- ❑ Raised ₹4,478 Crores through monetisation in FY16. Total monetisation of ₹7,484 crores in last 2 years
- ❑ Improved profitability in Downstream Indian subsidiaries
- ❑ Refinancing of debt to further reduce costs and improve terms



## Quarterly Financial Performance

**TATA STEEL**

₹ Crs	Group			India		
	Q4 FY16	Q3 FY16	Q4 FY15	Q4 FY16	Q3 FY16	Q4 FY15
Deliveries(MT)	6.94	6.36	7.06	2.72	2.35	2.41
Turnover	29,508	28,039	33,666	10,522	9,064	10,635
Raw material Cost	7,057	7,625	8,782	2,159	2,341	2,684
EBITDA	2,270	841	1,580	2,188	1,525	1,661
Underlying EBITDA#	2,270	838	1,915	2,188	1,523	1,661
PBT	(2,773)	(1,937)	(5,837)	1,087	700	599
Exceptional items	(2,858)	(712)	(4,811)	(327)	(40)	(44)
PAT	(3,214)*	(2,127)	(5,674)	677	453	814

₹ Crs	Europe			SEA			Others		
	Q4 FY16	Q3 FY16	Q4 FY15	Q4 FY16	Q3 FY16	Q4 FY15	Q4 FY16	Q3 FY16	Q4 FY15
Deliveries(MT)	3.55	3.35	3.81	0.67	0.65	0.76	-	-	-
Turnover	16,254	16,344	19,537	1,803	1,785	2,461	929	846	1,033
Raw material Cost	4,711	5,049	5,665	69	59	58	119	176	375
EBITDA	(357)	(675)	1,053	65	52	(232)	374	(61)	(903)
Underlying EBITDA#	(357)	(675)	1,191	65	52	(35)	374	61	(903)

# Excludes one off items \* Include ₹ 1,397 Crores on account of impairment at TSMC

# Annual Financial Performance

**TATA STEEL**

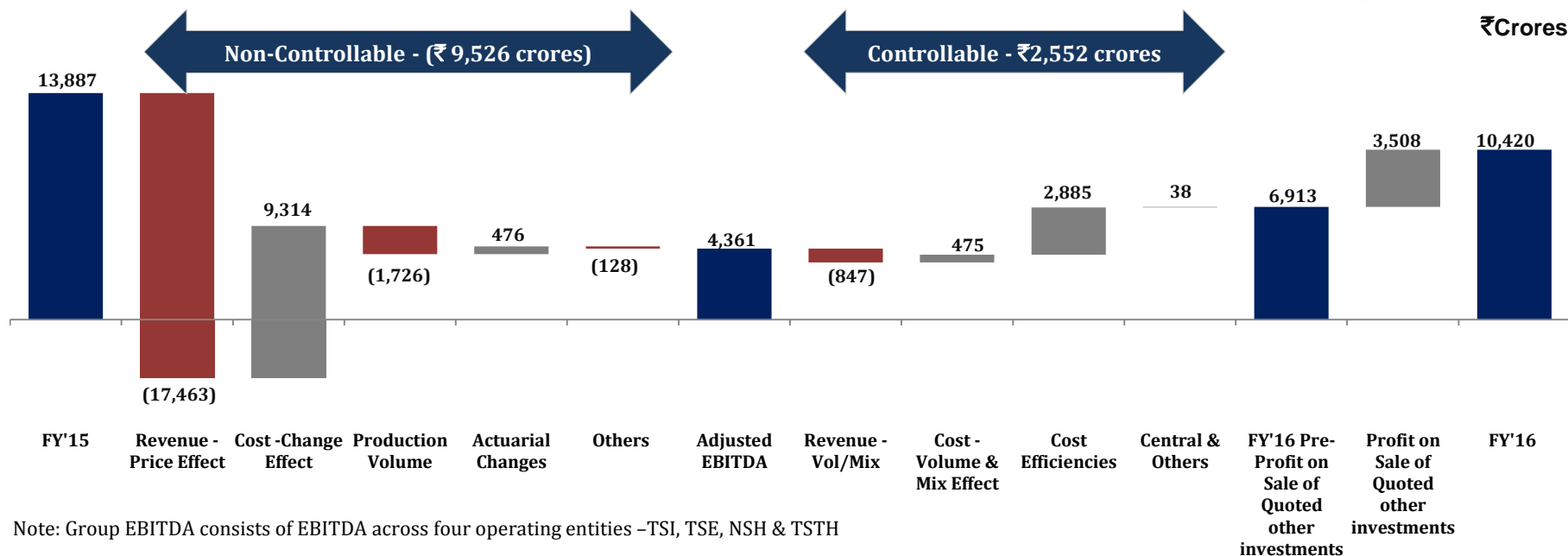
₹ Crs	Group		India	
	FY16	FY15	FY16	FY15
Deliveries(MT)	25.92	26.31	9.54	8.75
Turnover	117,152	139,504	38,210	41,785
Raw material Cost	32,188	40,741	9,700	11,679
EBITDA	11,301	12,745	10,896	10,102
Underlying EBITDA#	7,892	13,027	7,388	10,102
PBT	(1,674)	(1,388)	6,127	8,509
Exceptional items	(3,975)*	(3,929)	(1,583)	1,891
PAT	(3,049)	(3,926)	4,901	6,439

