Management Discussion and Analysis 2012-13

OVERVIEW

The following operating and financial review is intended to convey the management's perspective on the financial condition and on the operating performance of the Company as at the end of the Financial Year 2012-13. The following discussion of the Company's financial condition and result of operations should be read in conjunction with the Company's financial statements, schedules and notes thereto and the other information included elsewhere in the Annual Report. The Company's financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and the Generally Accepted Accounting Principles (GAAP) in India.

I. INDUSTRY STRUCTURE

1. Global Steel Industry:

While global industrial production in 2012 dropped to its lowest level since 2009, global steel production reached a record high of 1.55 billion tonnes, up by 1.2% as compared to 2011. The growth came mainly from Asia and North America while production in the European Union and South America decreased in 2012 compared to 2011. Global steelmakers continued to witness supply growth outpacing demand, with capacity utilisation rates remaining consistently below 80%. Subdued steel prices and a slowdown in demand growth from China continued to weigh on the global steel sector in the past year.

Annual production for Asia was 1.01 billion tonnes of crude steel in 2012, an increase of 2.6% as compared to 2011. China's crude steel production in 2012 reached 716.5 million tonnes, an increase of 3.1% on 2011, resulting in a hike in the country's share of world crude steel production from 45.4% in 2011 to 46.3% in 2012. The EU meanwhile recorded a decrease of 4.7% compared to 2011, producing 169.4 million tonnes of crude steel in 2012. Among specific countries, Germany produced 42.7 million tonnes of crude steel, a decrease of 3.7% on 2011. Italy produced 27.2 million tonnes, a 5.2% decrease over 2011. France's crude steel production in 2012 was 15.6 million tonnes, a decrease of 1.1%. Spain produced 13.6 million tonnes of crude steel in 2012, a 12.1% decrease on 2011. In 2012, crude steel production in North America was 121.9 million tonnes, an increase of 2.5% on 2011 while that for South America was 46.9 million tonnes, a decrease of 3.0% on 2011. The US produced 88.6 million tonnes of crude steel, 2.5% higher than 2011.

The past year proved to be a challenge for the steel industry with apparent steel usage increasing at the slowest rate since 2009. The euro zone crisis persisted throughout 2012 and macro-economic pressures in major economies contributed significantly to the global slowdown. Lower industrial production and reduced investment in large scale infrastructure projects resulted in a marked decrease in the growth of steel demand from both the developed and emerging markets. Apparent global steel usage in 2012 had grown by only 1.2%. A modest pick-up in global steel demand is expected in 2013. Global apparent steel usage is forecasted to increase by 2.9% to 1.45 billion tonnes in 2013, following the slower-than-expected growth in 2012. Demand is likely to improve faster in emerging markets. Apparent steel use in China, the largest steel producer and consumer, is expected to grow by 3.5% in 2013 to 668.8 million tonnes following a 1.9% increase in 2012. There are trends of demand recovery in the property sector and the demand for infrastructure has also been strong since June, 2012. However, underlying demand in the EU is not expected to improve much in 2013 despite moderate restocking seen in the beginning of the year. Overall, steel demand is expected to remain weak due to the continuing economic crisis in the developed countries and the structural shift in the Chinese economy.

The following table shows the crude steel production volume of the top 10 steel producing nations:

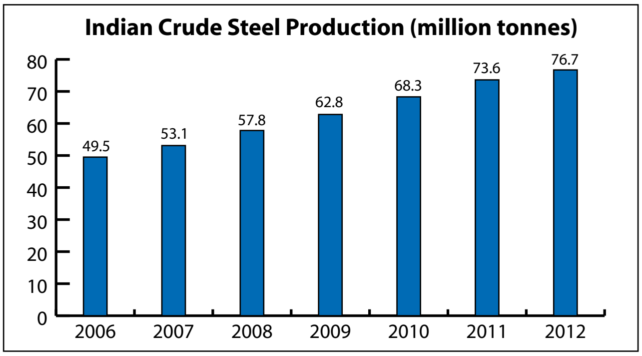
in million tonnes

Rank	Country	2012	2011	Change %
1	China	716.5	694.8	3.1
2	Japan	107.2	107.6	(0.4)
3	United States	88.6	86.4	2.5
4	India	76.7	73.6	4.2
5	Russia	70.6	68.9	2.5
6	South Korea	69.3	68.5	1.2
7	Germany	42.7	44.3	(3.6)
8	Turkey	35.9	34.1	5.3
9	Brazil	34.7	35.2	(1.4)
10	Ukraine	32.9	35.3	(6.8)

Source: World Steel Association

2. Steel Industry in India:

During 2012, India maintained its ranking as the 4th largest steel producing country in the world behind China, Japan and the US with a crude steel production of 76.7 million tonnes representing a 4.3% growth over 2011.



The Indian steel industry continued to showcase trends of higher consumption of finished steel and continued to be a net importer on account of increased demand for special grades of steel in the country.

As GDP growth weakened more than expected in 2012 on account of stalled investment against the backdrop of tightening policies, widening trade and fiscal deficit, high inflation and weak FDI inflows, the Financial Year 2012-13 was a year of subdued activity for steel using sectors in particular the auto segment; it is expected that 2013 will continue to remain a challenging year for the automotive sector as high interest rates and fuel expenses will continue to act as a drag on demand. However, the construction sector remained relatively resilient in 2012 and is expected to remain stable.

Steel demand has remained sluggish so far in 2013 amidst weak activity and poor sentiment; however, activity is expected to accelerate modestly in the coming months. Steel demand is expected to grow by 5.9% to 75.8 million tonnes in 2013 following 2.5% growth in 2012 as monetary easing is expected to support investment activities. Strengthening domestic consumption and improving external conditions will also help underpin the growth of steel using sectors.

3. UK and European Steel Industry:

With the debt crisis having weighed heavily on economic activity, especially during the last quarter of 2012 due to continued uncertainty, apparent steel use in EU 27 during 2012 fell by 9.3% with a widening gap seen at the country level. Economic growth remained uneven among major European countries, and steel demand continued to be depressed. Most of the countries in the EU witnessed contraction in steel usage during 2012. It was not only the debt-ridden countries such as Spain and Italy that experienced a decline in apparent steel consumption, but also resilient economies such as Germany that also faced demand pressure. In particular, in Italy and Spain, the apparent steel use contracted by over 18% in 2012. Slow domestic demand in the EU was characterised by a further drop in business sentiment and intensifying financing restraints resulting in a further decline in activity in the steel using sectors with automotive and construction showing the worst trend. Export demand had also come under pressure due to the slowdown in global economic growth. The outlook for 2013 remains bleak. Steel demand in EU 27 is expected to contract further by 0.5% in 2013, but is forecasted to return to a growth of 3.3% in 2014 to reach 144.1 million tonnes. Total activity in the steel using sectors is expected to register a decline in 2013 due to the continuation of difficult operating conditions across most sectors. Domestic demand is expected to remain sluggish due to austerity, weak confidence and difficult access to finance. However, stimulus packages in major global economies, measures from the European Central Bank to contain the debt crisis and signs of stabilisation in the overall economic situation are expected to improve steel outlook by late 2013 but the sentiment of uncertainty continues to dominate the market.

4. South East Asian Steel Industry:

The South East Asian region continues to show signs of economic resilience, backed by strong domestic demand. All the ASEAN member countries of SEAISI (South East Asian Iron & Steel Institute), with the exception of Singapore, registered growth rates of more than 5% in 2012. Philippines headed the pack with a strong growth rate of 6.6%, followed by Thailand (6.4%), Indonesia (6.2%), Malaysia (5.6%) and Vietnam (5.1%). Singapore, the most advanced country in the region, recorded a slow growth rate of 1.3% in 2012.

Thailand's economy had rebounded strongly from 0.1% in 2011 to register a growth rate of 6.4% last year. As a result of the strong economic recovery in the country, Thailand's apparent steel consumption also surged significantly in 2012, rising by 13.9% year on year (y-o-y), the highest in the region followed by Vietnam at 9.9% and Indonesia at 8.8%. Malaysia and Philippines both registered marginal increases in steel demand of 1.7% and 2.2% respectively while steel demand in Singapore declined by 4.9% y-o-y. Thailand's total steel consumption rose from 14.5 million tonnes in 2011 to 16.6 million tonnes in 2012, driven mainly by robust demand in the construction, automotive and appliance sectors. The country continued to remain one of the top 10 steel importing countries in the world having imported a total of 15 million tonnes of steel products in 2012 while exports stagnated at 1.2 million tonnes. Import of flat products was in excess of 8.8 million tonnes.

Production in the region is estimated to have declined slightly, by 2% y-o-y to 25.5 million tonnes in 2012 as a result of a decline in steel output in most of the countries in the region, except Philippines. Imports surged significantly, by 8% y-o-y to 36.9 million tonnes in 2012 while exports from the region are estimated to have declined by 22% y-o-y to 6 million tonnes in 2012. All countries in the region except Singapore registered a decline in the volume of exports.

