



TATA STEEL

#WeAlsoMakeTomorrow

Results Presentation

Financial quarter ended December 31, 2018

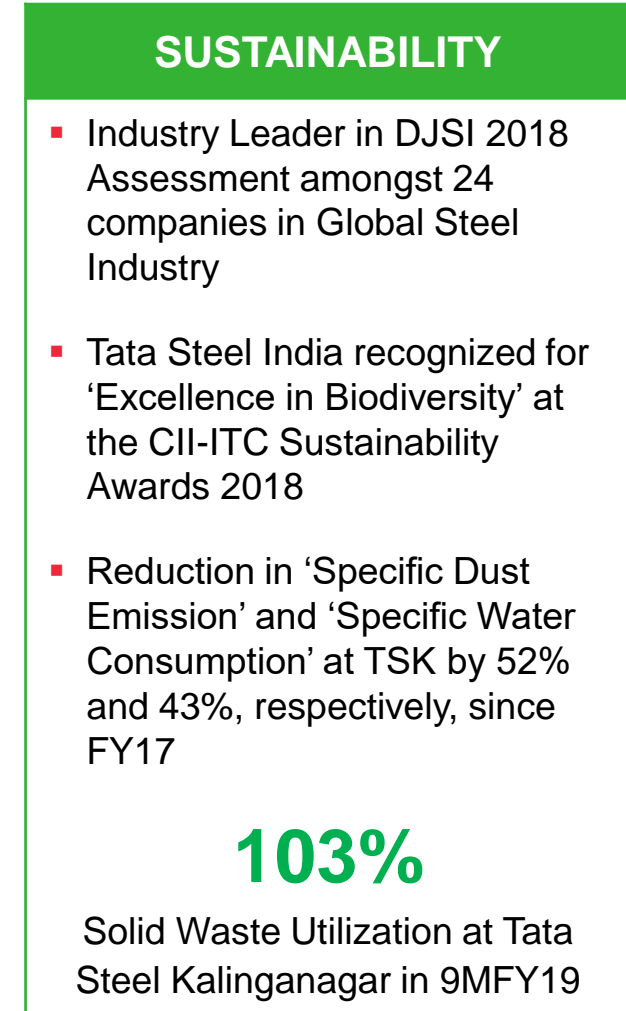
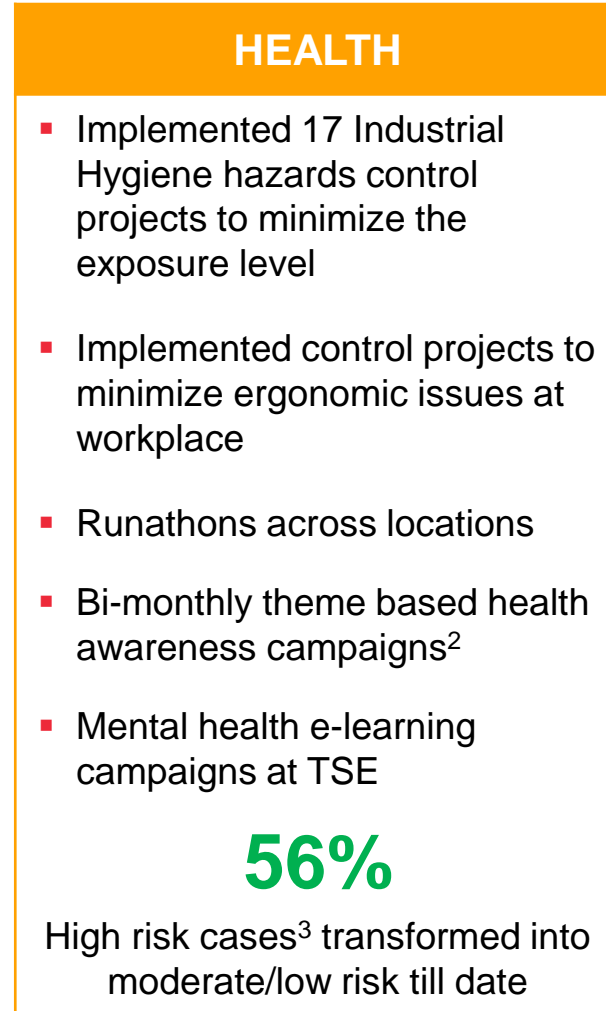
February 08, 2019



Safe harbor statement

Statements in this presentation describing the Company's performance may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results may differ materially from those directly or indirectly expressed, inferred or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand/supply and price conditions in the domestic and overseas markets in which the Company operates, changes in or due to the environment, Government regulations, laws, statutes, judicial pronouncements and/or other incidental factors.

Committed towards excellence in Safety, Health & Sustainability



1. LTIFR: Lost Time Injury Frequency Rate per million man hours worked; WSA: World Steel Association; TSJ: Tata Steel Jamshedpur; TSK: Tata Steel Kalinganagar; TSE: Tata Steel Europe; DJSI: Dow Jones Sustainability Index 2. On heat stress, hypertension & heart care; 3. High risk cases across Tata Steel India as per the health index measurement based on BMI, cholesterol, blood pressure and sugar

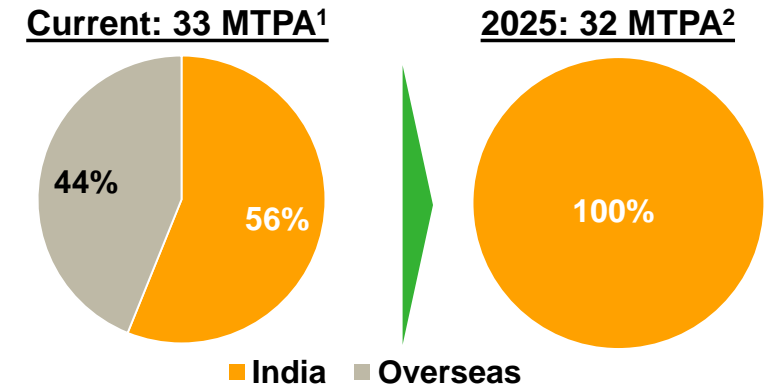
A compelling investment case

Strong foundation in India

- Strong and 'best in class' assets – Jamshedpur, Kalinganagar and Angul
- Indian operations are at globally competitive cost position

