TATA STEEL

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Tata Steel reports Consolidated Financial Results for the Quarter ended June 30, 2017

- Consolidated deliveries of 5.83 million tonnes, with India contributing to 47% of Group deliveries
- Consolidated quarterly revenues of Rs 30,973 crores, up by 19% over the last year but down by 12% QoQ.
- Consolidated EBITDA at Rs. 4,939 crores for Q1FY18 with an EBITDA margin of 16%.
- Consolidated PAT from continuing operations before exceptional items at Rs 1,550 crores for Q1FY18 compared to Rs 377 crores in Q1FY17 and Rs 3,352 crores in Q4FY17.
- Exceptional items for the quarter were Rs 617 crores mainly relating to provision for mining related litigation.
- Gross debt increased by Rs. 4,798 crores due to FX impact, inventory buildup in India as a result of GST implementation and seasonal trends in Europe.
- Net debt was Rs. 71,703 crore and cash and cash equivalent at Rs 16,109 crores at the end of the quarter. The total liquidity including undrawn bank lines is Rs 23,827 crores.

Tata Steel Standalone and Consolidated Highlights

(Figures in Rs. crore unless otherwise specified)

As per Ind AS	Standalone			Consolidated*		
	Q1FY18	Q4FY17	Q1FY17	Q1FY18	Q4FY17	Q1FY17
Steel Deliveries (Million Tonnes)	**2.75**	3.21	2.15	**5.83**	6.83	5.37
Turnover	**14,422**	17,113	10,323	**30,973**	35,305	25,971
EBITDA	**2,922**	4,324	2,236	**4,939**	6,982	3,303
Pre-Exceptional PBT from Continuing Operations	**1,412**	2,697	1,095	**2,291**	4,328	1,118
Exceptional Charges	**(617)**	(442)	(155)	**(617)**	(4,069)	(168)
PAT from Discontinued Operations	**-**	-	-	**(12)**	(451)	(3,392)
Reported PAT	**506**	1,415	575	**921**	(1,168)	(3,183)
Other Comprehensive Income	**(129)**	24	638	**(3,542)**	1,393	354
Total Comprehensive Income	**377**	1,439	1,214	**(2,621)**	225	(2,829)
EPS (Continuing & Discontinued Operations) (Rs.)	**4.77**	14.12	5.48	**9.04**	(12.48)	(33.26)

**Long Products and Specialty Steels businesses have been re-classified as held for sale/ discontinued operations. The previous year's figures have also been re-stated accordingly.*

Key Operating and Financial Highlights:

India Operations:

- Deliveries of 2.75 million tonnes in Q1FY18. An increase of 28% over the corresponding quarter of the last year largely due to the ramp up of Kalinganagar facility. Sequential decline of 14% due to seasonal factors, GST and planned shutdowns.
- EBITDA of Rs 2,922 crores compared to Rs. 2,236 crores in Q1 FY17, an increase of 31% in line with higher deliveries.
- Branded products and Retail sales grew by 19% YoY and now comprise 48% of total sales.
- Tata Steel Jamshedpur continues to be the benchmark in India for Coke & Pulverized Coal Injection (PCI) usage and achieved lowest best-ever coke rate of 348 kg/tonne of hot metal and PCI rate of 180 kg/ tonne of hot metal in Q1FY18.

European Operations:

- Liquid steel production in the first quarter of 2.79 million tonnes was 7% higher on a sequential basis and YoY.
- Deliveries in Q1 were 3% lower YoY and 16% lower than the seasonally strong fourth quarter.
- Revenues in the first quarter were £1,703mn, up 28% YoY reflecting the improved market conditions and increased sales of differentiated products. While selling prices increased, lower deliveries led to a 6% decrease in revenue compared to the previous quarter.
- EBITDA was £152mn, 63% higher YoY due to more favourable market and currency conditions as well as ongoing measures to improve the competitiveness of the UK operations. EBITDA was lower by 36% on a sequential basis due to higher raw material costs and lower deliveries.

South-East Asian Operations:

- Revenue for South East Asia operations was Rs 1,995 crores at par with Q1FY17.
- EBITDA declined by 88% YoY due to lower scrap – rebar local spreads in the region and weak market conditions particularly at NatSteel.

Consolidated Debt and Liquidity position:

- Gross debt at Rs. 87,812 crore as on June 30, 2017, increased by nearly Rs 4,798 crores from the previous quarter due to forex impact, inventory buildup in India as a result of GST implementation and seasonal trends in Europe. However, Net debt was significantly lower at Rs. 71,703 crore due to build up in cash reserves to fund the £550m payout as a part of the BSPS settlement.
- Strong liquidity position with cash & cash equivalents, current investments including undrawn bank lines of Rs. 23,827 crores.