II. TATA STEEL GROUP OPERATIONS

Tata Steel Group deliveries at 24.1 million tonnes were almost at par with previous year (24.2 million tonnes). Deliveries of Tata Steel India, NatSteel Holding and Tata Steel Thailand were higher by 13%, 7% and 3% respectively, whereas deliveries at Tata Steel Europe were lower by 7% as compared to the previous year. The deliveries in Tata Steel India were higher by almost a million tonnes compared to the previous year due to the commissioning of the new capacity expansion in Jamshedpur. The deliveries at Tata Steel Europe were lower due to the economic conditions in Europe, rebuilding of Blast Furnace 4 (BF4) at Port Talbot during most part of the year and the impact of restructuring at Long products. The turnover for the Group at ₹ 1,34,712 crores during the Financial Year 2012-13 was 1.4% higher than the turnover in the Financial Year 2011-12 (₹ 1,32,900 crores). While the Group's operation in India and South East Asia registered an increase in turnover, the same was partially offset by a decrease in turnover at its European operations. EBITDA for the Group in the Financial Year 2012-13 was ₹ 12,654 crores as compared to ₹ 13,533 crores in the Financial Year 2011-12.

The Group reported a consolidated loss after tax (after minority interest and share of profit of associates) of ₹ 7,058 crores during the Financial Year 2012-13 (Profit of ₹ 5,390 crores in the Financial Year 2011-12), which also included an exceptional charge on the impairment of ₹ 8,356 crores.

1. Tata Steel India

in ₹ crores

	FY 13	FY 12
Turnover	**38,199**	33,933
Profit before tax (PBT)	**7,837**	9,857
Profit after tax (PAT)	**5,063**	6,696

a) Steel division

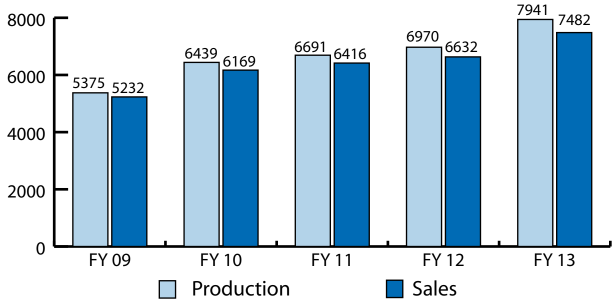
The production and sales figures of the steel division of the Company are shown in the following table:

in million tonnes

	FY 13	FY 12	Change %
Hot Metal	**8.86**	7.75	14.3
Crude Steel	**8.13**	7.13	14.0
Saleable Steel	**7.94**	6.97	13.9
Sales	**7.48**	6.63	12.8

The trend of steel production and sales is shown below:

Production and Sales of Steel Division ('000 tonnes)



The major production and sales highlights for the Financial Year 2012-13 are shown below:

Production

in million tonnes

Best ever	FY 13	Previous best
Hot Metal production	**8.86**	7.75 – **FY 12**
Wire Rolling Mill production	**0.43**	0.42 – **FY 12**
LD#1 (Billets production)	**3.18**	3.12 – **FY 12**
New Bar Mill production	**0.80**	0.78 – **FY 12**
Lime Plant production	**0.82**	0.78 – **FY 12**
West Bokaro clean coal production	**2.34**	2.30 – **FY 12**

Sales

- Overall sales at 7.48 million tonnes grew by 13% over last year (6.63 million tonnes in the Financial Year 2011-12).
- Due date performance (which measures delivery compliance) was sustained at 96% in Flat products and improved from 96% to 98% in Long products.

Flat Products

- The sales of Flat products at 4.49 million tonnes increased by 20% in the Financial Year 2012-13 (3.74 million tonnes in the Financial Year 2011-12).
- The division achieved the best ever sales performance in Tata Shaktee GC sheets and Durashine (0.26 million tonnes).

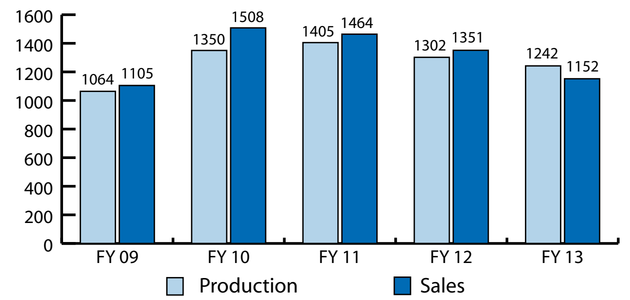
Long Products

- The sales of Flat Products at 2.99 million tonnes increased by 3% in the Financial Year 2012-13 (2.90 million tonnes in the Financial Year 2011-12).
- The division achieved the highest ever annual sales of Tata Tiscon in the retail segment at 1.16 million tonnes.

b) 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 the Financial Year 2012-13 was 1,152k tonnes against the volume of 1,351k tonnes in the Financial Year 2011-12.

Growth in the Financial Year 2012-13 continued to be subdued globally, with EU remaining in recession and fiscal cliff issues plaguing US.

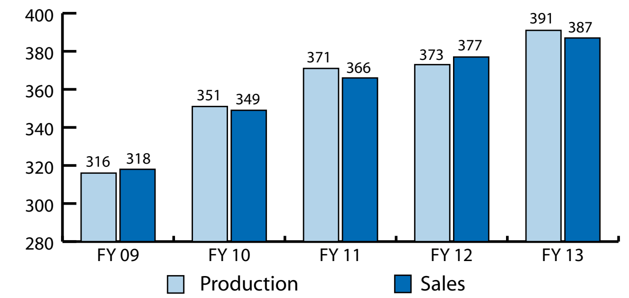
The outlook for next year is of cautious optimism, with China's growth coming under pressure and the continuing liquidity crunch in India. Global stainless steel production is likely to see a growth in the range of 5-6%, primarily driven by China. Demand for ferro alloys is likely to marginally increase, growing at about 5%. In the next year, the division has plans to increase its production of manganese alloys, with a focus on cost reduction. Buoyed by the success of the launch of 'Tata Silicomag', first ever branded ferro alloys in the world, the division plans to ramp up its sales by launching the same in different territories in India.

The division won the 'National Safety Award' for its Sukinda mines in the lowest injury frequency category and was recognised as 'Overall Best Performer' during the Odisha Metalliferous Mines Safety campaign for 2012-13. Sanjivani, an all lady quality circle team from Sukinda was awarded the 3 star (Gold) award at the International convention on Quality Control Circle, 2012 at Kuala Lumpur, Malaysia.

c) 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 the Financial Year 2012-13, the Tubes division registered a steady volume growth in production and sales by 5% and 3% respectively, despite the slow down in the market.

The key performance highlights of the division are as under:

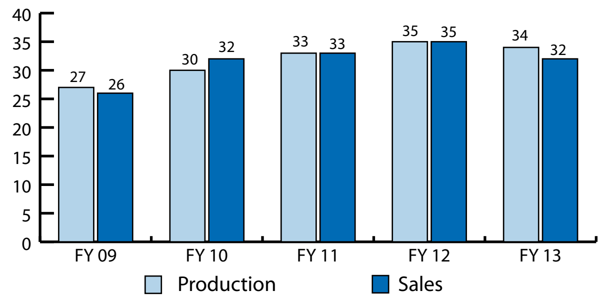
- During the year, the division developed new products like Red Oxide Pipes, Thin Organic Coated Galvanised Tubes and GP Tubes for retail segment.
- 'Tata Structura' sales registered 20% volume growth during the year with best ever sales at 1,35,000 tonnes.

The Tubes division received the Zee Business 'Good Home Award' 2012 in pipes category for 'Tata Pipes'. The division's small group activity (SGA) team was adjudged 'Winner of State and Regional Finals of 25th QC Convention' organised by the Confederation of Indian Industry (CII).

d) Bearings Division

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

Production and Sales of Bearings Division (million numbers)



During the Financial Year 2012-13, the division registered lower production and sales volumes due to de-growth in the auto sector, especially motorcycles and commercial vehicles.

During the year, the division commissioned a new line of bearings 'HUB Bearings', specifically used in passenger vehicles.

During the Financial Year 2012-13, the division was bestowed with a number of awards and accolades. The division was conferred with the Gold award by Economic Times and Frost & Sullivan for excellence in Manufacturing and Supply Chain. It also received the Bajaj Auto Gold Award for delivery, cost and quality besides 'Zero PPM' rating from Toyota, Tata Motors and Rane Madras for supplies of bearings.

2. Tata Steel Europe

in ₹ crores

	FY 13	FY 12
Turnover	**78,012**	82,153
Profit/(loss) before tax (PBT)	**(12,789)**	(4,281)
Profit/(loss) after tax (PAT)*	**(12,649)**	(4,242)

* PAT represents PAT after minority interest and share of profit of associates.

Tata Steel Europe's (TSE) revenue of ₹ 78,012 crores for the Financial Year 2012-13 was 5% lower than the previous year in rupee terms (15% lower in GBP terms, being TSE's reporting currency). This reflects an 8% decrease in the average revenue per tonne caused by a deterioration to market conditions through the second half of the Financial Year 2011-12 and into the Financial Year 2012-13. In addition, deliveries reduced by 7% in the Financial Year 2012-13 because Financial Year 2011-12 included a period of three blast furnace operation at Scunthorpe and two blast furnace operation at Port Talbot. In the Financial Year 2012-13, output levels were impacted by Scunthorpe operating only two blast furnaces following the restructuring measures and Port Talbot operating only one blast furnace due to the outage to rebuild Blast Furnace 4 (BF4).