Reshaping Tata Steel

- Focus on Indian markets – best positioned to leverage India growth story
- Expansion of Kalinganagar by 5MTPA and ramping-up of Tata Steel BSL
- Growing downstream and long steel portfolio
- Carve-out of Europe business into tk-TSE JV
- Divestment of Tata Steel South East Asia Operation and other non-core assets



Financial health

- Diversified investor base
- Demonstrated access to capital across domestic and international banks and capital markets
- Well spread debt maturity profile

Deleveraging

- Divestment/ monetization proceeds to be used for deleveraging
- Focus on enhancing internal cash generation through continued pursuit of operational excellence to drive efficiency and productivity
- Enabling growth without increasing leverage

Increasing resilience to manage downside risks and create value across the cycles

1. India includes Tata Steel Standalone (13 MTPA) and Bhushan Steel (5.6 MTPA), 2. Post divestment of SEA operating entities, deconsolidation of Tata Steel operations and increase in India capacity to 30 MTPA by 2025 through organic and inorganic routes

Key performance highlights and updates

3QFY19 – key performance indicators

- Indian operations contributed 3.89 mn tons out of consolidated deliveries of 6.99 mn tons
- Consolidated ex TSE and SEA adjusted EBITDA of Rs.7,106 crores, EBITDA margin of 26.6%, EBITDA per ton of Rs.17,435/t

Divestment/ monetization

- Phase II review of the merger proposal for tktSE JV is underway, Update from European commission is imminent
- Divesting 70% stake in SEA operating entities for a cash consideration of US\$327 mn
- Monetized Rs.305 crores by divesting remaining 26.6% stake in TRL Krosaki

Increasing India footprints

- Kalinganagar 5MTPA Phase II expansion is on track
- Tata Steel BSL – Long term financing completed; integration is underway to realise identifies synergies
- UML's steel business acquisition – expanding attractive long portfolio; completion expected by 4QFY19

Deleveraging

- Gross debt reduced by Rs.9,083 crores during 3QFY19, to further come down by ~US\$500 mn with SEA divestment
- Calibrated debt drawdown for organic expansion; enhanced use of internal cash flows

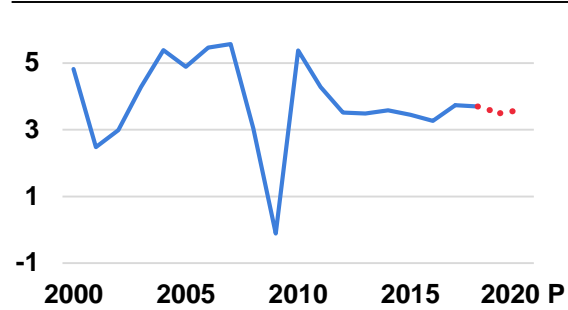
Deleveraging is on track

Global macro and business environment

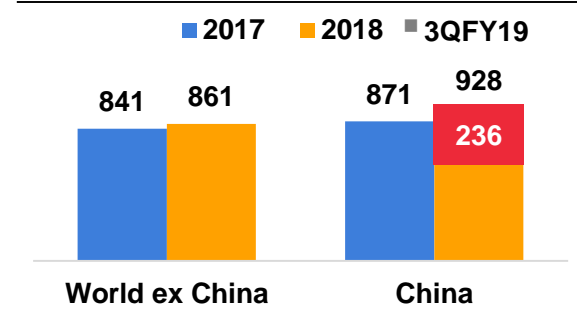
- Global economic growth has slowed down but remains above CY16 lows
- Key concerns were tightening financial markets, Brexit uncertainty and trade war escalation
- Chinese economic growth continued to decelerate gradually – has announced measures to stimulate demand
- Chinese crude steel production grew by 20 mn tons in 3QFY19 vs. 57 mn tons growth in CY18
- Chinese steel exports have remained below 6 mn tons per month
- Chinese apparent domestic demand softened in recent months amidst destocking
- Steel spreads declined with steel price corrections as Coking Coal price inched up and Iron Ore remained steady

Regional steel spreads were impacted by sharp correction in steel prices

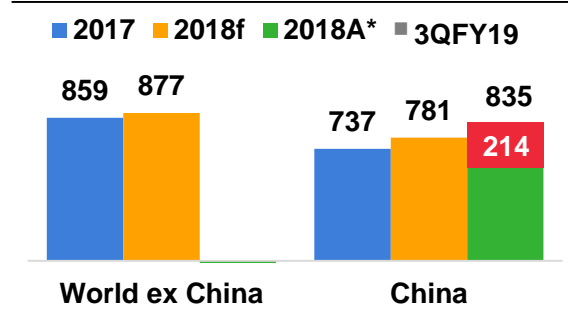
World GDP growth (%YoY)



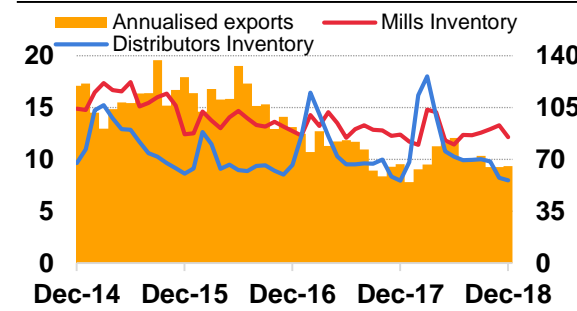
Crude Steel production (mn tons)



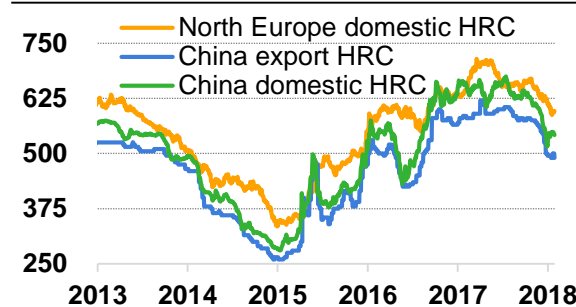
Finished steel demand (mn tons)



China apparent steel demand and exports (mn tons)



Global HRC prices (US\$ per ton)



Gross HRC spread (US\$ per ton)



