

Mumbai, November 13, 2018

Tata Steel reports consolidated financial results for the quarter and half year ended September 30, 2018

Highlights of the quarter:

- Health and Safety: Lost time injury frequency rate per million man hours worked (LTIFR) of Tata Steel group reduced to 0.44
- Consolidated deliveries grew by 13%QoQ and 15% YoY to 7.42 million tons
- Consolidated revenues increased to Rs.43,544 crores as compared to Rs.37,833 crores in 1QFY19 and Rs.32,464 crores in 2QFY18
- Consolidated EBITDA increased to Rs.9000 crores as compared to Rs.6,515 crores in 1QFY19 and Rs.4,664 crore in 2QFY18; consolidated EBITDA margin stood at 21% and EBITDA/t was Rs.12,131
- Consolidated PAT improved to Rs.3,116 crores as compared to Rs.1,934 crores in 1QFY19 and Rs.1,018 crore in 2QFY18
- Tata Steel India deliveries (Tata Steel standalone and Bhushan Steel) stood at 4.32 million tons; India deliveries now contributes 58% of total group deliveries
- Standalone EBITDA increased to Rs.6,113 crores compared to Rs.5,118 crores in 1QFY19 and Rs.3,408 crores in 2QFY18; EBITDA margin was 34% and EBITDA/t was Rs.19,244/t
- The liquidity position of the group remains robust at Rs.26,470 crores comprising of Rs. 14,478 crores in cash and cash equivalents and Rs.11,992 crores in undrawn bank lines
- Gross debt during the quarter increased by Rs.2,065 crores, primarily due to adverse forex impact of Rs.3,528 crores. Net debt was flat at around Rs.1,04,202 crores

Tata Steel Standalone and Consolidated Highlights

(Figures in Rs. crore unless otherwise specified)

	Standalone			Consolidated ¹		
	2QFY19	1QFY19	2QFY18	2QFY19	1QFY19	2QFY18
Production (mn ton) ²	3.26	3.18	3.20	7.26	6.98	6.41
Deliveries (mn ton)	3.18	2.97	3.08	7.42	6.55	6.45
Turnover	17,902	16,405	14,221	43,544	37,833	32,464
EBITDA ³	6,113	5,118	3,408	9,000	6,515	4,664
PBT before exceptional items	5,044	3,908	2,003	5,284	3,384	2,170
Exceptional Charges	(28)	(335)	(27)	164	(344)	(45)
PAT from Continuing Operations	3,268	2,318	1,294	3,122	1,937	988
PAT from Discontinued Operations	-	-	-	(5)	(3)	30
Reported PAT (A)	3,268	2,318	1,294	3,116	1,934	1,018
Other Comprehensive Income (B)	(7)	22	(81)	(1,811)	1,747	(4,234)
Total Comprehensive Income (A+B)	3,261	2,341	1,213	1,305	3,681	(3,217)
Diluted EPS (Rs.)	28.13	19.85	12.14	31.06	16.66	9.34

1. Bhushan Steel financials are consolidated from 18th May, 2018 2. Production numbers for consolidated financials are calculated using Crude steel for India, Liquid steel for Europe and saleable steel for SEA 3. EBITDA restated to exclude share of JV and Associates.

Key Operating and Financial Highlights:**Tata Steel Standalone operations:**

- Total deliveries grew by 7%QoQ to 3.18 million tons in 2QFY19 which was stronger than the domestic steel market demand growth of 2.1%QoQ.
- Automotive segment sales increased by 21.6%YoY ; Industrial Products and Projects segment sales grew by 14%QoQ and 7%YoY with 74%YoY growth in engineering segment; Branded products, Retail & Solutions segment sales grew by 2.1%YoY with 20%YoY growth in 'Astrum' sales.
- Standalone revenues increased by 9%QoQ and 26%YoY to Rs. 17,902 crores driven by higher volumes and better realisations.
- Standalone EBITDA increased significantly to Rs.6,113 crores, up by 19%QoQ and 79%YoY. Standalone EBITDA margin for the quarter stood at 34%; EBITDA/t for the quarter stood at Rs.19,244/t
- Tata Steel remains focused on operational efficiencies and minimizing environmental impact. Tata Steel Jamshedpur continues to be the benchmark in India for Coke consumption rate & Pulverized Coal Injection usage. It has also been able to increase solid waste utilization to 95% in 2QFY19.

Tata Steel Europe operations:

- Liquid steel production was lower by 14%QoQ and 7%YoY at 2.43 million tons; production was impacted by two unplanned outages at IJmuiden; and by planned shutdowns for ongoing upgradation program and annual maintenance.
- Deliveries were down by 7%QoQ and 13%YoY to 2.27 million tons; primarily due to lower production and seasonality.
- EBITDA, for the quarter, decreased to Rs.1,111 crores compared to Rs.1,667 crores in 1QFY19, however, it was better than Rs.732 crores in 2Q FY18.
- Tata Steel Europe continues to strengthen sales mix. It launched five new products during the quarter; higher-value differentiated product sales exceeded 41%.