TSE's profit before tax for the Financial Year 2012-13 includes a non-cash impairment provision of ₹ 7,354 crores in the wake of continuing weak market conditions in Europe.

TSE's crude steel production for the Financial Year 2012-13 stood at 13.3 million tonnes, a 5% drop over the previous year. Deliveries at 13.1 million tonnes were 7% lower over the Financial Year 2011-12. The production and sales performance of TSE are shown below:

in million tonnes

	FY 13	FY 12	Change %
Crude steel production	**13.3**	14.0	(5.0)
Deliveries	**13.1**	14.0	(6.8)

In the Financial Year 2012-13, about 75% 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 30% of hot rolled coil was sold without further processing and 65% was further processed in cold rolling mills and coating lines. The remainder was transferred to the 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:

in million tonnes

	Production capacity	Actual production
Port Talbot steelworks, West Glamorgan, Wales	**4.9**	3.0
Scunthorpe steelworks, South Humberside, England	**4.5**	3.1
Rotherham steelworks, South Yorkshire, England	**1.2**	0.6
IJmuiden steelworks, the Netherlands	**7.2**	6.6
Total	**17.8**	**13.3**

3. NatSteel Holdings

in ₹ crores

	FY 13	FY 12
Turnover	**9,393**	8,600
Profit/(loss) before tax (PBT)	**155**	35
Profit/(loss) after tax (PAT)*	**113**	18

* PAT represents PAT after minority interest and share of profit of associates.

During the Financial Year under review, NatSteel Holdings (NSH) achieved a production level of 1.68 million tonnes as compared to 1.63 million tonnes of the Financial Year 2011-12, registering an increase of 3%. Sales volume at 1.93 million tonnes was higher by 7% as compared to 1.81 million tonnes during the Financial Year 2011-12.

With its recent capacity expansion in China, NatSteel's production reached a new high of 81k tonnes per month during the 4th quarter of the Financial Year 2012-13. Overall sales for the year from China stood at 653k tonnes, a 21% growth over the Financial Year 2011-12. Sales in Vietnam stood at 112k tonnes, registering a growth of 14% over the Financial Year 2011-12. Australian operations have undergone a major transformation, with the closure of Queensland operations and significant improvement in productivity across all other facilities.

4. Tata Steel Thailand

in ₹ crores

	FY 13	FY 12
Turnover	**4,436**	4,110
Profit/(loss) before tax (PBT)	**(626)**	(211)
Profit/(loss) after tax (PAT)*	**(635)**	(323)

* PAT represents PAT after minority interest and share of profit of associates.

Thailand showed a robust recovery from floods in late 2011 and posted a y-o-y GDP growth of 6.4% led by demand in the automotive and construction segment.

Tata Steel Thailand (TSTH) recorded a sales volume of 1.18 million tonnes during the Financial Year 2012-13, registering an increase of 3% over the Financial Year 2011-12 (1.14 million tonnes). While the enhanced growth in the construction sector helped in increased rebar sales, the wire rods product line was adversely affected by cheaper imports. The mini blast furnace, which was mothballed in August, 2011, continued to stay temporarily shut due to the comparatively higher cost of billet from the hot metal route, as against the scrap route. The company strengthened its leadership position by increasing its market share in rebars and by establishing a stronger foothold of its brand 'Tata Tiscon' in the regional markets of Thailand. The year also saw the launch of Seismic rebars, an earthquake resistant rebar for the first time in Thailand.

TSTH's profit before tax for the Financial Year 2012-13 includes a non-cash impairment provision of ₹ 518 crores.

5. Tata Metaliks Limited

in ₹ crores

	FY 13	FY 12
Turnover	**995**	1,231
Profit/(loss) before tax (PBT)	**(114)**	(170)
Profit/(loss) after tax (PAT)*	**(87)**	(113)

* PAT represents PAT after minority interest and share of profit of associates.

Tata Metaliks Limited (TML), a subsidiary of Tata Steel Limited, is one of the largest producers 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 the Financial Year 2012-13 and the Financial Year 2011-12 are shown below:

in '000 tonnes

Production	FY 13	FY 12
Pig iron	**289**	343
Ductile Iron Pipe	**62**	50

in '000 tonnes

Sales	FY 13	FY 12
Pig iron	**274**	356
Ductile Iron Pipe	**61**	47

During the financial year under review, there has been a significant improvement in the operating margin of the Kharagpur plant after the upgradation of the Blast Furnace and setting up of the Sinter Plant which has been recently commissioned. The company is also evaluating different options to divest its Redi Plant which remained closed since November 2011. The company has done an independent valuation of its plant and machinery and other assets (excluding land) at Redi Plant and recognised an impairment loss of ₹ 45 crores during the Financial Year 2012-13.

On 10th April, 2013, Tata Steel Limited announced the merger of TML and TMKPL with itself through a composite scheme of amalgamation to be sanctioned through a court approval process. Tata Steel will issue 4 (four) equity shares of ₹10 each for every 29 (twenty-nine) equity shares of ₹10 each held by the public shareholders of TML upon approval of the scheme by the courts. Tata Steel along with a subsidiary holds 50.09% of the equity share capital of TML.

6. TM International Logistics Limited

in ₹ crores

	FY 13	FY 12
Turnover	**1,047**	929
Profit/(loss) before tax (PBT)	**65**	68
Profit/(loss) after tax (PAT)	**53**	55

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. During the Financial Year 2012-13, TMILL commenced its operations at Sohar Port Terminal, Oman. The company recorded an increase of 13% in turnover over the Financial Year 2011-12, however there was a slight reduction in profit due to additional depreciation. The shipping business arm of TMILL achieved a milestone by handling 7.9 million tonnes of cargo during the Financial Year 2012-13, exceeding its previous best of 5.28 million tonnes in the Financial Year 2010-11.

The key performance highlights of the company during the Financial Year 2012-13 are:

Division		FY 13	FY 12	Change %
Port operations	Million tonnes	**16.1**	9.9	62.6
Shipping	Million tonnes	**7.9**	5.2	51.9
CHA (Bulk clearance)	Million tonnes	**5.6**	4.4	27
CHA & Inland Logistics (excl. bulk clearance)	CIF in ₹ crores	**4,073**	3,218	26.6
Freight forwarding	Volume in TEUs	**32,629**	34,070	(4.2)

7. Tayo Rolls Limited

in ₹ crores

	FY 13	FY 12
Turnover	**178**	140
Profit/(loss) before tax (PBT)	**(34)**	(53)
Profit/(loss) after tax (PAT)	**(34)**	(53)

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 driven by the steel industry, continues to be under immense pressure both in terms of volume and realisation. The weak economy during the last year is expected to further the adverse effect on the roll industry going forward. During the Financial Year 2012-13, the liquidity position of the company was fragile due to lower off take and sluggish economy and the company faced a major challenge in managing adequacy of working capital as well as its variable costs.

Forged Roll and Engineering Forgings have provided the company with an opportunity to explore newer markets, which may isolate it from the volatility of the steel industry. The company is currently relooking at options to restructure its businesses.

The key highlights during the year are shown below:

in '000 tonnes

	FY 13	FY 12	Change %
Rolls Production	**8.1**	7.3	11
Rolls Sales	**8.1**	7.2	13
Pig Iron Production (conversion)	**25.6**	12.2	110
Pig Iron Sales (conversion)	**23.8**	10.7	122
Ingot production	**5.3**	1.9	179
Ingot Sales	**1.4**	1.3	8

8. Tata Steel Processing and Distribution Limited

in ₹ crores

	FY 13	FY 12
Turnover	**1,643**	1,864
Profit/(loss) before tax (PBT)	**60**	81
Profit/(loss) after tax (PAT)	**41**	55

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 eight steel processing units and several distribution locations across the country.

During the year under review, the company, being a dominant player in auto steel servicing, got adversely affected by the slowdown of the economy at large, particularly that of the auto sector in the Financial Year 2012-13. The auto sales of major manufacturers in the Financial Year 2012-13 were at its lowest levels as compared to its past. However, the company, retained its share of business with the key customers, despite the shrinkage in the market. The company also took various operational and financial initiatives to reduce its fixed and financing costs and also enhanced its product mix and net margins. These measures helped in mitigating to a great extent the adverse impact on the bottom line of the company.

Different units of the company received reputable accolades, notable amongst which are:

- TSPDL Pune has been ranked the Best Service centre among all India distributors at the ACE+ awards 2012.
- Jamshedpur, Pune, Pantnagar and Faridabad units were successfully recertified for OHSAS 18001: Safety Management System.
- Jamshedpur unit won 1st prize from Jamshedpur Blood Bank for highest blood donation.
- TSPDL Pantnagar stood as winner at the Northern Region Tata Innovista Award for the 3rd consecutive year.

9. The Tinplate Company of India Limited

in ₹ crores

	FY 13	FY 12
Turnover	**893**	641
Profit/(loss) before tax (PBT)	**50**	28
Profit/(loss) after tax (PAT)	**28**	17

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.