Sources: IMF, World Steel Association, Bloomberg and Morgan Stanley; *Apparent steel demand; China HRC Export - China Weekly Hot Rolled Steel 3mm Export Price Shanghai, North Europe Domestic HRC - PLATTS TSI HRC N Europe Domestic Prod Ex-Mill, China Domestic HRC - China Domestic Hot Rolled Steel Sheet Spot Average Price, China HRC spot spreads =China HRC exports – (1.65 x Iron Ore Spot Price Index 62% + 0.7x SBB Premium Hard Coking Coal

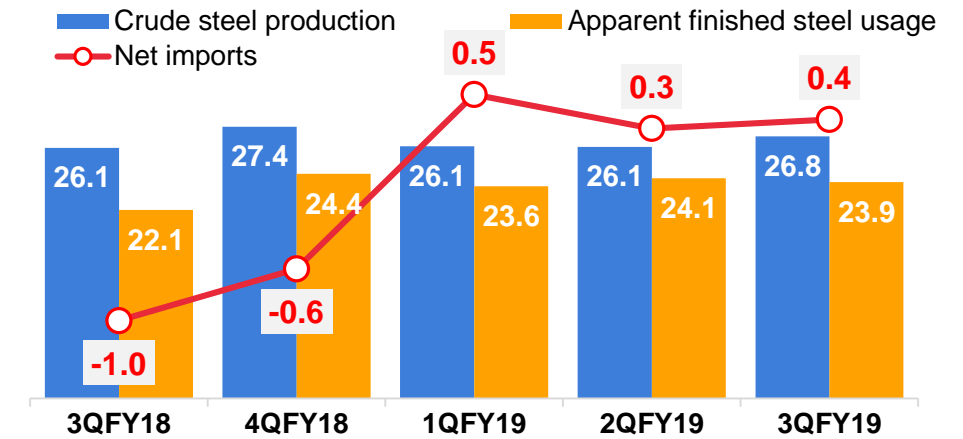
India macro and business environment

- Domestic steel demand softened during the quarter
- Auto and appliance segments witnessed weakness while segments like PEB, government aided infrastructure, railways, general engineering remained strong
- Net imports increased with correction in regional steel prices
- Steel prices corrected from mid of 3QFY19
- Pressure on domestic steel industry margins was accentuated by strong coking coal and domestic iron ore prices

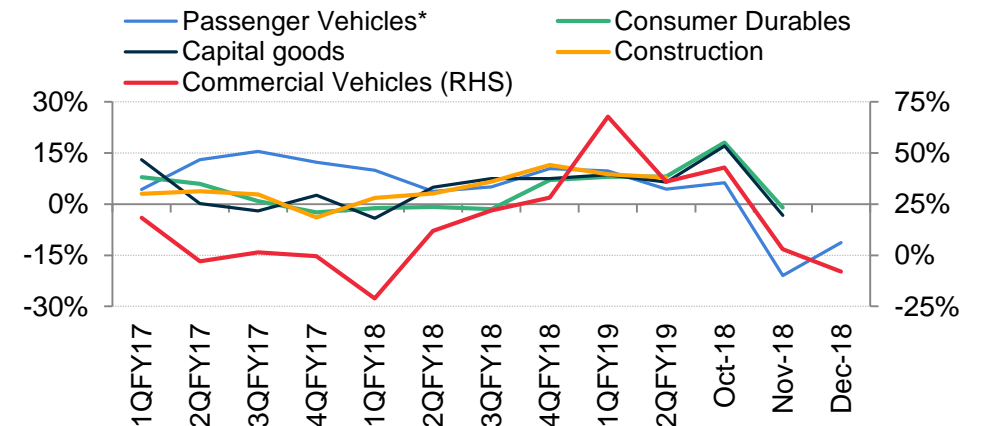
Margins were impacted amidst pricing pressure and destocking

* Excludes two and three wheelers production; PEB: Pre-engineered buildings
 Source: Bloomberg, SIAM, Joint plant committee, World Steel Association

Steel production, demand and net imports (mn tons)



Key steel consuming sectors (% Change, YoY)



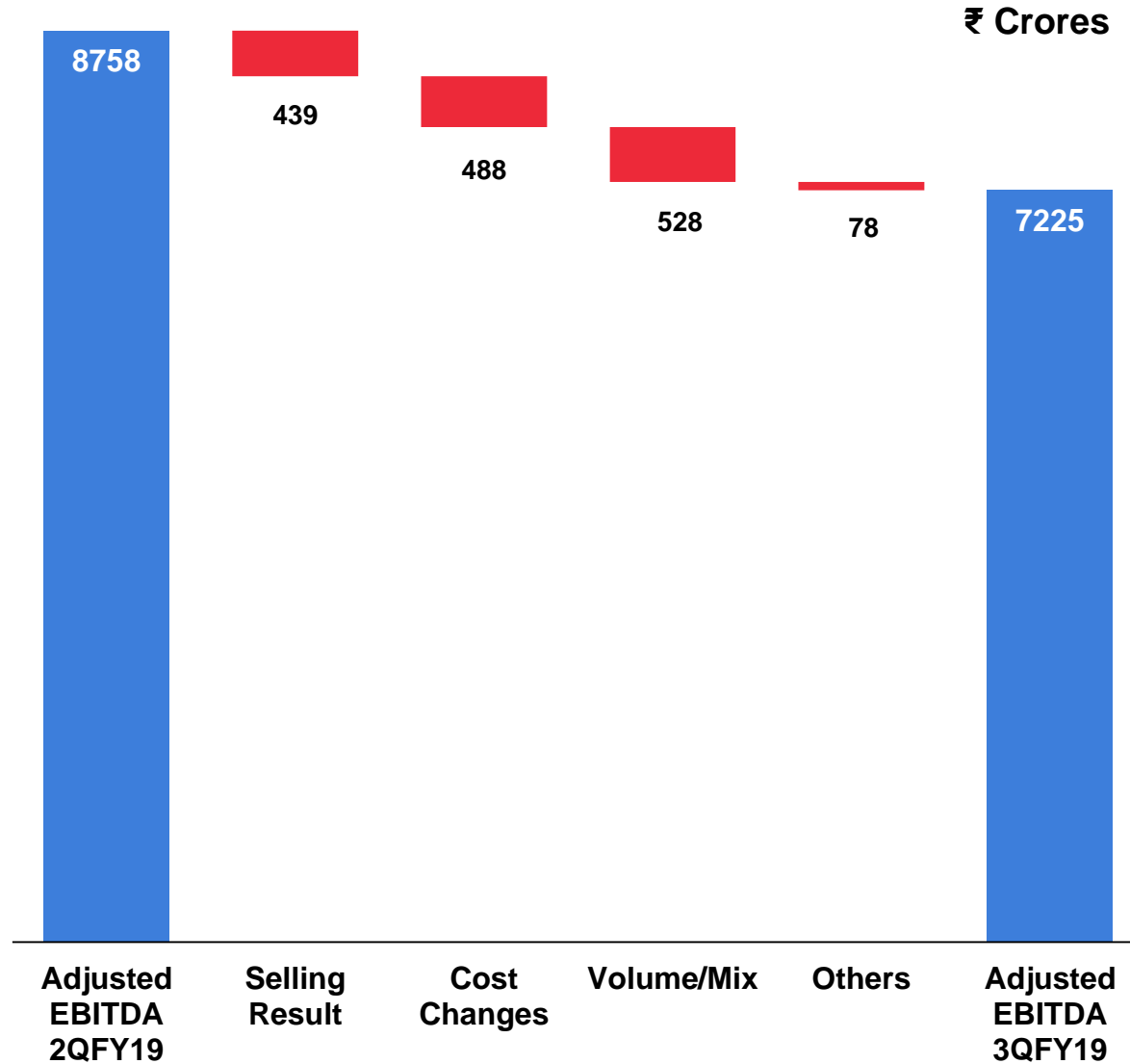
Consolidated operational and financial performance