₹ Crs	Europe		SEA		Others	
	FY16	FY15	FY16	FY15	FY16	FY15
Deliveries(MT)	13.61	13.67	2.70	3.59	-	-
Turnover	67,402	79,878	7,851	13,048	3,688	4,793
Raw material Cost	21,465	27,542	293	263	730	1,257
EBITDA	(696)	4,285	220	(500)	881	(1,142)
Underlying EBITDA#	(598)	4,123	220	(56)	881	(1,142)

# Excludes one off items \* Include ₹ 1,397 Crores on account of impairment at TSMC

## Group EBITDA FY16 Vs FY15-Affected by falling realisations

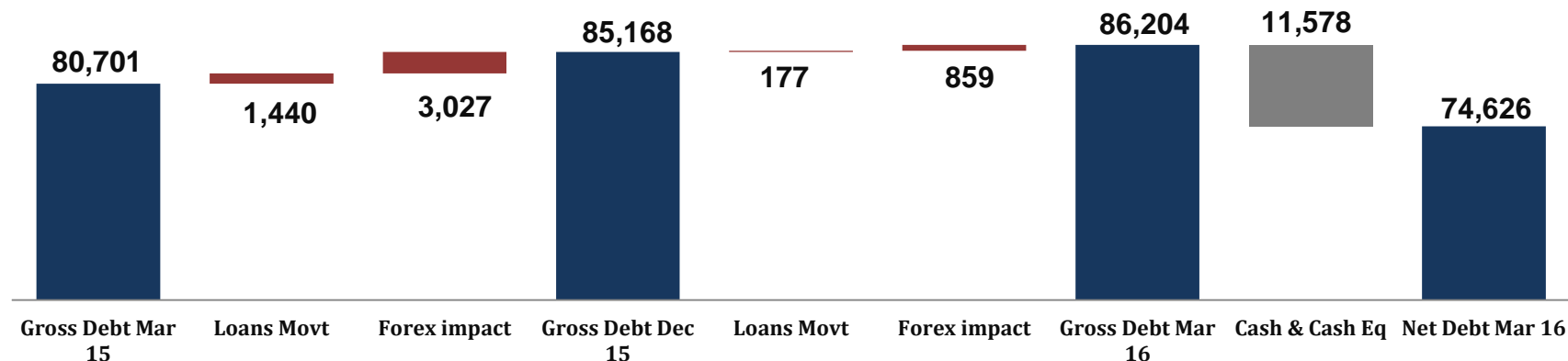
**TATA STEEL**



**Higher deliveries at TSI, strategic volume reduction at TSE & NatSteel China and improvement initiatives across TSI and TSE minimized the impact of fall in realisations.**