The company had completed the commissioning of its second cold rolling mill in the Financial Year 2011-12 with the objective of producing the required feedstock for full utilisation of the tinning lines. Consequently, the overall production from the two cold rolling mills for the Financial Year 2012-13 was at 323k tonnes, 22% higher than the Financial Year 2011-12 production of 264k tonnes. The tinning lines production at 310k tonnes during the Financial Year 2012-13 was also 21% higher than the Financial Year 2011-12 production of 256k tonnes.

The turnover of the company increased by 39% on the strength of increased conversion volumes and higher export volumes. The Profit after tax increased by 65% primarily on account of increase in volumes as well as lower input costs.

10. Tata NYK Shipping Pte Ltd.

in ₹ crores

	FY 13	FY 12
Turnover	**1,091**	**698**
Profit/(loss) before tax (PBT)	**(125)**	**(114)**
Profit/(loss) after tax (PAT)	**(125)**	**(114)**

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

The company has diversified, high performance, environment friendly Japanese and Korean built vessels. The Company has a current fleet size of 23 ships (5 owned and 18 chartered).

Despite low shipping indices in the recent past and very difficult market conditions, the company registered a growth of 50% in the cargo carriage (16.8 million tonnes in the Financial Year 2012-13 as compared to 11.2 million tonnes in the Financial Year 2011-12). On the same lines, revenues were higher by 56% in Rupee terms (higher by 38% in USD, being the functional currency of the company). This was primarily due to the commencement of long term cape business with Tata Group companies during the current year. However, due to the challenging shipping market in the short term, the company incurred losses on the supramax operations, resulting in an overall loss of ₹ 125 crores during the Financial Year 2012-13 as compared to a loss of ₹ 114 crores in the Financial Year 2011-12.

11. Tata Sponge Iron Limited

in ₹ crores

	FY 13	FY 12
Turnover	**798**	636
Profit/(loss) before tax (PBT)	**126**	112
Profit/(loss) after tax (PAT)	**85**	76

Tata Sponge Iron Limited (TSIL), a manufacturer of sponge iron and producer of power is located at Joda, Odisha. During the Financial Year 2012-13, the company registered a growth of 33% in production volumes due to an improvement in the supply of iron ore.

In the Power business, the company achieved a generation of 178.92 million kwh of power in the Financial Year 2012-13 as compared to 134.39 million kwh in the Financial Year 2011-12. The sale of surplus power during the Financial Year 2012-13 was 123.81 million kwh as compared to 88.31 million kwh in the Financial Year 2011-12. The increase in generation and sale of power is primarily on account of higher operating days of sponge iron kilns. TSIL was an associate company of Tata Steel till the Financial Year 2011-12 and became a subsidiary with effect from 28th August, 2012.

III. STRATEGY

Tata Steel's strategy development and deployment has been aligned to its vision of becoming a global steel industry benchmark in value creation and corporate citizenship. In the Financial Year 2012-13, the Company faced several challenges due to external market conditions as the key segments of automotive and capital goods were faced with slowdown and the performance of the Indian economy declined substantially during the year. The Company also faced challenges on account of volatile exchange rates and demand slowdown in the economy.

Tata Steel's strategy of improving operational excellence through focused improvement initiative achieved a savings of ₹ 1,625 crores against a plan of ₹ 1,324 crores in the Financial Year 2012-13. Its flagship initiative 'KVHS' (Kar Vijay Har Shikhar-conquer every peak) contributed ₹ 1,057 crores in the Financial Year 2012-13.

Tata Steel, in the Financial Year 2012-13, also continued its focused improvements in the quality of products and services.

The Corporate Quality Assurance system has brought about a steep improvement in quality as it integrated the divisional quality assurance systems which had been in existence and delivering value to the customers. Customer claims from existing facilities have shown significant reduction in the Financial Year 2012-13.

In line with Tata Steel Group's vision of being a global benchmark in value creation and corporate citizenship, Tata Steel Europe has defined its own vision that is tailored for the European business environment; namely: "To be the long-term preferred partner in our chosen markets by unlocking the potential of steel." As part of the vision, TSE has identified five key strategic priorities:

Customer focus

- Single sales and marketing function with particular industry focus on automotive, construction, lifting and excavating, and energy and power.
- Major 'supply chain transformation' project aimed at improving customer service levels.
- Investment projects to improve product mix and service offering.

Innovation

- Projects aimed at providing leadership position in the future.
- Jointly funded with the Royal Academy of Engineering a new chair for research into low carbon materials technology at the University of Warwick.
- Implementation of a Project and Portfolio Management Tool known as 'Trakker' for managing Tata Steel's new product development stage gate process and putting in place regular monthly reviews. In January 2013, TSE won the Innovation Award from CA Technologies for the use and further development of the 'Trakker' Portfolio Management Tool.

Operational excellence

- Alignment of industrial footprint with market conditions.
- Upgradation of plants with the aim of improving asset performance and cost competitiveness. To this end, some of the more significant initiatives underway are:
  a. The steelworks at IJmuiden, the Netherlands, is implementing a five-year improvement programme, which is designed to maintain the plant's position as a world-class steelmaker. The focus will be on three goals: further enhancing product quality, improving reliability and reducing costs. As a consequence, IJmuiden's annual effective capacity will rise from 7.2mt to 7.7mt of liquid steel.
  b. TSE has restarted its second blast furnace at the Port Talbot steelworks in the UK following the completion of a rebuild project. The state-of-the-art new furnace is more efficient and will allow Tata Steel to continue to meet the demanding requirements of UK and European manufacturing industry.
  c. The restructuring of the Scunthorpe, England site was announced in May 2011 and implemented according to plan over the following 10 month period.
  d. Investment in the production of 108m long rail at Hayange was completed during the year assuring the sites continued position as a top class rail manufacturer.

Responsible behaviour

- TSE aims to act responsibly towards the environment, the communities within which it operates and its employees' safety.
- Leading contributor to the European Ultra Low CO_2 Steelmaking ('ULCOS') collaborative project.
- TSE's proposed bag filter facility in IJmuiden's sinter plant is expected to reduce emissions of fine particles, heavy metals and dioxins from the sintering process by atleast 75%.
- Proposed new cooling system in the Port Talbot BOS plant which would reduce the site's need for external power by about 15%.

People

TSE is committed to its people who are instrumental to its success. In managing its people, TSE focuses on three strategic building blocks:

- Engaging employees at all levels of the organisation.
- Developing the capability of the workforce through training and recruitment targeted towards filling capability gaps.
- Managing the employment cost base in a responsible manner.

TSE invests significantly in the upskilling and development of its employees. The primary mechanism for delivering this is the Tata Steel Academy, which has been in existence since April 2011.

The Group is thriving towards technological leadership by continuous research and development. Currently about 800 researchers are employed in five technological centres, four in Europe and one in India.

Tata Steel, India continues its expansion projects to maintain and strengthen market share in the growing Indian market. While expanding capacity, Tata Steel India, intends to retain raw material self-sufficiency levels close to the current levels. A detailed section has been included in the 'Directors' Report' on Tata Steel India's most significant expansion and raw material projects.

IV. OUTLOOK

Global economy continues on the recovery path although the macro-economic risks have remained. The major risks of euro area breakup and sharp fiscal consolidation in the US were averted with timely political intervention. While the unemployment still remains high in the US, growth is expected to continue on the back of stronger private demand and low policy rates. Forecasts for the euro area continue to remain depressing with weakening core countries apart from the already weak peripheries. Japan is expected to move on the growth path with strong monetary easing and fiscal stimulus. China is expected to have moderation in their growth as it continues to rebalance the economy in the near future. According to the forecasts of the International Monetary Fund, the World GDP is expected to grow by 3.3% in 2013 with advanced economies growing by 1.2% and the emerging and developing economies growing by a much faster rate of 5.3%; while the euro area continues to contract mildly by 0.3%.

Steel prices bottomed out around October 2012 and increased across regions until about February 2013 when overcapacity issues and weaker demand prospects dampened the sentiment. Indian domestic steel prices, however, did not improve due to slowing demand and gradually increasing production. Prices of iron ore in the seaborne market have stabilised in the recent months while there has been a downward trend for the coking coal prices. With the reopening of more iron ore mines in Karnataka, domestic supply of iron ore is expected to increase gradually and prices are expected to fall in the domestic market.

Steel demand growth globally is expected to continue due to growth in the emerging and developing economies. As per the forecasts from World Steel Association (WSA), worldwide apparent steel demand is expected to grow by 2.9% to 1,454 mt in 2013 and by 3.2% in 2014 to 1,500 mt (following the 1.2% growth in 2012). Steel demand in China is expected to grow by 3.5% and by 2.5% in 2013 and 2014 respectively as the country tries to rebalance the growth model and gradually focuses on the service sectors. Growth in the NAFTA region is expected to be slow following the strong growth in 2012, mainly due to fiscal consolidation measures in the US. Continuing worries concerning the euro zone may reduce the steel demand by 0.5% in 2013 before growth resumes in the next year. India's steel demand growth is projected at 5.9% and 7.0% in 2013 and 2014 respectively with expected support from the reform measures and narrowing of fiscal deficits.