Corporate Developments:

- Sale of stake in Tata Motors for a total consideration of Rs. 3,778 crores.
- In a matter related to production during the period FY2000-01 to FY2009-10, the Supreme Court issued its final judgement on 2nd August 2017 which directs that 100% of the notional value in excess of the limit specified by the Environmental Clearance needs to be paid by the miners. Tata Steel is yet to receive any notification from GoO but in view of the judgement, a provision of Rs 614.41 crores has been recognised towards the same in the quarter.
- Tata Steel UK completed sale of 42- and 84-inch pipe mills in Hartlepool to Liberty House Group.
- Regulated Apportionment Agreement for the British Steel Pension Scheme to be finalised shortly.

Major Awards & Recognitions during the year:

- Tata Steel India was awarded ‘Prime Minister’s Trophy for Best Integrated Steel Plant’ for the year 2013-14, 2014-15 & 2015-16, ‘Steel Minister’s Trophy’ for 2012-13 and ‘Certificate of Excellence’ for 2011-12.
- Tata Steel India declared as Top Indian Company in the Iron and Steel sector at the Dun & Bradstreet Corporate Awards 2017.
- Tata Steel India received "Overall Performance Award" for 2016-17 from Maruti Suzuki for exhibiting above target performance in Quality, Cost, Delivery and Development and ‘Best supplier award’ from Brakes India Ltd.
- Tata Steel’s Jamshedpur plant was awarded ‘The Greenco Platinum Rating’ for Environment Excellence at the 6th GreenCo Summit 2017.

Management Comments:

Mr T V Narendran, Managing Director, Tata Steel India and South East Asia, said:

"Our sales were up by 28% on a y-o-y basis as the smooth ramp up of our Kalinganagar facility helped us increase our volumes and increase our market share. We saw strong growth in our Branded Products, Retail and Solutions segment which increased 19%y-o-y and now contributes around 48% of overall revenues.

From a sequential perspective, there was inventory destocking across the channel in the run-up to the GST implementation which led to a drop in volumes. While realisations were under pressure during the quarter, we are seeing a recovery in prices on the back of stronger domestic demand and better international prices.

We remain positive on the outlook for India steel markets given the thrust on infrastructure and affordable housing along with increased emphasis on buying domestic manufactured steel for government projects under the new steel policy. We expect the drop in interest rates and inflation to trigger a consumption cycle which will help our retail business and overall steel demand. We also expect rural demand to recover on account of good monsoons, higher MSP for crops and loan waivers. However, the appreciating Rupee remains a cause for concern.

Our SEA operations witnessed weak market conditions particularly in Singapore which affected the performance."

Mr. Koushik Chatterjee, Group Executive Director (Finance and Corporate), said:

"Tata Steel Group witnessed an increase in revenues of 19% compared to last year, due to increased capacity in India and ongoing restructuring in Europe. Consolidated EBITDA for Tata Steel Group was Rs 4,939 crores for the first quarter, an increase of 50% over the previous year. This is on the back of higher volumes in India and improved operating performance in Europe and favourable conditions in the overseas business. Raw material prices were volatile during the quarter especially coking coal, which rose in the month of April beyond US $220/t levels and since then has moved in the range of $150/t - $180/t. During the same period, steel prices in Europe have witnessed a marginal decline and this is expected to lead to lower spreads in the second quarter.

Gross debt has increased by Rs. 4,798 crores due to FX impact, inventory buildup in India as a result of GST implementation and seasonal trends in Europe. This is expected to be temporary and the liquidity position of the group remains very robust with Rs. 16,109 crores in cash and cash equivalents alone. The capital expenditure for the quarter was around Rs 1,484 crores which is in line with the plan announced earlier.

During the quarter, we sold our stake in Tata Motors for a gross consideration of around Rs 3,778 crores. With this sale, we have monetized over Rs 14,266 crores of divestments over the last 5 years. Tata Steel Europe strategic portfolio restructuring of focusing on strip business is now completed with the sale of 42-inch and 84-inch pipe mills in Hartlepool, UK to Liberty House Group.

We are in advanced discussions with the BSPS Trustee, the Pension Regulator and the Pension Protection Fund in relation to RAA, and are hopeful of reaching final agreement shortly."

Mr Hans Fischer, MD & CEO of Tata Steel in Europe, said:

"During the first quarter we have further strengthened our relationship with a number of key automotive customers. This includes becoming the number one supplier to a major German premium car manufacturer and winning significant orders for new car models being built by a number of major European and global manufacturers.

Our focus remains on increasing sales of differentiated products in our European sales mix. Among the new products we launched last quarter were light weighting solutions for commercial vehicle body makers which will help reduce CO2 thanks to improved vehicle efficiency and organically-coated construction steels which are better able to resist corrosion.

Our improving sales mix again strengthened our EBITDA result in the first quarter. While favourable market and currency tailwinds have continued, higher raw material costs have started to impact on our results."

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