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	Consolidated			Consolidated ex TSE and SEA ¹ (Proforma)		
	3QFY19	2QFY19	3QFY18	3QFY19	2QFY19	3QFY18
Production (mn tons) ²	7.23	7.27	6.49	4.38	4.30	3.27
Deliveries (mn tons)	6.99	7.42	6.56	4.08	4.50	3.50
Total revenue from operations	41,220	43,544	33,447	26,677	29,198	20,032
Raw material cost ³	17,053	17,692	12,980	12,472	12,965	8,026
Change in inventories	(547)	(150)	148	(1,376)	(116)	334
EBITDA ⁴	6,734	9,000	5,711	5,782	7,816	4,918
Adjusted EBITDA ⁵	7,225	8,758	5,671	6,274	7,574	4,878
Adjusted EBITDA per ton (Rs./t)	10,331	11,805	8,638	15,393	16,831	13,932
Pre exceptional PBT from continuing operations	3,119	5,284	3,210			
Exceptional Charges	32	164	(1,116)			
PAT	1,753	3,116	1,136			
Diluted EPS (Rs per Share)	19.58	31.06	12.07			

Proforma (ex TSE and SEA) EBITDA/t is significantly higher

1. Operating entities comprising NatSteel Singapore and Tata Steel Thailand; 2. Production Numbers: India - Crude Steel Production, Europe - Liquid Steel Production, South-East Asia - Saleable Steel Production, and Tata Steel BSL - Crude Steel Production; 3. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products; 4. EBITDA restated to exclude share of JV and Associates; 5. Adjusted for fair value changes on account of exchange rate movement on investments in Tata Steel Holdings and revaluation gain/loss on external/ internal company debts/ receivables at Tata Steel Global Holdings

Consolidated Adjusted EBITDA¹ movement

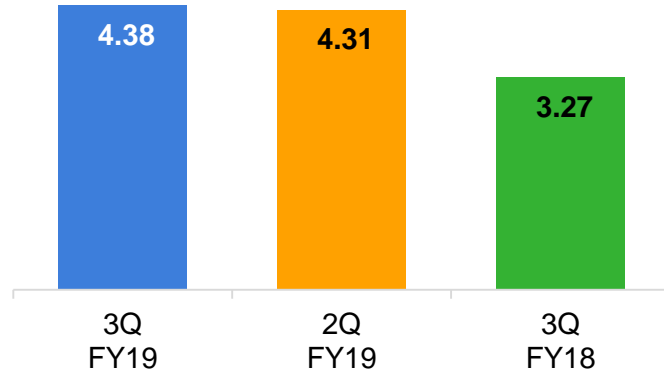


- Selling results reflects sequentially lower steel realizations in India and SEA
- Cost impact reflects primarily higher operating cost at Standalone level
- Volume/mix impact due to lower deliveries

1. EBITDA adjusted for fair value changes on account of exchange rate movement on investments in Tata Steel Holdings and revaluation gain/loss on external/ internal company debts/ receivables at Tata Steel Global Holdings.

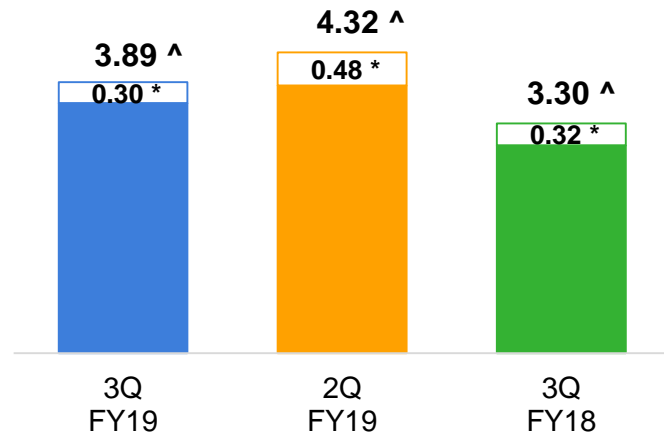
Tata Steel India¹: Steel production and sales volumes

Crude Steel Production Volume (mn tons)

