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February 11, 2014

Tata Steel Group declares financial results for the third quarter ended December 31, 2013

Tata Steel Group today declared its Consolidated Financial Results for the nine months and third quarter ended December 31, 2013. The positive earnings momentum continued even in a seasonally weak period as the Group net profits for the third quarter came in at ₹503 crores compared to the net loss of ₹763 crores in the previous year while the net profit for the first nine months of this year was ₹2,559 crores compared to the loss of ₹529 crores in the first nine months of the previous year. The improved and steady performance of operations across geographies led to this significantly improved Group performance.

Group Performance Highlights:

- Group steel deliveries in 9M FY 2013-14 (9M FY'14) increased to 18.94 million tonnes from 17.57 million tonnes in 9M FY 2012-13 (9M FY'13). Deliveries in Q3 FY 2013-14 (Q3 FY'14) were 6.38 million tonnes compared to 6.48 million tonnes in Q2 FY 2013-14 (Q2 FY'14) and 5.83 million tonnes in Q3 FY 2012-13 (Q3 FY'13).
- Group consolidated turnover in 9M FY'14 was ₹1,06,186 crores versus ₹1,00,061 crores in 9M FY'13. Q3 FY'14 turnover increased to ₹36,736 crores from ₹36,645 crores in Q2 FY'14 and ₹32,107 crores in Q3 FY'13.
- 9M FY'14 Group EBITDA was ₹11,460 crores compared to ₹8,286 crores in 9M FY'13, implying an improvement of 38%. Q3 FY'14 EBITDA increased to ₹3,921 crores from ₹3,784 crores in Q2 FY'14 and rose significantly from ₹2,252 crores in Q3 FY'13.
- Group Profit after Tax (after minority interest and share of profit of associates) in 9M FY'14 was ₹2,559 crores versus the loss of ₹529 crores in 9M FY'13. Profit after tax in Q3 FY'14 was ₹503 crores compared to ₹917 crores in Q2 FY'14 and the loss of ₹763 crores in Q3 FY'13.
- The Group's Basic and Diluted Earnings per share (EPS) for 9M FY'14 increased to ₹24.99 from the loss of ₹6.84 in 9M FY'13. EPS in Q3 FY'14 came in at ₹4.73 compared to ₹8.98 in Q2 FY'14 and the loss of ₹8.32 in Q3 FY'13.
- Cash and cash equivalents as on December 31, 2013 were ₹6,371 crores and net debt was ₹70,129 crores.



India

The Indian operations maintained the steady performance despite weak macroeconomic environment and maintenance shutdowns at Jamshedpur.

- The rolling facilities of the brownfield expansion at Jamshedpur reached their full capacity in the last quarter and as a result the Flat Products production was the highest ever. The pellet plant also reached its rated capacity in the last quarter.
- Tata Steel has been conferred the CII ITC sustainability prize for the sixth time which acknowledges Tata Steel's efforts in the area of Sustainability.
- Deliveries increased by 17% to 6.11 million tonnes in 9M FY'14 from 5.2 million tonnes in 9M FY'13 with the ramp-up of the expansion in Jamshedpur. Q3 FY'14 deliveries increased to 2.07 million tonnes versus 2.04 million tonnes in Q2 FY'14 and 1.89 million tonnes in Q3 FY'13.
- Sales of Flat Products were 3% higher than the previous quarter and 36% higher compared to 9M FY'13 with strong sales across product and customer categories. Sale of Long Products declined over the comparable periods due to a major maintenance shutdown. However, sale of value added products increased over the comparable periods despite the slowdown across end-user sectors.
- Turnover in 9M FY'14 was ₹29,520 crores compared to ₹27,429 crores in 9M FY'13. Q3 FY'14 turnover increased to ₹10,143 crores from ₹9,921 crores in the previous quarter and ₹9,370 crores in Q3 FY'13. The 2% sequential improvement in the revenues was mainly driven by higher realisation.
- 9M FY'14 EBITDA was ₹9,229 crores, up by 16% from ₹7,984 crores in 9M FY'13. Q3 FY'14 EBITDA was ₹3,131 crores compared to ₹3,202 crores in Q2 FY'14 and ₹2,525 crores in Q3 FY'13. The EBITDA margin was flat at 31% in Q3 FY'14 compared to 32% in the last quarter while improving significantly from 27% in Q3 FY'13.
- Profit after tax in 9M FY'14 was ₹4,434 crores, an 18% increase from ₹3,754 crores in 9M FY'13. Q2 FY'14 profit was ₹1,519 crores; marginally lower than ₹1,559 crores in Q2 FY'14 but 45% higher than ₹1,046 crores in Q3 FY'13.
- Basic EPS in 9M FY'14 increased to ₹44.29 from ₹37.26 in 9M FY'13. EPS in Q3 FY'14 was ₹15.18 compared to ₹15.59 in Q2 FY'14 and ₹10.31 in Q3 FY'13.

Europe

The operational improvement continued in Europe as the upgraded asset base produced the largest volume of liquid steel on a like-for-like basis for more than five years.

- Liquid steel production in Q3 FY'14 increased to 3.91 million tonnes from 3.86 million tonnes in the previous quarter. Q3 FY'14 production was 19% higher than the 3.29 million tonnes produced in Q3 FY'13.
- Deliveries increased to 9.79 million tonnes in 9M FY'14, compared to 9.65 million tonnes in 9M FY'13. Q3 FY'14 deliveries were lower at 3.19 million tonnes compared to 3.46 million tonnes in Q2 FY'14 due to seasonal weakness but increased by 6% from 3.02 million tonnes in Q3 FY'13.
- Sale volumes of differentiated products rose by 14% in 9M FY'14 compared to the previous year, highlighting the success of our strategy in a fiercely competitive market.