V. FINANCE

In the context of the difficult macro-economic environment, the Company adopted a financing strategy for the year focused on two key components – (a) maintenance of a liquidity buffer for continued global operations (the total liquidity headroom of the company was ₹ 16,644 crores as of 31st March, 2013, comprising cash & cash equivalents and undrawn lines) and (b) sustenance of leverage pressures on account of increasing volumes and capital expenditure requirements in India. With this objective, a new unsecured rupee term loan facility of ₹ 2,000 crores tied up in March 2012 was utilised through the year while two short-term commercial papers for ₹ 975 crores each were issued and repaid post September 2012. The Company also issued two series of debentures – (a) non-convertible debentures worth ₹ 1,500 crores carrying a coupon of 2% with redemption premium for a tenor of 10 years on a private placement basis in April 2012 and (b) non-convertible unsecured debentures worth ₹ 1,000 crores carrying a coupon of 9.15% repayable in equal instalments in January 2019 and January 2021. The Company set up a buyers credit facility of Yen 1,198 mn (approx. US$15 mn) with Japan Bank for International Co-operation and The Bank of Tokyo-Mitsubishi UFJ Ltd., in September 2012. Further, the Company has also raised ₹ 1,300 crores (SGD 300 million) in April 2013 through 4.95% senior unsecured notes due in 2023 through its wholly owned subsidiary in Singapore, Abja Investments Pte Ltd. The bonds are listed on the Singapore stock exchange. The Company plans to utilise these amounts towards funding its capital expenditure requirements.

The financing initiatives of the Company have been closely linked as enablers of various operational and business requirements. This has been endorsed by multiple independent ratings agencies as reflected in their existing ratings of the Company being maintained for the year despite the declining external environment. In August 2012, Fitch reaffirmed Tata Steel Limited's rating at BB+ while changing its outlook from "Stable" to "Negative". The Domestic Rating of Tata Steel Limited and the loans availed from banks has been reaffirmed at AA. Short term facilities have also been reaffirmed at A+. Further, Moody's Investors Service reaffirmed Tata Steel Limited's Corporate Family Rating at Ba3 while changing its outlook from "Stable" to "Negative" while S&P revised Tata Steel Outlook to Negative from Stable and re-affirmed 'BB' Rating. The decline in the near term outlook across the agencies are due to a challenging external environment for the global steel industry. However, the Company remains geared to meet these challenges through an increased emphasis on deleveraging the balance sheet, reconfiguring capital expenditure requirements and adopting a flexible financing strategy. The full benefit of the 3 mtpa expansion in Jamshedpur is also expected to accrue in the future which will further strengthen the performance of the Company.

VI. FINANCIAL PERFORMANCE

1. Tata Steel standalone

Profit After Tax at ₹ 5,063 crores during the Financial Year 2012-13 was lower by 24% as compared to the Financial Year 2011-12 (₹ 6,696 crores) primarily due to non-cash impairment provision of ₹ 687 crores in the Financial Year 2012-13 and profit on sale of non-current investments of ₹ 511 crores in the Financial Year 2011-12. The diluted earnings per share was at ₹ 50.28 for the Financial Year 2012-13 (Financial Year 2011-12: ₹ 66.62) while the basic earnings per share was at ₹ 50.28 for the Financial Year 2012-13 (Financial Year 2011-12: ₹ 67.84).

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

a) Net sales and other operating income

in ₹ crores

	FY 13	FY 12	Change %
Sale of products	**40,925**	35,656	14.8
Sale of power and water	**875**	980	(10.7)
Income from town, medical and other services	**43**	51	(15.7)
Other operating income	**474**	318	49.1
Total sales and other operating income	**42,317**	37,005	14.4
Less: Excise Duty	**4,118**	3,072	34.0
Total net sales and other operating income	**38,199**	**33,933**	**12.6**

Net sales increased during the Financial Year 2012-13 by 13% as compared to the Financial Year 2011-12. This increase was primarily due to increase in sales volume at steel division during the Financial Year 2012-13 which recorded an increase of 13% over the Financial Year 2011-12. There was also an improvement in average steel prices of Long products during the year. However the impact of the same was partly offset by lower realisations in Flat Products due to market slowdown and higher proportion of Hot Rolled Coils. Division wise net sales are as shown below:

in ₹ crores

Net Sales	FY 13	FY 12	Change %
Steel	**33,705**	29,874	12.8
Tubes	**1,790**	1,783	0.4
Ferro Alloys and Minerals	**2,544**	2,100	21.1
Bearings	**160**	176	(9.1)
Total	**38,199**	**33,933**	**12.6**

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

in ₹ crores

	FY 13	FY 12	Change %
Purchase of finished, semi-finished steel and other products	**453**	210	115.7

Purchase of finished, semi-finished steel and other products during the Financial Year 2012-13 at ₹ 453 crores were higher by ₹ 243 crores as compared to the Financial Year 2011-12. A significant portion of this increase was on account of higher purchases by Tata Steel Growth Shop (TGS) to support project activities at Kalinganagar as well as higher purchases at Wires division.

c) Raw materials consumed

in ₹ crores

	FY 13	FY 12	Change %
Raw Materials consumed	**9,877**	8,014	23.2

Raw materials consumed increased primarily due to higher production volumes as well as rates, higher consumption of purchased coke and increase in freight and handling of own materials. The increases were partly offset by reduction in the cost of imported coal during the year.

d) Payments to and Provisions for employees

in ₹ crores

	FY 13	FY 12	Change %
Payments to and provisions for employees	**3,609**	3,047	18.4

The payments to and provisions for employees increased by 18% on account of normal salary increases and consequential increase in retiring benefits provisions. Retiring benefits provisions increased further during the year due to change in actuarial assumptions.

e) Stores and spares consumed

in ₹ crores

	FY 13	FY 12	Change %
Stores and spares consumed	**2,091**	1,693	23.5

Stores consumed (including industrial gases and spares) increased over the Financial Year 2011-12 primarily on account of higher consumption of operational spares, industrial gases and other stores and spares to support higher production.

f) Repairs to machinery

in ₹ crores

	FY 13	FY 12	Change %
Repairs to machinery	**1,381**	1,163	18.7

Increase in repairs to machinery as compared to the Financial Year 2011-12 was mainly on account of increase in mechanical contract jobs at mines and collieries and overhauling and other maintenance activities at various steel making facilities in the Steel Works.

g) Conversion charges

in ₹ crores

	FY 13	FY 12	Change %
Conversion charges	**1,955**	1,514	29.1

There was an increase in the conversion charges by 29% over the Financial Year 2011-12 primarily due to increase in conversion activities at Ferro Alloys and Minerals division and Long products. There were also rate increases at both Long products and Flat products and Ferro Alloys and Minerals division. Higher volume and rates for tin coating activities resulted in further increase in the conversion charges.

h) Purchase of power

in ₹ crores

	FY 13	FY 12	Change %
Purchase of power	**2,321**	1,804	28.7

Power purchase cost increased by 29% during the Financial Year 2012-13. This was mainly due to increase in cost for own use and higher purchases for outside sales. Increase in own use was both on account of rate and volume to support higher production of hot metal.

i) Freight and handling charges

in ₹ crores

	FY 13	FY 12	Change %
Freight and handling charges	**2,261**	1,704	32.7

Higher volumes of despatches along with increase in rates and change in destination mix led to 33% increase in freight and handling charges.

j) Royalty

in ₹ crores

	FY 13	FY 12	Change %
Royalty	**1,152**	912	26.3

Royalty charges in the Financial Year 2012-13 were higher due to increase in royalty rates and volume of both iron ore and coal.

k) Rates and Taxes

in ₹ crores

	FY 13	FY 12	Change %
Rates and taxes	423	372	13.7

Increase in rates and taxes were mainly due to provision for entry tax and increase in water tax charges.

l) Other expenses

in ₹ crores

	FY 13	FY 12	Change %
Other expenses	2,830	2,662	6.3

Increase in other expenses is primarily on account of increase in forex losses during the year, increase in repairs to buildings and increases in various other expense heads.

m) Finance cost and Net finance cost

in ₹ crores

	FY 13	FY 12	Change %
Finance cost	1,877	1,925	(2.5)
Net finance cost	1,546	1,062	45.6

While the gross finance cost for the Financial Year 2012-13 was slightly lower as compared to the previous year, the net finance cost was higher by 46% due to lower interest income and lower profit on sale of current investment during the year.

n) Exceptional items

in ₹ crores

	FY 13	FY 12	Change %
Exceptional items	(675)	511	(232.1)

Exceptional items during the Financial Year 2012-13 includes a non-cash impairment provision of ₹ 687 crores with regard to Tata Steel's investment and advances to Tata Steel KZN Ltd. Exceptional items for the Financial Year 2011-12 represents profit on sale of investments in Tata Refractories Limited (now known as TRL Krosaki Refractories Limited).

o) Fixed assets

in ₹ crores

	FY 13	FY 12	Change %
Gross Block	47,254	39,532	19.5
Less: Impairment	137	133	3.0
Less: Depreciation	13,520	11,986	12.8
Net Block	**33,597**	**27,413**	**22.6**