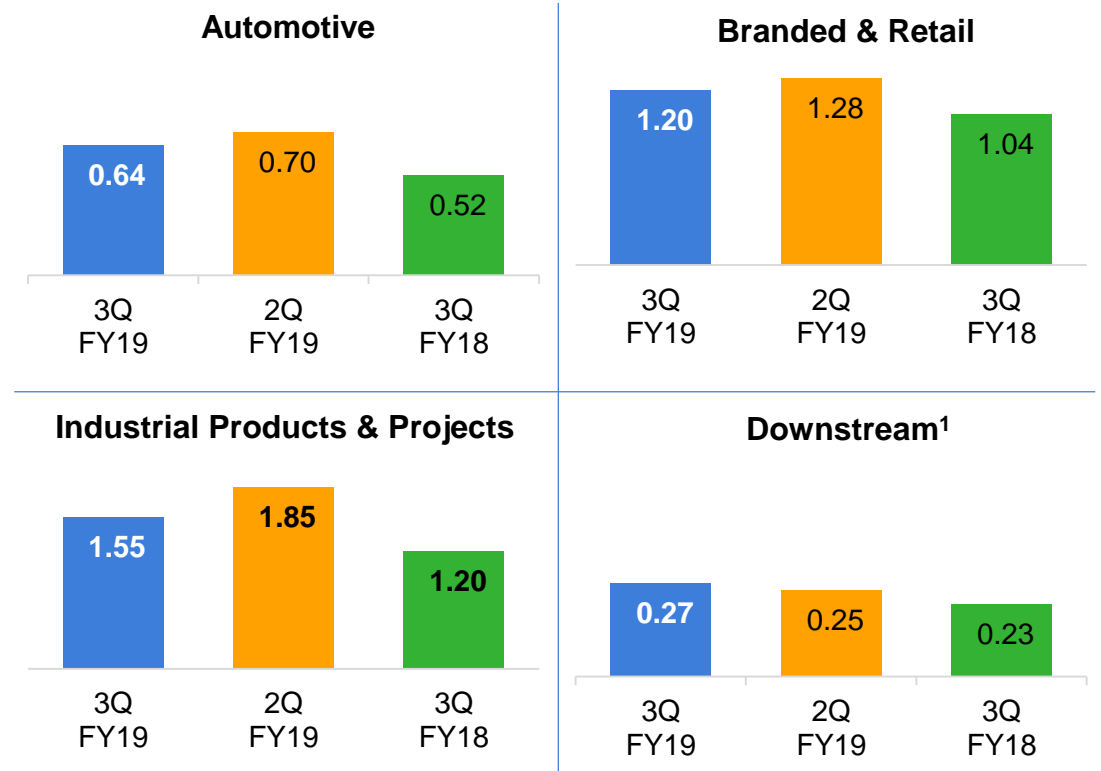


Total deliveries volume (mn tons)

^ Total deliveries *Exports deliveries



- Quarterly production grew by 34%YoY to 4.38 mn tons with the acquisition and ramp-up of Tata Steel BSL
- Gained market share across the verticals



1. Tata Steel India includes Tata Steel Standalone and Tata Steel BSL on proforma basis without inter-company eliminations; Tata Steel BSL has been consolidated from 18th May, 2018

Setting standards at multiple levels



Market leading branded portfolio

Branded products sales contributes 41% of total sales



Unparalleled Pan India reach*

Network of ~12000 dealers and 24 stockyards (6 hubs + 18 spokes)



Market leader in Auto Steel

Auto steel sales grew 21%YoY in 9MFY19; exceeds steel usage growth in Auto sector



Most enriched product mix

Enriched/Value added products contribute to 70% of total deliveries



Lowest cost producer

Both cash cost and conversion cost are one of the lowest among the global peers



Focus on innovation and R&D

New products in 3QFY19: 16 developed and 5 commercialized



Socially responsible corporate

CSR activities touch one million lives every year



Sustainable business model

Domestic benchmark on various parameters

Branded Product, Retail & Solutions (BPRS)

Emerging Corporate Accounts (ECAs)



- Focus on 20,000 plus ECAs in > 40 micro segments
- Unmatched country wide network – reach to underserved SMEs through
- Delivering delight by building customers capability (qualithon, skills4india)
- “URJA” – enabling growth through digitally enabled financing solution

Rural Consumers



गर्व से जीयो



Galvanized Plain Steel from Tata Steel

- Expanding market - category conversion from Thatch to steel
- Launch of new products – long length and sheets for vertical applications
- Van & Bike campaigns – enhanced reach and lead generation

BPRS contributes ~33% of Tata Steel India's domestic deliveries

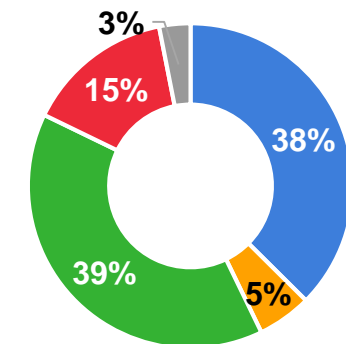
Individual Home Builders



- “Aashiyana” – leveraging early engagement through digital platform
- TISCON Ultima – enhanced range of product offerings
- “Customer service engineers” – providing real time customer support

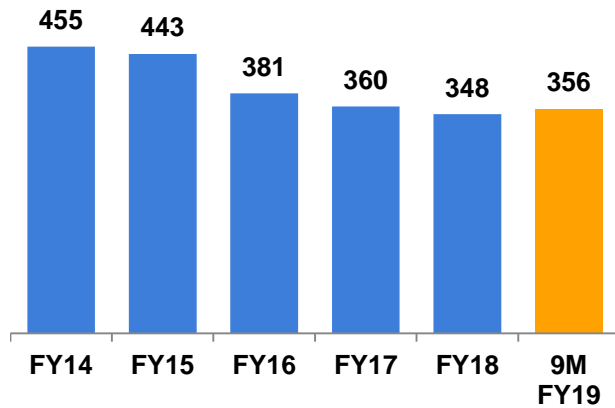
Catering to more than 3 million consumers through retail brands (9MFY19 volume mix)