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- Turnover in 9M FY'14 was ₹60,290 crores versus ₹58,846 crores in the previous year. Q3 FY'14 turnover was ₹20,709 crores compared to ₹21,149 crores in Q2 FY'14 and ₹18,126 crores in Q3 FY'13.
- 9M FY'14 EBITDA was ₹2,191 crores, a significant improvement from ₹152 crores in 9M FY'13. Q3 FY'14 EBITDA was ₹860 crores compared to ₹554 crores in the previous quarter and the EBITDA loss of ₹428 crores in Q3 FY'13.
- The quarter also marked some important customer wins and product innovations. The company secured significant orders for the supply of high-quality rail to the national rail operators in France and the UK. The French contract for 200,000 tonnes of rail justifies the investment in our capability to make longer and wear-resistant rail.
- In 9M FY'14, we launched 21 new products in the market, more than we launched in the whole of FY'13 and the most since we started the new product programme in FY'11.
- We enhanced our largest service centre in the UK and have realigned the sales activities of our distribution and service centres in mainland Europe to better serve our customers.

South East Asia

The South East Asian operations were partly affected by the political instability at Thailand. However, the operations stabilised in Singapore while the facilities in China were ramped up.

- 9M FY'14 deliveries totalled 2.91 million tonnes, a 26% increase over the 2.31 million tonnes in 9M FY'13. Q3 FY'14 deliveries were 1.09 million tonnes, up from 0.96 million tonnes in Q2 FY'14 and 0.82 million tonnes in Q3 FY'13.
- Turnover in 9M FY'14 increased by 22% to ₹12,623 crores compared to ₹10,343 crores in 9M FY'13. Q3 FY'14 turnover was ₹4,537 crores versus ₹4,179 crores in Q2 FY'14 and ₹3,465 crores in Q3 FY'13.
- EBITDA increased by 39% to ₹359 crores in 9M FY'14 from ₹259 crores in 9M FY'13. Q3 FY'14 EBITDA was ₹137 crores, up from ₹129 crores in Q2 FY'14 and in line with ₹144 crores in Q3 FY'13.



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Financial Performance Analysis:

Consolidated financial results summary (under Indian GAAP) for the nine months and third quarter ended 31 December 2013

All figures in ₹ Crore, unless specified

9M FY'14	9M FY'13	HIGHLIGHTS	Q3 FY'14	Q2 FY'14	Q3 FY'13
18.94	17.57	Steel Deliveries (million tons)	6.38	6.48	5.83
1,06,186	1,00,061	Turnover	36,736	36,645	32,107
11,460	8,286	EBITDA	3,921	3,784	2,252
4,369	4,106	Depreciation	1,522	1,444	1,463
2,856	2,604	Net Finance Charges	1,001	976	964
4,286	1,443	PBT	1,395	1,398	-220
2,559	-529	Profit after Taxes, Minority Interest and Share of Associates	503	917	-763
24.99	-6.84	Basic and Diluted Earnings per Share (₹)	4.73	8.98	-8.32

Executive Comment

Mr T V Narendran, Managing Director of Tata Steel India and South East Asia, said: "Indian steel markets continued to remain weak during the quarter with the economy and most of the steel consuming sectors facing severe headwinds. Against this macro backdrop, Tata Steel continued to post steady growth in sales volume for the quarter and the year to date. In fact, sales would have been higher if not for production constraints due to planned shut downs for maintenance. We continue to work closely with our OE customers while enhancing our product portfolio and spreading our reach across India for sale of branded products in retail. We are hopeful that the sentiment improves in the seasonally strong fourth quarter and with the shutdowns now behind us, Tata Steel should achieve robust operational improvement. The underlying performance of the South East Asian operations remains strong though there has been some impact of the political instability in Thailand."

Dr Karl-Ulrich Köhler, MD & CEO of Tata Steel in Europe, said: ""The asset base we restored and upgraded last year has been running at stable rates, which has led to the continued year-on-year turnaround in financial performance. The work to enhance our product and service profile and our focus on cost and cash flow continued, supporting the year-on-year improvement in EBITDA, despite lower margins. With European economic indicators improving, these efforts will better enable us to benefit from any growth in European steel demand, which remains at historically low levels."

Mr Koushik Chatterjee, Group Executive Director (Finance and Corporate), said: "The market conditions continue to be challenging in all geographies with contracted spreads between steel realisations and raw material prices. Under these conditions, Tata Steel Group was able to report consistent earnings performance in the nine months, on the back of higher volumes primarily in India, differentiated and downstream product strategy across all geographies and better margin management. We have been able to stabilise the gross debt levels excluding the translation impact even as we continue to execute the planned capex especially on the greenfield project in Odisha



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which remains a key priority for the company. We have spent around ₹3,900 crores during the quarter and about ₹12,300 crores in the nine months on essential and critical projects. Liquidity management remains a key focus area with ₹6,400 crores of cash and cash equivalents. In addition, we have undrawn term facilities for the Odisha project."

Disclaimer

Statements in this press release describing the Groups' performance 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 Group's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Group operates, changes in Government regulations, tax laws and other statutes and incidental factors.

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