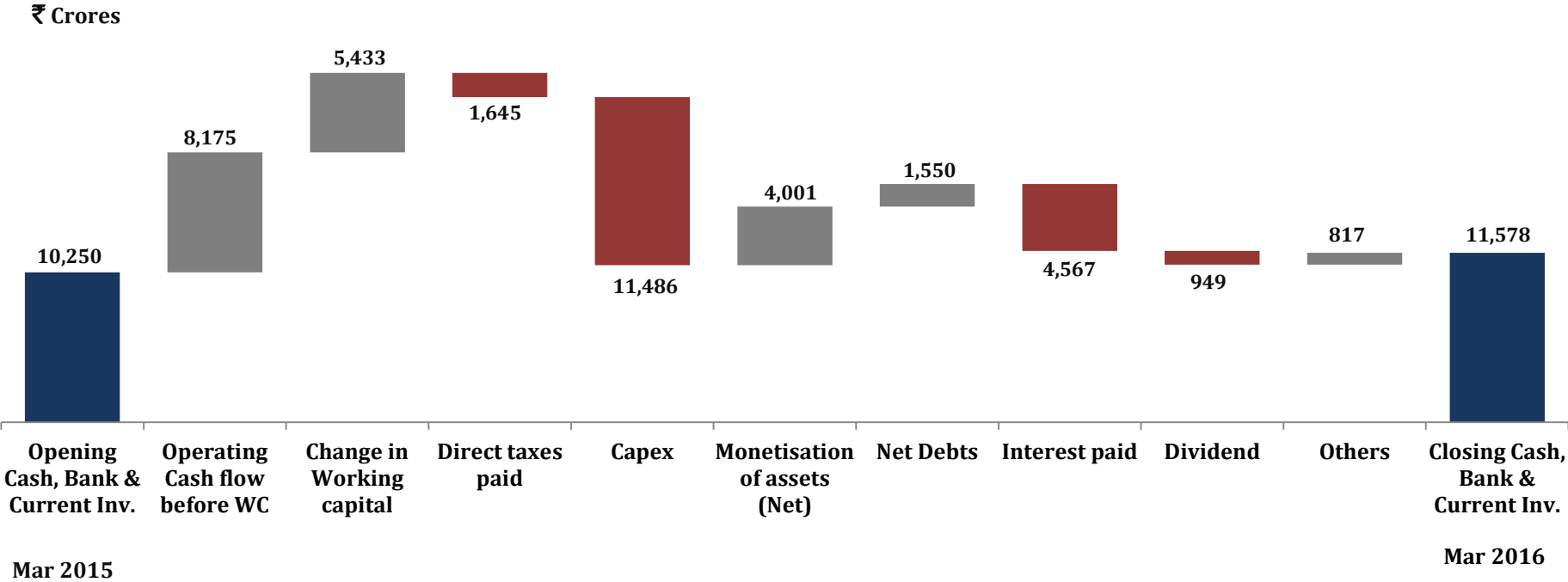
## Debt movement FY16

₹ Crores



- ❑ Gross debt increased by ₹ 5,502 crores despite incurring a capex of ₹ 11,486 crores in FY'16
- ❑ Net debt decreased by ₹ 492 crores in Q4 FY'16 despite capex of ₹ 2,647 Crores
- ❑ Strong liquidity of ~ ₹ 20,500 crores plus undrawn KPO project finance of ~₹5,600 Crores

# Cash Flow Bridge for FY16



- ❑ Restructuring of Strip Products UK, Speciality Steels and Long Products Europe leading to around 3,000 job losses and tactical decision to focus on higher-value sales.
- 
- ❑ Agreement to sell Long Products Europe to Greybull which represent almost 30% of UK operations with employees of 4,800 employees and capacity of 4.5MT. Deal will be completed once a number of outstanding conditions have been resolved.
- 
- ❑ Commenced sale process for remaining UK business which employs around 11,000 people in the UK and has steelmaking in Port Talbot and Rotherham with capacities of 5.7Mn tonnes.
    - Contacted 190 potential investors around the world and seven potential investors short listed and invited to submit binding bids.
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**I Group Financial Performance**



**II India & SE Asia performance**



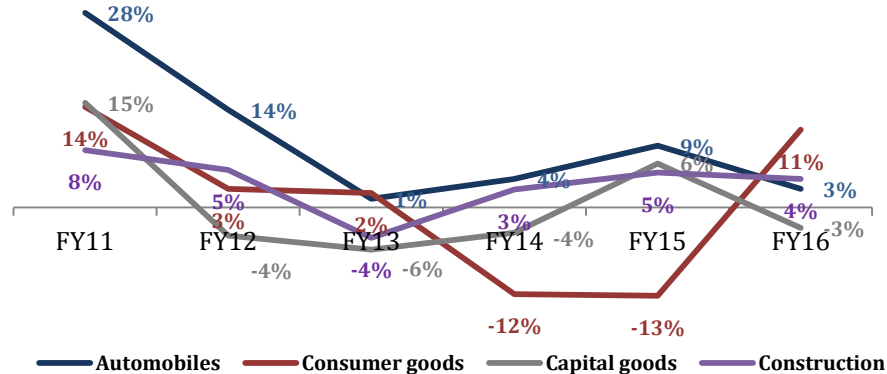
**III Europe performance**



**IV Appendix**

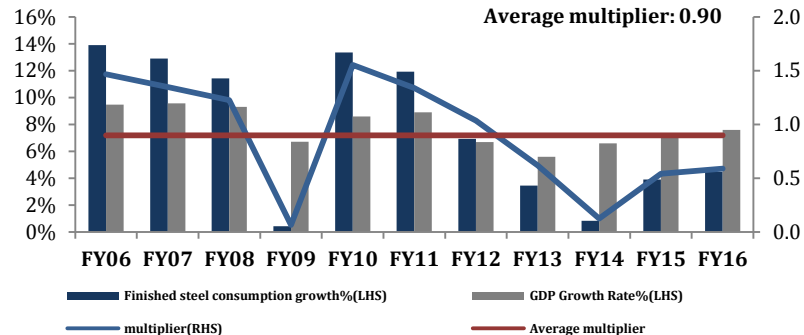
## Business environment – Awaiting revival

Indian steel consuming sectors growth %

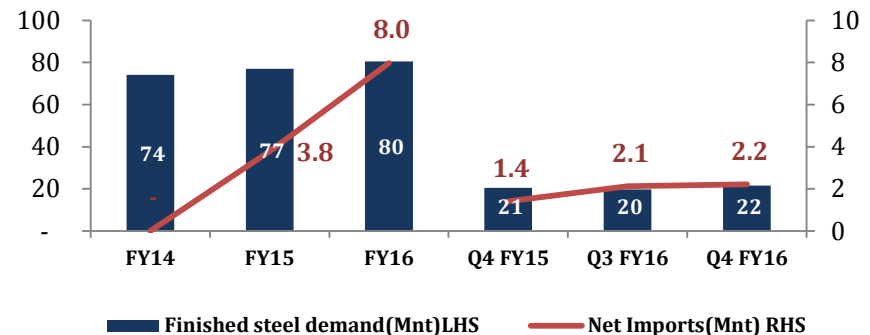


- ❑ Growth in key steel consuming sectors remained tepid during the year.
- ❑ Continued cheap imports and the uncompetitive export realisations led to net imports increase by over 200%.
- ❑ Realisations fell to multi year low before recovering towards the fag end of the year, aided by trade barriers.
- ❑ Steel demand GDP multiplier has moved below long term average with huge untapped potential.