- Tata Tiscon
- Tata Shaktee
- Tata Astrum
- Tata Steelium
- Galvano

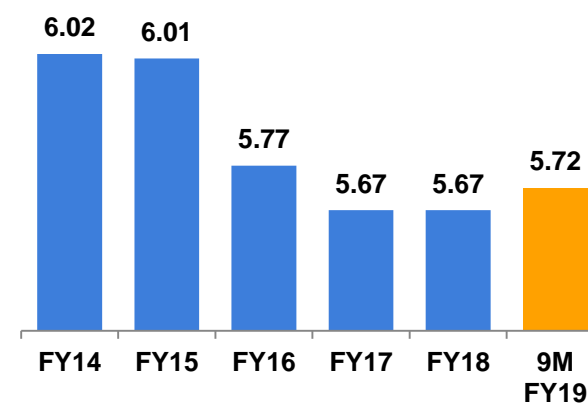


Key sustainability parameters

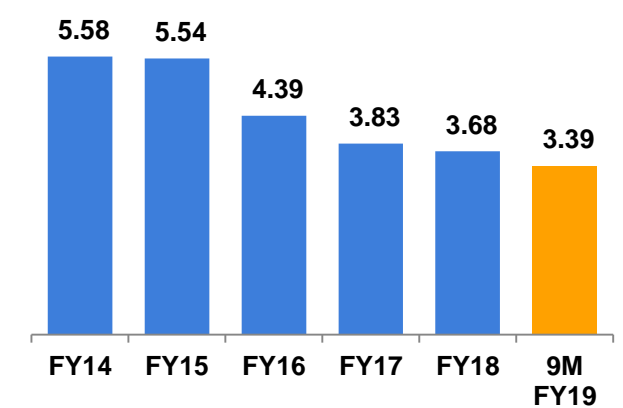
Coke Rate (kg/tcs)
22% reduction since FY14



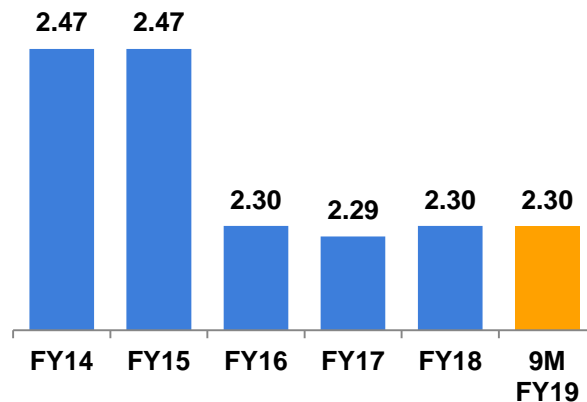
Specific Energy Intensity (Gcal/tcs)
5% reduction since FY14



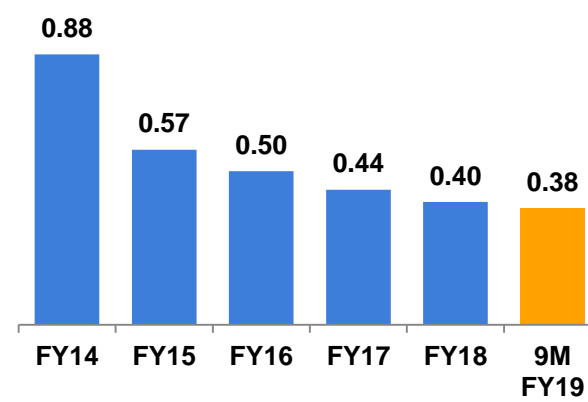
Specific Water Consumption (m³/tcs)
39% reduction since FY14



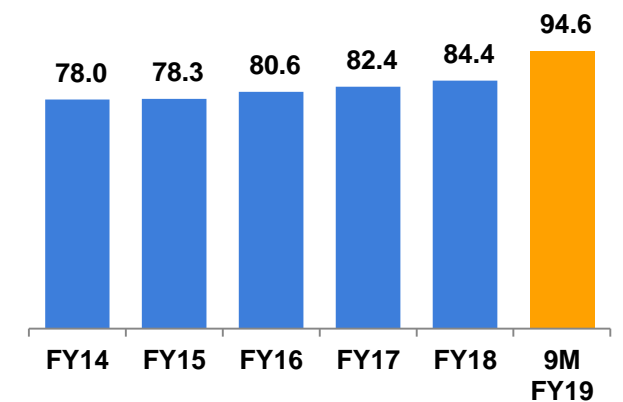
CO₂ Emission Intensity (tCO₂/tcs)
7% reduction since FY14



Specific Dust Emission (kg/tcs)
57% reduction since FY14



Solid Waste Utilization (%)
Increased to 94.6%



Continued focus on operational efficiencies and minimizing environmental impact

All the above mentioned data is for Tata Steel Jamshedpur operations

Engaging with neighbouring communities and improving their quality of life

Spent more than Rs.1,000 crores in India over last 5 years

Education

- Construction of boundary wall completed for Mid-day meal facility at 532 schools – covering 63,000 students
- Masti ki Pathshala, Sarjamda camp school was inaugurated – 59 children enrolled who were working earlier

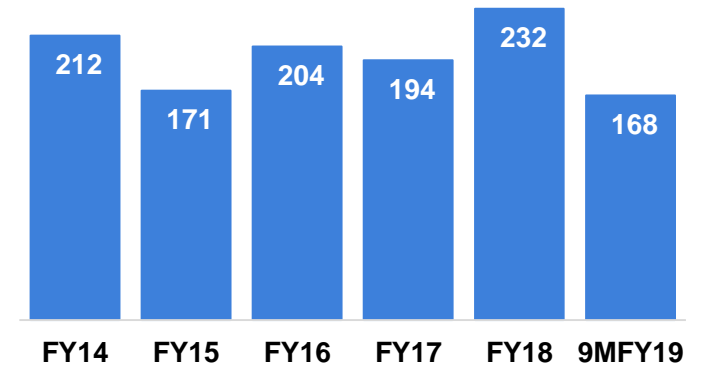
Livelihood

- Agriculture and allied activities – 17,784 farmers benefitted
- 3,855 youth skilled in various vocational trades, 1,921 youth completed training and 1,310 gainfully employed /self-employed
- Self-help groups – 12,673 women empowered

Health & Sanitation

- Health care clinics, mobile medical units and health camps
- Ante-Natal & prenatal check-ups – 3,363 women benefitted
- Regional Initiative for Safe Sexual Health by Today's Adolescents (RISHTA) – covered 21,887 adolescents
- Maternal And New-born Survival Initiative (MANSI) – covered 9,978 mothers and children
- Disability care units SPARSH – 1,392 people benefitted

TSL Standalone – CSR Spend (Rs. crores)