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

p) Investments

in ₹ crores

	FY 13	FY 12	Change %
Investments in subsidiary, JVs and associates	48,782	48,223	1.2
Other investments	1,203	856	40.5
Investment in mutual funds	434	1,204	(64.0)
Total investments	**50,419**	**50,283**	**0.3**

During the year the Company increased its investments in some of the subsidiaries which includes Jamshedpur Continuous Annealing and Processing Company Private Limited, The Tinplate Company of India Limited and Tata Sponge Iron Limited (which became a subsidiary during the year). Increase in other investments represents additional investments in equity shares of The Tata Power Company Limited and investments in debentures of Kalimati Investments Company Limited during the year.

q) Inventories

in ₹ crores

	FY 13	FY 12	Change %
Stores & Spares	1,473	923	59.6
Stock-in-trade	3,785	3,936	(3.8)
Total inventories	**5,258**	**4,859**	**8.2**

Increase in stores and spares were primarily due to increase in mechanical and electrical spares stock to support 3 million tonnes expansion activities at Jamshedpur. Decrease in inventories was primarily due to decrease in cost of imported coal partly offset by increase at Ferrro Alloys and Minerals division and increase in finished and semi-finished stock mainly in Flat products.

r) Sundry Debtors

in ₹ crores

	FY 13	FY 12	Change %
Gross Debtors	**811**	915	(11.4)
Less: Provision for doubtful debts	**14**	11	27.3
Net Debtors	**797**	**904**	**(11.8)**

Decrease in debtors is mainly on account of new debtors discounting scheme introduced from June, 2012. This was partly offset by increase in month-end export debtors.

s) Loans and advances

in ₹ crores

	FY 13	FY 12	Change %
Loans and advances	**8,782**	**8,130**	**8.0**

Increase in Loans and Advances is primarily on account of increase in advance against equity to Tata Steel Holdings (TSH) offset by provision for doubtful advances of Tata Steel KZN.

t) Cash flow and Net debt

Cash flow

in ₹ crores

	FY 13	FY 12	Change %
Net Cash flow from operating activities	**11,069**	10,424	6.2
Net Cash flow/(used) from investing activities	**(8,522)**	(2,859)	198.1
Net Cash flow/(used) from financing activities	**(4,282)**	(7,767)	(44.9)
Net increase/(decrease) in cash & cash equivalents	**(1,735)**	**(202)**	**758.9**

Net cash flow from operating activities: The net cash generated from operating activities was ₹ 11,069 crores during the year ended on 31st March, 2013 as compared to ₹ 10,424 crores during April to March 2012. The cash operating profit before working capital changes and direct taxes during the Financial Year 2012-13 was ₹ 11,587 crores, as compared to ₹ 11,829 crores during the Financial Year 2011-12. Decrease in trade and other receivables and increase in trade payables were partly offset by increase in inventories in the current period resulting in the overall decrease in working capital.

Net cash from investing activities: The net cash outflow from investing activities amounted to ₹ 8,522 crores in the Financial Year 2012-13 as compared to an outflow of ₹ 2,859 crores during the Financial Year 2011-12. The outflow during the Financial Year 2012-13 broadly represents an incremental investment in subsidiaries (₹ 2,124 crores) and capex (₹ 7,509 crores) partly offset by the sale of current investment (₹ 992 crores) and interest and dividend income received (₹ 204 crores).

Net cash from financing activities: The net cash outflow from financing activities was ₹ 4,282 crores during the Financial Year 2012-13 as compared to an outflow of ₹ 7,767 crores during the Financial Year 2011-12. The outflow during the year was primarily due to repayment of borrowings net of fresh drawal (₹ 1,093 crores) and interest and dividend payments (₹ 2,808 crores).

Net debt

in ₹ crores

	FY 13	FY 12	Change %
Gross Debt	**27,508**	26,172	5.1
Less: Cash and Bank balances	**2,221**	3,950	(43.8)
Less: Current investments	**434**	1,204	(64.0)
Net Debt	**24,853**	**21,018**	**18.2**

During the year, the increase in gross debt is primarily on account of increase in fresh drawals, partly offset by repayments of CARS. Current investments and cash balances were lower by ₹ 2,499 crores as compared to 31st March, 2012, contributing to the 18% increase in net debts.

2. Tata Steel Group

Tata Steel Group posted a consolidated loss after tax (after minority interest and share of profit of associates) of ₹ 7,058 crores against a profit of ₹ 5,390 crores in the previous year primarily due to a non-cash impairment provision of ₹ 8,356 crores during the Financial Year 2012-13 and continuing weak market conditions in Europe that impacted the operating performance of the European operations.

a) Net sales and other operating income

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**38,199**	33,933	12.6
Tata Steel Europe	**78,012**	82,153	(5.0)
NatSteel Holding	**9,393**	8,600	9.2
Tata Steel Thailand	**4,436**	4,110	7.9
Others	**28,255**	22,566	25.2
Eliminations & adjustments	**(23,583)**	(18,462)	27.7
Group Total	**1,34,712**	**1,32,900**	**1.4**

Tata Steel, India recorded a turnover growth of 13% primarily on account of higher volumes as well as better prices. Turnover of Tata Steel Europe was 5% lower than previous year (15% lower in GBP terms) on account of lower realisations (by 8%) and lower volumes (by 7%) reflecting weak market conditions. Turnover of NSH and TSTH reduced by 4% reflecting lower prices (increase in rupee terms on account of exchange rate impact).

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

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**453**	210	115.7
Tata Steel Europe	**7,633**	10,274	(25.7)
NatSteel Holding	**7,050**	6,595	6.9
Tata Steel Thailand	**2,700**	2,826	(4.5)
Others	**4,267**	5,367	(20.5)
Eliminations & adjustments	**(3,629)**	(4,199)	(13.6)
Group Total	**18,474**	**21,073**	**(12.3)**

Purchases at the Indian operations increased primarily on account of higher purchases to support project activities at Kalinganagar. Purchases at TSE reduced due to lower production. Excluding exchange translation impact, purchases at NSH and TSTH decreased by 6% and 15% respectively, on account of lower costs. Decrease in 'Others' primarily reflects lower purchases at TSPDL.

c) Raw materials consumed

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**9,877**	8,014	23.2
Tata Steel Europe	**29,674**	35,853	(17.2)
NatSteel Holding	**93**	116	(19.8)
Tata Steel Thailand	**246**	514	(52.1)
Others	**17,449**	12,502	39.6
Eliminations & adjustments	**(16,696)**	(11,541)	44.7
Group Total	**40,643**	**45,458**	**(10.6)**

The increase in raw material consumed at Tata Steel India is primarily due to higher production volume as well as rates, higher consumption of purchased coke and increase in freight and handling on own material. Consumption at TSE reduced by 26% (in GBP terms) primarily due to lower production volumes. Reduction in TSTH is primarily on account of lower cost of materials.

d) Payments to and provisions for employees

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**3,609**	3,047	18.4
Tata Steel Europe	**13,762**	12,885	6.8
NatSteel Holding	**664**	563	17.9
Tata Steel Thailand	**131**	114	14.9
Others	**752**	620	21.3
Eliminations & adjustments	**–**	–	–
Group Total	**18,918**	**17,229**	**9.8**

The increase in Tata Steel India, was on account of normal salary increases and consequential increase in retiral provisions. The wage cost at TSE was lower by 4% in GBP terms due to restructuring activities at Long products and the impact of the curtailment gain on the BSPS (but reflects increases on account of exchange rate impact on translation).

e) Purchase of power

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**2,321**	1,804	28.7
Tata Steel Europe	**1,995**	2,046	(2.5)
NatSteel Holding	**418**	392	6.6
Tata Steel Thailand	**432**	341	26.7
Others	**558**	414	34.8
Eliminations & adjustments	**(170)**	(82)	107.3
Group Total	**5,554**	**4,915**	**13.0**

Increase in power purchase cost at Tata Steel, India was primarily on account of increase in cost for own usage due to higher rate and volume to support higher production levels as well as higher purchases for outside sales. Reduction in TSE reflects lower consumption. Increase in TSTH is primarily due to higher usage. Increase in 'Others' is mainly on account of higher consumption at TSKZN due to increased production.

f) Freight and handling charges

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**2,261**	1,704	32.7
Tata Steel Europe	**3,922**	3,823	2.6
NatSteel Holding	**168**	181	(7.2)
Tata Steel Thailand	**34**	31	9.7
Others	**1,155**	1,014	13.9
Eliminations & adjustments	**(106)**	(93)	14.0
Group Total	**7,434**	**6,660**	**11.6**

Higher volume of despatches along with increase in rates and change in destination mix led to 33% increase in freight and handling charges at Tata Steel, India. TSE registered an 8% decrease (in GBP terms) in the freight and handling cost due to lower deliveries as compared to previous year (increases due to exchange rate impact on translation). Increase in 'Others' primarily reflects higher freight and handling activity by TMILL at ISL Dubai.

g) Other expenditure

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**8,957**	7,839	14.3
Tata Steel Europe	**18,626**	16,568	12.4
NatSteel Holding	**774**	620	24.8
Tata Steel Thailand	**543**	502	8.2
Others	**2,618**	1,875	39.6
Eliminations & adjustments	**(1,572)**	(1,470)	6.9
Group Total	**29,946**	**25,934**	**15.5**