India GDP Vs. Finished steel consumption growth(%)

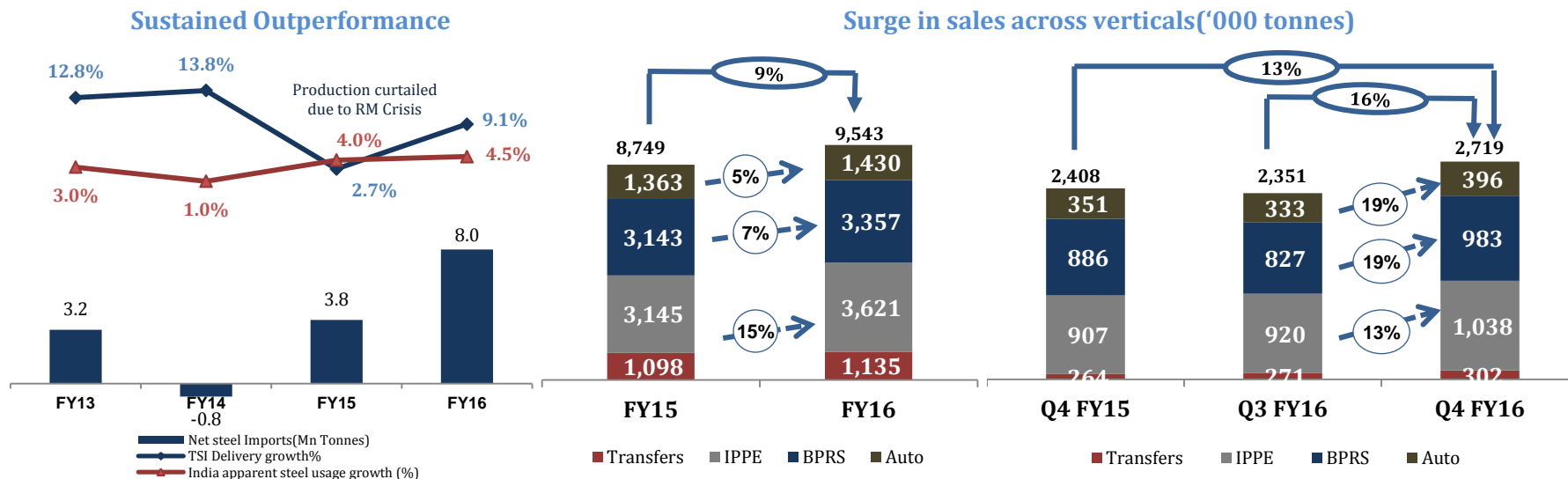


India steel demand and net steel imports (in MT)





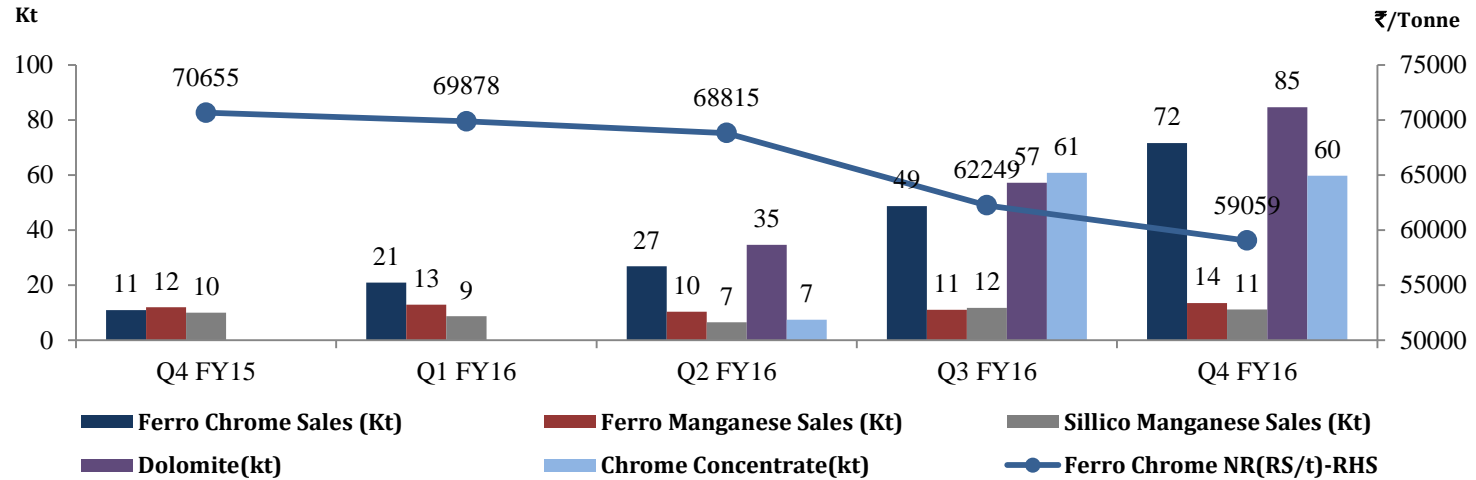
# Sustained outperformance despite market headwinds