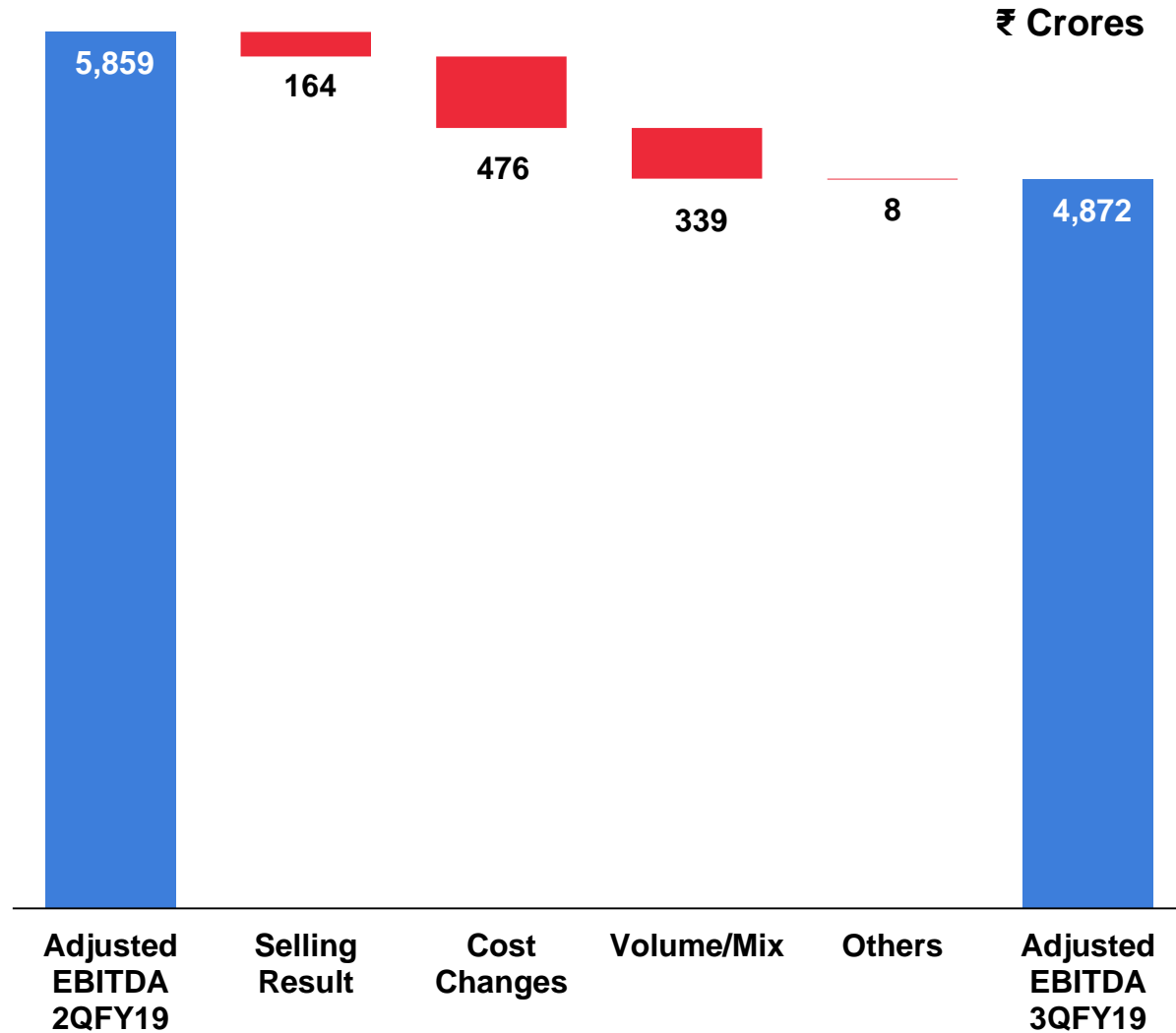


Standalone financial performance

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	3QFY19	2QFY19	3QFY18
Total revenue from operations	17,174	17,902	15,596
Raw material cost ¹	5,828	5,338	4,302
Change in inventories	(928)	(142)	429
EBITDA	4,560	6,113	4,647
Adjusted EBITDA²	4,872	5,859	4,710
Adjusted EBITDA per ton (Rs./t)	16,404	18,445	14,283
Pre exceptional PBT from continuing operations	3,514	5,044	3,226
Exceptional Charges	260	(28)	(1,115)
Reported PAT	2,456	3,268	1,338
Diluted EPS (Rs per Share)	21.05	28.14	12.55

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products; 2. EBITDA adjusted for fair value changes on account of exchange rate movement on investments in Tata Steel Holdings and revaluation gain/loss on external/ internal company debts/ receivables at Tata Steel Global Holdings.

Standalone EBITD¹ movement



- Selling results reflects sequentially lower steel realizations
- Costs increased primarily due to higher operating cost
- Volume/mix impact due to lower deliveries

Adjusted for fair value changes on account of exchange rate movement on investments in Tata Steel Holdings

Tata Steel BSL: performance and key updates

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	3QFY19	2QFY19
Crude Steel production (mn tons)	1.04	1.05
Deliveries (mn tons)	0.92	1.14
Total revenue from operations	4,889	5,862
Raw material cost ¹	2,840	3,119
Change in inventories	(417)	86
EBITDA²	1,008	1,177
EBITDA/t (Rs.)	10,992	10,334

