A COMPREHENSIVE GROWTH STRATEGY

With a steady vision and focussed growth strategy, Tata Steel is geared to rise above external challenges and leverage the right opportunities, to achieve a strong market performance.

Global Outlook

In Financial Year 2014-15, while greater financial stability is expected in the advanced economies, growth will remain subdued in emerging and developing economies. The lower growth trajectory in China is expected to impact commodity markets adversely, including steel and its raw materials.

The situation in Ukraine/Russia may increase steel availability in the rest of the world as 70% of Ukraine's steel production of 35 million tonnes per annum was exported of which ~3.5 million tonnes per annum (15% of exports) was earlier exported to Russia. The economic outlook in Europe is strengthening and the US economy shows strong signs of a better performance going forward.

India

Financial Year 2013-14 has been a challenging year with subdued economic growth, as a result of higher inflation, higher interest rates, lower industrial growth and lower investments in the country, along with the poor condition of the global economy. However, the Indian economy is expected to perform comparatively well in the coming years. With a stable government at the centre, significant policy changes are anticipated in the near future. The government focus on infrastructure development, more foreign direct investment inflow and more transparency in governance is likely to significantly increase the business confidence in the country.

Improving automobile and consumer durable sectors are expected to raise the flat steel demand compared to last year, while long steel demand is expected to fare relatively better due to an uptick in construction activities and the planned infrastructure growth.

It is expected that the Indian ASU will grow at a modest rate of 4-5% in Financial Year 2014-15. However, both Flat and Long products will be under significant supply pressure on account of the ramp-up of the new projects.

South East Asia

South East Asia (SEA) is an attractive, growth market. Steel demand in SEA has grown by 15 million tonnes per annum in the last 5 years, driven primarily by the construction sector and is expected to continue growing with a strong line-up of infrastructure projects.

However, macro-economic factors, political uncertainty in Thailand, Indonesia and growing tension in the South China Sea, could emerge as a key business risk, with China likely to have an even greater impact on these economies in the coming years. Some strides have been made in liberalising intra-regional trade with the ASEAN region, though non-tariff barriers seem to grow to protect domestic industries.

China also has established its dominance in steel trade in the region as it grew its share of steel imports into SEA. The Chinese government's push to cut inefficient capacity will be positive for most large steel producers in South East Asia.

The Company, which operates primarily in long products for construction, plans to concentrate its efforts in growing its value-added products and services portfolio throughout the region whilst strengthening its key steel operations in Singapore, Thailand and China.

Europe

Recovery in the EU is expected to gain further traction in 2014. Forecasts suggest that in 2014, the EU economy will grow 1.6% after growing 0.1% in 2013. The return to growth will remain sensitive to potential economic slowdowns in other regions of the world.

In 2013, steel demand in the EU fell -0.2%. The World Steel Association predicts that demand will start to grow again by 3.1% to 143.3 million tonnes in 2014 as activity in the steel using sectors increases. For 2015, an increase of 3.0% is expected.

EU Steel demand is at low levels historically and margins are compressed as a result of global overcapacity.