- 16% increase in sales in Q4 with Auto & Branded segment contributing 51% of total sales in Q4 FY16
- Highest ever sales of 1.43 MT to Automotive segment in FY16
- 'TISCON' registered highest ever sales of 2.1 MT, a growth of 13% over FY15
- Customers of retail products touch 30 Lakhs households across India in FY16
- Market share in value added LPG sector increased to 44%

## Ferro Alloys and Minerals Division - Production ramp up in a challenging environment

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- ❑ Ramp up of production post resumption of mining at Sukinda
- ❑ Ferrochrome sales in Q4 FY16 increased by over 1.5 times, however realizations continue to fall on account of depressed market conditions
- ❑ Value addition through branding – ‘TISCROME’, ‘SILICOMAG’ and ‘FERROMAG’
- ❑ Chrome concentrate sales stable in a weak exports market
- ❑ Gopalpur ferrochrome plant to come on board with ~55,000 MT p.a by end of the Q1 FY17

## Building a portfolio of strong brands

**TATA STEEL**



First branded Thermo Mechanically Treated (TMT) Rebar in the country



Best-in-class Hot Rolled Sheets & Coils



Ready to use footings



Downstream service presently offers the Cut & Bend service that aims at providing customized rebar shapes



Flagship brand in the field of Galvanized Corrugated Sheets



India's first branded Cold Rolled Steel



Steel doors for Individual House Builders that combine the strength of steel with the elegance of wood



Unique one stop steel based modular construction solution engineered for speed and perfection



Galvanised Plain Steel Sheet and Coils with superior corrosion resistance properties



Premium Zinc Aluminum alloy coated steel product



Wide range of wires to cater the needs of various industry segments



Branded Ferro Manganese with perfect composition weight and size



Branded Silico Manganese with guarantee of restricted carbon, sulphur and Phosphorus



Lightweight Hollow Steel Sections that ensure high durability



Commercial tubes mainly used for carrying liquids and low pressure gases



Products ranging from strips to bars, tubes, and welded blanks to advanced automotive steels



Ready made quality stirrups



First branded readymade Stirrup manufactured through automatic sophisticated machines



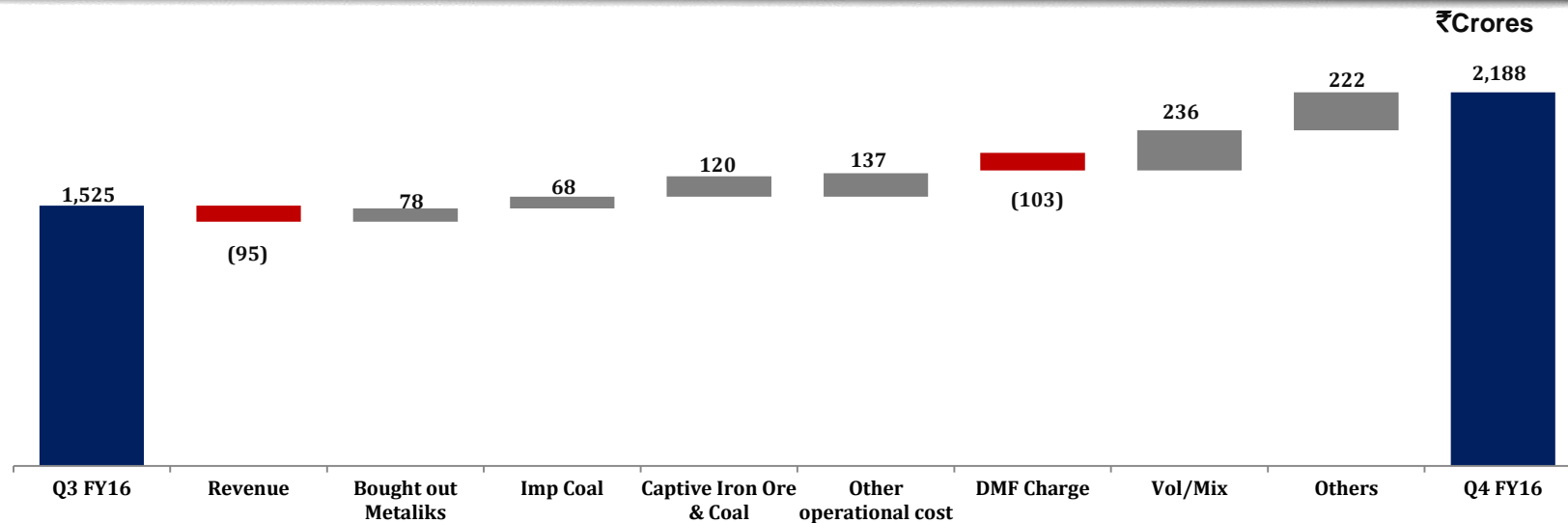
Leading steel furniture brand of residential and office furniture