Other expenditure represents the following expenditure:

in ₹ crores

	FY 13	FY 12	Change %
Stores & spares consumed	**9,838**	8,024	22.6
Fuel oil consumed	**990**	1,020	(2.9)
Repairs to Building	**512**	486	5.3
Repairs to Machinery	**5,152**	5,244	(1.8)
Relining expenses	**131**	116	12.9
Conversion charges	**1,931**	1,168	65.3
Rent	**3,386**	3,377	0.3
Royalty	**1,199**	928	29.2
Rates & Taxes	**980**	830	18.1
Insurance charges	**332**	249	33.3
Commission, rebates & discounts	**271**	257	5.4
Provision for wealth tax	**2**	2	–
Adjustments relating to previous years (net)	**(5)**	(19)	(73.7)
Other expenses	**6,286**	4,933	27.4
Provision for doubtful debts and advances	**116**	82	41.5
Excise Duty	**142**	95	49.5
Less: Exp. (other than interest) transferred to capital and other accounts	**1,317**	858	53.5
Group Total	**29,946**	**25,934**	**15.5**

Increase in Tata Steel, India was mainly due to higher forex losses on revaluation of loans, increase in royalty, stores consumed and conversion charges. Expenditure in TSE increased 3% in GBP terms primarily due to higher conversion cost (higher increase in rupee terms due to exchange rate impact on translation).

h) Finance costs and net finance cost

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**1,877**	1,925	(2.5)
Tata Steel Europe	**3,090**	3,253	(5.0)
NatSteel Holding	**56**	53	5.7
Tata Steel Thailand	**77**	52	48.1
Others	**1,167**	1,039	12.3
Eliminations & adjustments	**(2,299)**	(2,072)	11.0
Group Total	**3,968**	**4,250**	**(6.6)**

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**1,546**	1,062	45.6
Tata Steel Europe	**2,996**	3,201	(6.4)
NatSteel Holding	**51**	46	10.9
Tata Steel Thailand	**74**	50	48.0
Others	**250**	199	25.6
Eliminations & adjustments	**(1,400)**	(1,206)	16.1
Group Total	**3,517**	**3,352**	**4.9**

In Tata Steel, India, while the gross finance cost for the Financial Year 2012-13 was slightly lower as compared to previous year, the net finance cost was higher by 46% due to lower interest income and lower profit on sale of current investments during the year. Net Finance cost in TSE was lower primarily due to reduction in interest payable relating to revolving credit facility (RCF) and senior facility agreement (SFA).

i) Exceptional items

in ₹ crores

	FY 13	FY 12
Tata Steel	**(675)**	511
Tata Steel Europe	**(7,340)**	–
NatSteel Holding	**(24)**	–
Tata Steel Thailand	**(518)**	–
Others	**673**	3,072
Eliminations & adjustments	**494**	(221)
Group Total	**(7,390)**	**3,362**

The exceptional items in the Financial Year 2012-13 includes the non-cash provision for impairment in TSE (₹ 7,354 crores), TSTH (₹ 518 crores), TSGMH (₹ 132 crores), Tata Steel KZN (₹ 307 crores) and Tata Metaliks (₹ 45 crores) partly offset by profit on sale of non-current investment by Kalimati Investments Company Limited (₹ 966 crores). Exceptional in the Financial Year 2011-12 includes profit on sale of investment in Tata Refractories Limited (₹ 442 crores) and profit on sale of stake in Riversdale Mining Limited (₹ 2,920 crores).

j) Stores and spares stock

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**1,473**	923	59.6
Tata Steel Europe	**887**	803	10.5
NatSteel Holding	**89**	84	6.0
Tata Steel Thailand	**280**	301	(7.0)
Others	**236**	155	52.3
Eliminations & adjustments	**–**	–	–
Group Total	**2,965**	**2,266**	**30.8**

In Tata Steel, India, increase in stores and spares were primarily due to increase in mechanical and electrical spares stock to support 3 million tonnes expansion activities at Jamshedpur.

k) Stock-in-trade

in ₹ crores

	FY 13	FY 12	Change %
Finished goods	**8,291**	8,657	(4.2)
WIP	**4,946**	5,679	(12.9)
Raw materials	**7,889**	8,996	(12.3)
Total inventory	**21,126**	**23,332**	**(9.5)**

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**3,785**	3,936	(3.8)
Tata Steel Europe	**14,858**	17,060	(12.9)
NatSteel Holding	**1,118**	915	22.2
Tata Steel Thailand	**639**	844	(24.3)
Others	**994**	932	6.7
Eliminations & adjustments	**(268)**	(355)	(24.5)
Group Total	**21,126**	**23,332**	**(9.5)**

The overall finished and semi-finished inventory decreased over March 2012, primarily at TSE on account of lower stocks by 163k tonnes. Reduction in raw material inventory at TSE was primarily on account of lower cost of raw materials whereas in Tata Steel, India, raw material inventories were lower primarily due to decrease in imported coal cost.

l) Sundry debtors

in ₹ crores

	FY 13	FY 12	Change %
Tata Steel	**797**	904	(11.8)
Tata Steel Europe	**5,824**	7,449	(21.8)
NatSteel Holding	**726**	696	4.3
Tata Steel Thailand	**166**	133	24.8
Others	**15,891**	13,607	16.8
Eliminations & adjustments	**(9,410)**	(7,911)	18.9
Group Total	**13,994**	**14,878**	**(5.9)**

Decrease in debtors at Tata Steel, India is mainly on account of new debtors discounting scheme introduced from June 2012, partly offset by increase in month-end export debtors. TSE debtors decreased primarily reflecting the utilisation of securitisation arrangements with Tata Steel Global Proco.

m) Cash flow and net debt

Cash flow

in ₹ crores

	FY 13	FY 12	Change %
Net cash from operating activities	**13,324**	11,385	17.0
Net cash flow/(used) from investing activities	**(12,321)**	(3,705)	232.6
Net cash flow/(used) from financing activities	**(2,045)**	(8,462)	(75.8)
Net increase/(decrease) in cash and cash equivalents	**(1,042)**	**(782)**	**33.2**

Net cash flow from operating activities: The Group generated ₹ 13,324 crores from operations during the Financial Year 2012-13 as compared to ₹ 11,385 crores in the Financial Year 2011-12. The cash generated from operations prior to the changes in working capital and tax payments in the current period was ₹ 12,764 crores against ₹ 13,779 crores in the previous year. Cash from operations was higher than last year due to decrease in working capital by ₹ 3,129 crores in the current year as against a decrease of ₹ 1,072 crores in the previous year.

Net cash from investing activities: A sum of ₹ 12,321 crores was applied in the current year towards investing activities including capex of ₹ 15,472 crores partly offset by sales of current and non-current investments.

Net cash from financing activities: Cash used in financing activities (equity raised/loans availed net of repayments and interest payments) in the current year is ₹ 2,045 crores as compared to ₹ 8,462 crores during the previous year.

Net decrease in cash and cash equivalent was ₹ 1,042 crores, excluding ₹ 198 crores effect of exchange rate on translation of foreign currency cash and bank balances, in the Financial Year 2012-13 resulting in a cash and cash equivalent balance of ₹ 9,695 crores as on 31st March, 2013 for the Group.

Net debt

in ₹ crores

	FY 13	FY 12	Change %
Gross Debt	**66,074**	59,897	10.3
Less: Cash and Bank balance (including non-current balances)	**9,892**	10,841	(8.8)
Less: Current investments	**760**	1,398	(45.6)
Net Debts	**55,422**	**47,658**	**16.3**

Net debt at ₹ 55,422 crores at 31st March, 2013 was higher than March 2012 by ₹ 7,764 crores due to increase in the gross debt level as well as reduction in cash and bank balances. Gross debt was higher mainly due to increase in the fresh drawals net of repayments during the period and exchange rate impact on revaluation.

VII. RISKS, OPPORTUNITIES AND THREATS

Tata Steel Group aims to address risks, opportunities and threats posed by the business environment by developing appropriate risk mitigation measures. Tata Steel's response to these elements are discussed in the following section.

1. Macro environment

During the Financial Year 2012-13, the European economy continued to face headwinds as the effect of austerity measures continued across the continent.

This impacted the underlying demand for steel in Europe resulting in a contraction of steel consumption by 10% compared to the previous year. In India too, the economy slowed down considerably with high interest rates impacting the consumption sectors and capital investments. Considering the fragile macro-environment, the Company has been pursuing an active operating risk management process across the Group that takes into account the market realities.

2. 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 changes in the regulatory environment.

Due to unfavourable economic conditions globally, steel demand experienced only a marginal increase in 2012. Capacity utilisation rates in the sector remain below 80% globally, and excess capacity remains a major concern in the steel sector, particularly in Europe and China. The steel consumption growth in India has been relatively resilient, even though some user segments like automotives has been under stress in terms of demand growth.

Considering the industry volatility, Tata Steel Europe continued to calibrate its production at levels consistent with market demand in the United Kingdom and Europe. In India, the Company continued its journey of developing new market segments and enhancing value added services to its customers.