Bhushan Steel operations:

- Bhushan Steel's total deliveries jumped 34% QoQ to 1.14 million tons as improved marketing strategy helped in inventory reduction. Revenue increased to Rs.5,862 crores as compared to Rs.4,624 crores in 1QFY19. EBITDA for the quarter increased Rs.1,173 crores with EBITDA per ton at Rs.10,291/ton.
- The integration of Bhushan Steel is progressing well; our focus is on improving maintenance and safety practices at the plants which will improve plant reliability and help ramp up volumes.

Tata Steel South-East Asian operations:

- Revenues improved by 14%QoQ and 22%YoY to Rs 2,963 crores, primarily on account of improved deliveries at Nat steel and better realizations at both Nat Steel and Tata Steel Thailand.
- EBITDA was steady Rs.112 crores in 2QFY19.

Key corporate developments:

- Tata Steel signed definitive agreement to acquire Usha Martin Limited's steel business comprising 1 MTPA long products manufacturing capacity, an operating iron-ore mine, an under-development thermal coal mine and captive power plants. This acquisition provides a rich basket of long products comprising wire rods, specialty bars, and blooms. Tata Sponge Iron Limited, a subsidiary of Tata Steel, is carrying out this acquisition.
- Tata Steel Kalinganagar (TSK) Phase II expansion project is on track; work has started on the Cold Rolling Complex which will help in enriching our product mix and optimizing cashflows. The Enabling work on rest of the project is also on advanced stage. Total estimated project cost is Rs. 23,500 crores, including Rs.16,000 crores up to HRC stage. The project also includes raw material handling facilities, a state-of-the-art 2.2 MTPA cold rolling complex and other downstream facilities.
- Tata Steel and thyssenkrupp AG signed definitive agreements to form a 50:50 joint venture in Europe and both partners are working together to secure the required regulatory approvals. On 30th October, the European commission announced that it has commenced a Phase II review.
- Tata Steel has concluded the acquisition of 51% equity stake in Creative Port Development Private Limited, which is developing Subarnarekha Port in Odisha.
- TS Global Minerals Holdings Pte Ltd entered into an agreement to divest its stake in its wholly owned subsidiary Black Ginger 461 Pty Ltd, which holds 64% in Sedibeng Iron ore Pty Ltd, South Africa, to IMR Metallurgical Resources AG, a global metals and mining group.

Management Comments:**Mr. T V Narendran, CEO & Managing Director:**

“Tata Steel Group has delivered extremely strong results this quarter driven by robust operational performance and favorable business conditions in India. This quarter, despite a seasonally weaker period, we sold 4.32 million tons across Tata Steel Standalone and Bhushan Steel. This demonstrates our strong customer relationships and the strength of our marketing franchise. We continue to work on our strategy of increasing our Indian footprint as we ramp up operations at Bhushan Steel and implement our 5mtpa expansion at Tata Steel Kalinganagar. In line with this, we have also signed definitive agreements to acquire the 1mtpa steel business of Usha Martin which will strengthen our long products capability. We are making good progress on the TSE ThyssenKrupp JV. We are in discussions with the European Commission for the phase II review which typically takes 90 days. While we are positive on steel demand outlook especially in India, the risk of trade wars and increasing imports remains a concern.”

Mr. Koushik Chatterjee, Executive Director and CFO:

“This has been one of the best ever quarter for Tata Steel India on the back of strong operating and market performance with the EBIDTA margin of 34% and in excess of Rs.19,000 per ton and a Profit After Tax of Rs.3,268 crores. The Bhushan Steel integration and synergies have been on track and that is reflected in the Bhushan Steel EBIDTA margin of Rs 10,291/t. On the back of a strong India performance, the consolidated results of the company for the quarter reported 20% EBIDTA margin despite a operationally weak quarter in Tata Steel Europe due to unplanned shutdowns and stoppages both in Ijmuiden and Port Talbot. While Ijmuiden has come back to its normal level of operations, the Blast Furnace 5 in Port Talbot is undergoing major repairs for life extension and will be out operation for this quarter. The consolidated revenues improved by 15% sequentially and 34%YoY, to reach Rs. 43,544 crores while EBITDA surged to Rs. 9000 crores, a growth of 38% sequentially and 93% YoY. The consolidated Profit after Tax was Rs. 3,116 crores, a sequential growth of 61%. During the quarter, Tata Steel Group generated operating cash flows of Rs. 7,769 crores. The liquidity position of the Group remains strong at Rs. 26,470 crores, including Rs. 14,478 crores of cash and cash equivalents. Tata Steel will financially support Tata Sponge in the rights issue that will be used for the acquisition of the Steel Business of Usha Martin which has yesterday obtained shareholder approval. One of our key priorities going forward is to reduce our leverage by around a billion dollars in the next 12 months from the internal cash flows and other strategic initiatives on the portfolio.”

Disclaimer:

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