Superior quality Agricultural tools

## EBITDA Bridge Q4FY16 to Q3FY16

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**EBITDA improved due to higher deliveries, favourable raw material cost and better profit centre performance**

## Start of commercial production at Kalinganagar Steel Plant

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**May'15:**  
Battery Heating

**September'15**  
1<sup>st</sup> Coke Pushing

**October'15:**  
Rolling of 1<sup>st</sup> Coil  
from Hot strip mill

**January'16**  
Starting of Sinter  
production

**March'16**  
Starting of Hot Metal  
production

**March'16**  
Start of production at  
steel melting shop

**Commercial  
Production starts**  
Stabilization underway

# Kalinganagar Steel Plant Highlights

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Largest operating LD converter in India with 310 Tonnes

100% by-product gas-based power generation leading to reduction in carbon footprint.

Significant reduction of noise & dust pollution during production and Zero-effluent discharge.

## Adoption of best technology and Benefits

- |  |   |
|--|---|
| <input type="checkbox"/> Blast Furnace                             | <input type="checkbox"/> Reduction in Coke rate & slag rate<br><input type="checkbox"/> Higher operational efficiency |
| <input type="checkbox"/> Pulverized Coal Injection                 | <input type="checkbox"/> Reduction in coke rate   |
| <input type="checkbox"/> Gas Recovery Turbines                     | <input type="checkbox"/> Power generation of ~ 38 MW  |
| <input type="checkbox"/> Stove Waste Heat Recovery                 | <input type="checkbox"/> Energy Efficiency  |
| <input type="checkbox"/> Cast House Slag Granulation System for BF | <input type="checkbox"/> Use of granulated slag in cement making  |
| <input type="checkbox"/> Waste recycling/ reuse                    | <input type="checkbox"/> Reducing raw material requirement<br><input type="checkbox"/> Reducing fuel requirement      |
| <input type="checkbox"/> By Product Gas Recovery and Utilization   | <input type="checkbox"/> Use in reheating furnaces,<br><input type="checkbox"/> Use in Power generation ~ 200 MW      |

Large operating Blast Furnaces(4330 m3)

Twin wagon Tipplers for achieving faster turnaround time

Designed to have minimal water footprint.



Steel Melting Shop



Sinter Plant



Blast Furnace



Coke Ovens



Gas Pipelines



DM Plant



PAN view of Blast furnace with Railway siding





### Nat Steel Holdings



- ❑ Deliveries declined for FY 16 on the back of mothballing of China operations
- ❑ Focus on cost improvement initiatives and downstream products & solutions business.
- ❑ Continued with exports driven strategy to overcome dominance of cheap Chinese bar imports into the local market.

### Tata Steel Thailand



- ❑ Deliveries increased marginally in FY16 on higher exports
- ❑ Permanent anti-dumping duty announced on import of Low Carbon Wire Rods from China for next five years. Sunset review opened for Permanent Anti dumping announced in 2014 for imports of High Carbon wire rods from China.
- ❑ Focus on lowering conversion cost , developing alternate supplier sources and reduction in inventory in a volatile market.

I

Indian steel industry prospects improving due to low oil prices, the reform momentum and policies to increase infrastructure and manufacturing output

II

Normal monsoons & increased thrust on rural spend expected to revive rural demand

III

Supply side pressure likely to cap raise in domestic realisations

IV

Robust volume growth due to start of commercial production at Kalinganagar Steel Plant

IV

Steel demand in Singapore and Thailand is expected to maintain growth rate on the back of their infrastructure building exercise