3. Growth Projects

The Group continues to pursue its growth strategy, particularly in the Indian market, where it sees significant market opportunities. The Group completed the brownfield expansion of its Jamshedpur facility in December 2012 that increased capacity by 2.9 million tonnes per annum (mtpa).

The Group has commenced work to develop the 6.0 mtpa greenfield steel plant in the state of Odisha, India, in two phases of 3.0 mtpa each. The Group has obtained the necessary land and construction approvals for the first and second phase of this new steel plant in Odisha with financial closure already achieved for the first phase. Tata Steel's installed capacity in Europe is sufficient to address regional demand.

4. Raw Materials Security and Price Volatility

The volatility of prices of critical raw materials for steel making like iron ore and coal has increased significantly in the last few years. Therefore mitigating the impact of the price volatility is a key objective of the Company.

As part of this strategy, various growth projects are under development in Africa, Canada and India to develop new resources.

During the Financial Year 2012-13, the steady expansion of coking coal supply and the slower pace of growth in China meant the supply/demand balance improved with increasing availability of coal. This enabled the Group to develop new supplies whilst maintaining its long-term strategic relationships.

5. Health, Safety and Environmental Risks

The manufacture of steel involves steps that are potentially hazardous if not executed with due care and attention. 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. Indian operations were hitherto driven mainly by environmental compliance with norms issued by Ministry of Environment & Forests and respective pollution control boards. Extra efforts are being taken to ensure workplace safety in the mines and collieries in India and our new construction sites.

To meet environmental standards, dust and other emission levels are monitored to ensure they stay within permissible limits. The Group continues to invest to improve energy efficiency and to reduce CO_2 emissions. In India, the capacity increases take into account the planned improvement targets in CO_2 emissions per tonne.

6. Technology Risks

A key challenge of the Group is to ensure that its facilities are equipped with technologies that can produce value added products that are competitive in the market.

The Group's R&D efforts are oriented towards improvements in the existing process and product capability that can serve the customer better. R&D efforts are also being made to advance the Group's proprietary knowledge in order to produce new generations of steel products.

7. Financing

Tata Steel Group's growth strategy is dependent on the internal cash generation levels and ability to draw external capital for growth projects.

Financing for the Odisha project was a specific risk to the Group given the volatility in the global financial markets and the availability of credit. In May 2013, the Company achieved financial closure for its project in Odisha for which it contracted long-term Rupee borrowing aggregating to ₹ 22,800 crores to the subsidiary company, Tata Steel Odisha Limited to be drawn over the next 5 years and to be repaid over a period of 12 years. In addition to this, Tata Steel has taken advantage of favourable credit and liquidity conditions by raising ₹ 2,500 crores worth of Non-Convertible Debentures during the year.

8. Pensions Risk

Tata Steel UK has significant pension obligations arising from the provision of retirement benefits.

TSE has two major pension schemes viz., The British Steel Pension Scheme (BSPS) for which the sponsor is Tata Steel UK and the Stichting Pensioenfonds Hoogovens (SPH) at 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.

As part of a comprehensive range of revisions to the contribution and benefits framework in the BSPS Scheme to address costs and risks, there have been modifications in the benefits accrued after 1st April, 2012 that Tata Steel UK has agreed with the employees and their representatives including the accrual rate, calculation of benefits by reference to highest consecutive three years average pensionable earnings, linking pension increases to the Retail Prices Index and a longevity adjustment factor to be introduced for pensions coming into payment from 1st April, 2015 to provide greater protection in case future increases in life expectancy are greater than that assumed. Additional measures such as the longevity adjustment factor and fixed earnings cap will provide further protection against future long-term risks. Currently, the BSPS is open to new entrants. However, new employees from April 2014 will be enrolled in a 'nursery' pension arrangement on a defined contribution basis which can be revised based on the future funding position of the Scheme.

9. Forex, Credit, Liquidity and Counterparty Risk

Through its global operations, the Group operates in several currencies. 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.

10. Regulatory and Compliance Risks

The Group operates in multiple geographies and thus has compliance obligations with diverse and complex laws and regulations. To limit such risk, 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 objective.

VIII. 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 the 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.

IX. 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 change in the business scenario across the world has been a centre stage of the recent conversations across the Tata Steel Group. While meeting the current business challenge has been the focus, there is a clear mandate to make a continued resolve to not only 'weather the storm' but to prepare and equip Tata Steel Group for a healthy future as a leading global steel company. Further, the business environment is rapidly changing, bringing in its own set of opportunities and challenges, and at the same time, Tata Steel Group is also evolving and expanding its reach strategically, geographically and culturally. Both the new geographies and the shifting environments of the businesses demand the need to prepare our current and future leaders to face and overcome such business adversities and opportunities.

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

a) For sustainable future, Leadership Development across all levels is the focus area for Tata Steel Group. During the Financial Year 2012-13, a Talent Appreciation Process (TAP) was conducted for 85 top leaders of Tata Steel India. Further, the Global Leadership Development Programme (GLDP) was also conducted for 40 leaders (20 from Europe and 20 from India and South East Asia) across the Tata Steel Group.

b) People development and growth of employees have always been the focal point of HRM practices at Tata Steel which is imbibed in the culture of care for people. The Company has held the view that people are its greatest asset. It has, therefore, adopted the best standards for employee well-being and quality of life, strongly promoting the workforce rights. This year, there has also been a special emphasis on working towards the well-being of our own as well as contractor workers.

During the year, the Company made various HR policy improvements, particularly on rules related to Greenfield sites of Tata Steel. E.g., Housing policy for Kalinganagar Project Operations (KPO), Mediclaim for Diploma Engineer Trainees (DETs) at KPO, etc. For employees across the India operations, an insurance policy has been introduced for employees' children located away from their parents for education purpose.

In the area of 'Training and Development', as a first time initiative, structured training programmes were designed and delivered for the focus area/groups covering Management Trainees at KPO, External Processing Agencies (EPAs) of Long products division and employees of Jamshedpur Continuous Annealing and Processing Company Private Limited (JCAPCPL). The efforts continued on capability building of employees at all levels in order to build organisational capability in functional and project management areas, fulfill the technical skill requirement arising out of advanced mechanisation and preparing bench strength of skilled manpower for critical positions in existing operations as well as for foreseen future requirements.

As a result of such focused approaches, the employee productivity improved from 457 tonnes of crude steel (tcs)/man/year in the Financial Year 2011-12 to 513/tcs/man/year in the Financial Year 2012-13 considering Works and Services manpower. The employees strength of permanent employees in Indian operations increased to 35,905 as on 31st March, 2013 as compared to 35,793 as on 31st March, 2012, primarily due to increase in the number of officers at the KPO site during the Financial Year 2012-13. Industrial Relations remained normal at all locations during the reporting period.

A unique knowledge sharing platform, The Round Table, has created a brand and won the hearts of many especially the youngsters. It is a platform for individuals to get together, share with each other their ideas, and join in thoughtful conversation with knowledgeable persons in the pursuit of holistic learning.

In the process of converting the learning centres into 'Counselling Centres' extending even to employees' family, several programmes were conducted like 'Psychology of Life' focused at employee wards in class XI and XII; 'Search for Meaning Together' for Officer couples and 'Samarthya', a forum launched by XLRI students whereby children are led through workshops to deal and cope with their emotions.

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

- Tata Steel won the World Championship (7th Virtual Steel Making Challenge) organised by World Steel Association at Brussels. Manjunathan M and Chandra Prakash S, Management Trainees of 2012 batch represented Tata Steel and were declared World Champions. Earlier in the

Middle East-India-Africa region all the top 10 teams were also from Tata Steel. This feat was achieved for the 2nd time in succession.

- For the 2nd time in succession, Tata Steel was adjudged the 'Best Company' and Shavak Nanavati Technical Institute was declared the 'Best Establishment' at the 24th CII National Work Skill Competition held at Delhi.
- Tata Steel received the 'Leadership in HR Excellence' award instituted by CII.

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 2013 was 32,100 as compared to 33,300 on 31st March, 2012. The reduction mainly resulted from restructuring measures due to the continued economic downturn.

During the Financial Year 2012-13, TSE announced various restructuring measures which included consolidation of activities of two of its subsidiaries in the Netherlands, sale of certain non-core assets in the Netherlands and taking measures at its UK operations to improve the level of competitiveness. These restructuring measures have helped the TSE to right size its workforce at some places and have also created some new jobs at the same time.

One of the Group's policies is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and employ them where suitable work can be found. The requirements of job applicants and existing members of staff who have a disability are reviewed to ensure that reasonable adjustments are made to enable them to perform as well as possible during the recruitment process and while employed. All reasonable measures are taken to ensure that disabled employees are given the opportunity and facilities to participate fully in the workplace, in training and in career development and promotion opportunities. In addition, every effort is made to find appropriate alternative jobs for those who become disabled while working for the Group.

X. 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 Executive Director and Group Chief Financial Officer as the Compliance Officer ensures compliance with the guidelines for prevention of insider trading.

XI. CAUTIONARY STATEMENT

Statements made in this report describing the Company's objectives, projections, estimates and 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.