**Group Financial Performance**



**India & SE Asia performance**



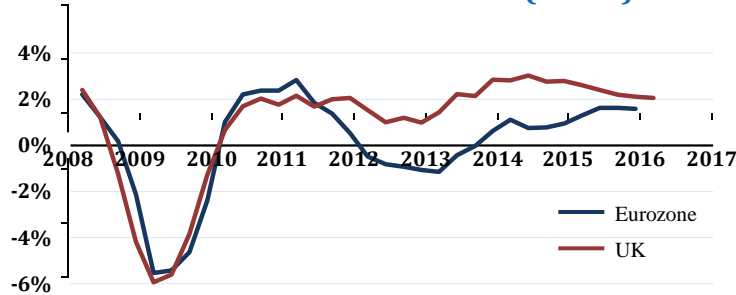
**Europe performance**



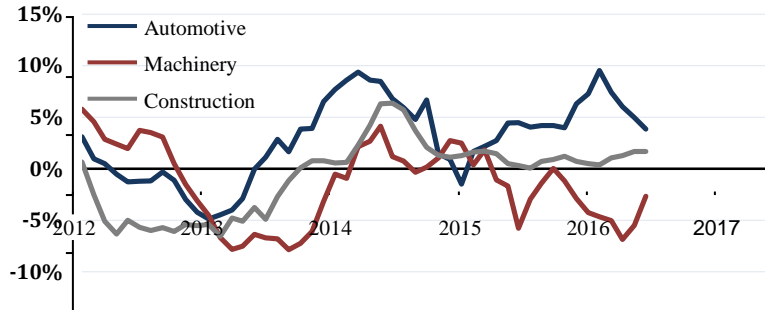
**Appendix**

# EU steel mills are not benefitting from local economic growth

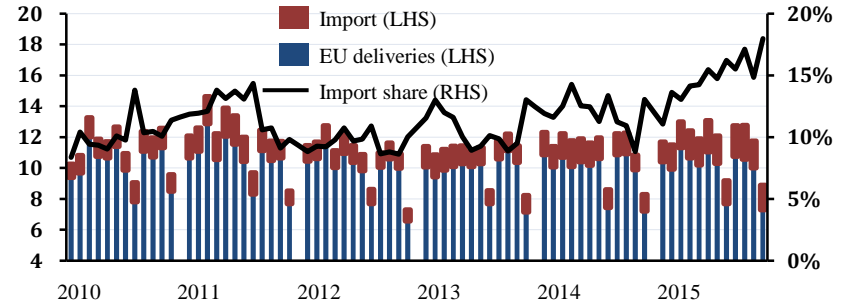
**GDP-Eurozone and UK(YoY%)**



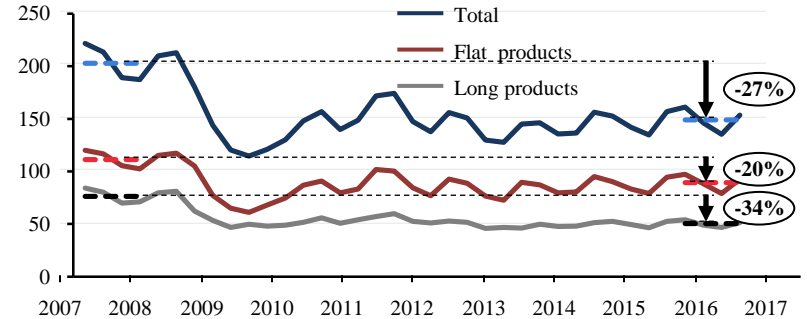
**EU Sector output1 (YoY%change,3mma2)**



**EU Market supply(Mn Tonnes and Import share %)**



**EU Apparent steel demand(Annualised Mn tonnes)**



**In 2015 deliveries by EU mills were down by -0.8mt compared to a rise of imports of +5.9mt Despite 3.5% growth in EU steel demand, margins were under pressure due to overcapacity**

## Efficiency and product mix improvements

**TATA STEEL**



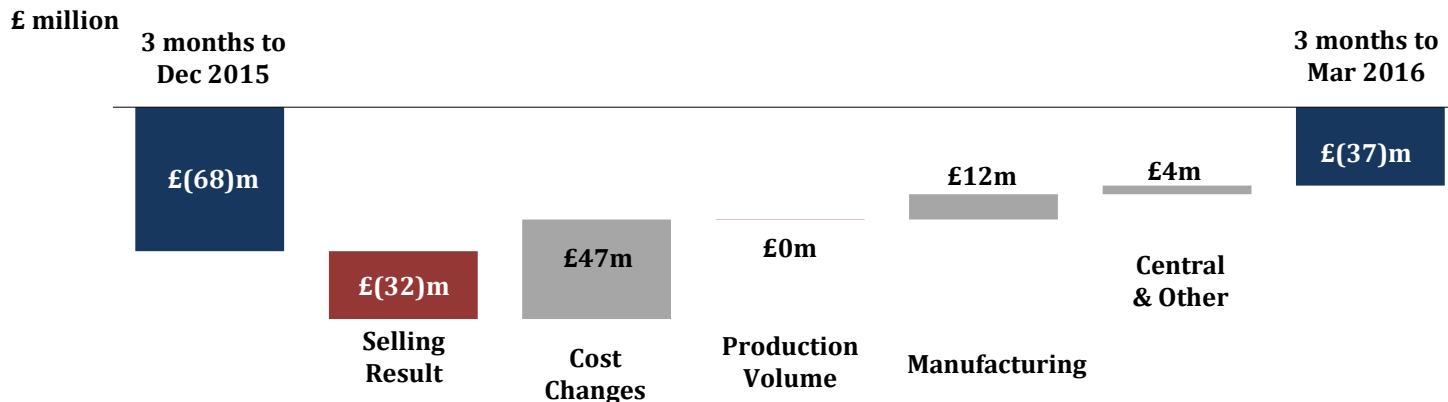
### Operational reliability and productivity gains

- ❑ Strong operational performance throughout the past year
- ❑ Productivity improvements at both IJmuiden and Port Talbot, including record annual outputs at IJmuiden and Port Talbot hot strip mills while maintaining focus on quality

### Customer-focused approach

- ❑ Continued focus on developing differentiated products and services which give customers a competitive edge
- ❑ Maintained strong pace of new product launches – 32 in year with total of 142 now in European portfolio.
- ❑ New products include new packaging products for food and paint cans, a pipeline product guaranteed to withstand extreme temperatures and a number of new automotive and construction products
- ❑ Sales of differentiated products continued to climb above a third of total, culminating in strongest ever month in March
- ❑ Customer recognitions from the Royal Mint, Toyota and Volvo – the first time a steel supplier has won such an award.

## EBITDA Bridge–Q4FY16 vs Q3FY16



- ❑ EBITDA higher than the prior quarter
- ❑ Selling result impacted by continued downward pressure on prices due to increased imports. It was strengthened by differentiated products sales, especially in March when company achieved record result
- ❑ Cost changes improved as a result of lower input costs
- ❑ Manufacturing improved following changes to the cost base resulting from restructuring announcements

I

The Eurozone and UK economies continue to grow, however industrial activity continues to lag the services sector

II

EU steel demand expected to remain stable in 2016 due to muted growth of steel-using sectors

III

European steel mills expected to continue to be under pressure from increasing imports

IV

Recent signs of improvements in global market conditions, with rising prices unclear whether recovery will be sustained through 2016

A horizontal decorative bar with a textured, metallic steel appearance.

**I** Group Financial Performance

**II** India & SE Asia performance

**III** Europe performance

**IV** Appendix



## Standalone-QoQ Variations

₹ Crores	Q4 FY16	Q3 FY16	Key Reasons
Net sales	10,372	8,991	Higher volumes
Other operating income	150	73	Credits relating to insurance claims
Changes in inventories	646	(173)	Reduction due to higher sales
Purchases of finished, semis & other products	224	333	Higher purchases of HR coils in previous quarter
Raw materials consumed	2,159	2,341	Lower consumption of purchased coal and bought out metaliks
Employee benefits expenses	1,018	1,139	Change in actuarial assumptions impacting post retirement benefits
Purchase of power	707	674	Increased consumption at Kalinganagar & FAMD
Freight and handling	814	778	Higher volumes
Depreciation and amortisation	493	491	At par with previous quarter
Other expenses	2,789	2,474	Increase in regulatory levies. Q3 contained DMF reversal
Other income	126	83	Higher profit on sale of current investments
Finance cost	383	350	Higher borrowings
Exceptional Items	(327)	40	Largely on account of Employee separation scheme
Tax	410	247	Inline with profits

## Consolidated Results -QoQ Variations

₹ Crores	Q4 FY16	Q3 FY16	Key Reasons
Net sales	29,164	27,819	Increased primarily at India
Other operating income	343	220	Increase mainly in India and other miscellaneous income
Changes in inventories	1,903	957	Reduction mainly due to higher sales
Purchases of finished, semis & other products	2,508	2,432	Higher steel purchases at TSTH & TSE, off set by decrease in India
Raw materials consumed	7,057	7,625	Decreased mainly on lower raw material cost and lower production at TSE
Employee benefits expenses	5,116	4,965	Increase in Europe due to increase in long term employee benefits. This was partly offset by decrease in India
Purchase of power	1,289	1,317	Primarily at Europe due to reduction in energy cost and lower production
Freight and handling	1,981	1,988	At par with previous quarter
Depreciation and amortisation	1,232	1,133	Increase primarily at Netherlands
Other expenses	7,448	7,980	Reduction mainly in Europe due to lower maintenance cost
Other income	129	96	Increase mainly in India
Finance cost	1,018	964	Increase primarily in India
Exceptional Items	(2,858)	(712)	Restructuring & impairment provisions at TSE & ESS provisions at TSI
Tax	506	243	Increase mainly in India

### Investor enquiries :

Samita Shah

Tel: +91 22 6665 7307

Email: [samita.shah@tatasteel.com](mailto:samita.shah@tatasteel.com)

Devang Shah

Tel: +91 22 6665 0530

Email: [devang.shah@tatasteel.com](mailto:devang.shah@tatasteel.com)

### Media enquiries:

Kulvin Suri

Tel: +91 657 664 5512 / +91 92310 52397

Email: [kulvinsuri@tatasteel.com](mailto:kulvinsuri@tatasteel.com)

Rob Simpson

Tel: +44 207 717 4404/ +44 7990 786531

Email: [rob.simpson@tatasteel.com](mailto:rob.simpson@tatasteel.com)