Key updates

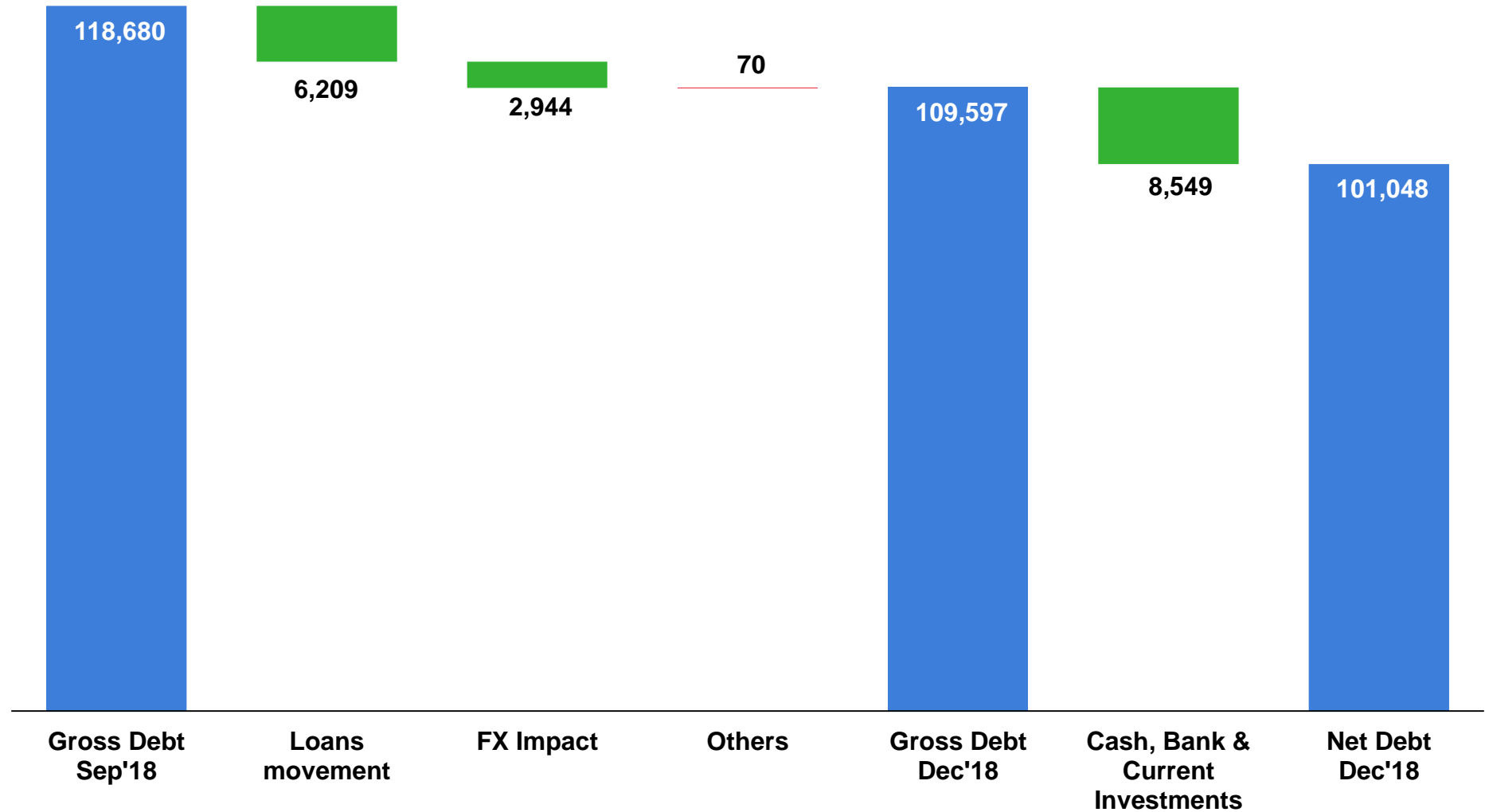
- Deliveries were lower on QoQ basis as 2QFY19 sales volume included inventory sell-down. volumes was also affected due to softer demand in 3QFY19, mainly in automotive and appliance segments, and inventory replenishment
- Realisation per ton increased by ~Rs1,800/t due to better product mix in domestic market and lower exports
- Completed long-term financing of Rs.15,500 crores
- Gross debt reduced by Rs.2,000 crores
- Integration is underway to realise potential annual synergies of more than Rs.1,500 crores at Tata Steel consolidated level over a 2-3 year period

Improved EBITDA/t

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products

Consolidated Debt movement

₹ Crores



Gross debt has declined by Rs.9,083 crores

Business Outlook

Steel Demand

- Domestic demand to witness modest recovery as underlying domestic market remains strong
 - Steel demand is aided by segments like PEB, General Engineering, Railways, and Government supported infrastructure; Auto sector is also slowly reviving
 - Liquidity situation is improving, however, stressed government finances weighs on the outlook
-

Steel prices

- India steel prices are expected to recover with better domestic demand in 4Q and improving pricing sentiments in regional markets
 - Regional steel prices have seen a marginal up-tick and are expected to improve further driven by expected demand pick-up in China post Chinese new year holidays; recently announced demand stimulating measures should also aid recovery
-

Iron Ore

- International prices have surged after Vale's dam collapse. While the surge is not expected to sustain, the prices are expected to remain elevated
-

Coking Coal

- Prices have corrected after increase in 3QFY19 and are expected to remain rangebound at these levels in near-term
-

Annexure – I: Standalone QoQ Variations

Rs Crores	3QFY19	2QFY19	Key Reasons
Income from operations	16,691	17,580	Primarily due to lower volumes and softness in steel realisations
Other operating income	483	322	Higher exports benefits
Raw materials consumed	5,332	4,769	Higher consumption of coal and purchased pellets in line with higher production and pellet plant shutdown for maintenance
Purchases of finished, semis & other products	496	569	Lower purchase of slabs from Tata Steel BSL
Changes in inventories	(927)	(142)	Finished goods inventory replenishment in 3Q
Employee benefits expenses	1,313	1,377	Higher charge for 'Post retiral Lumpsum benefits in lieu of extension of service' in 2Q
Other expenses	6,411	5,332	Unfavourable FX impact in 3Q over 2Q, increase in royalty expense, higher expenses in line with higher production
Depreciation & amortisation	940	924	At par
Other income	586	775	Lower income from current investments due to reduction in cash; higher dividend income in 2Q
Finance cost	682	804	Lower with reduction in gross debt
Exceptional Items	260	(28)	Profit on sale of investment in TRL Krosaki
Tax	1,317	1,748	In-line with profitability level
Other comprehensive income	(105)	(6)	Primarily on account of re-measurement gain/loss on actuarial valuation of employee benefits

Annexure – II: Consolidated QoQ Variations

Rs Crores	3QFY19	2QFY19	Key Reasons
Income from operations	40,457	42,947	Lower revenue from India and SEA ¹ operations
Other operating income	763	597	Primarily at Standalone
Raw materials consumed	13,804	14,043	Primarily on account of lower production at Europe and SEA ¹ operations
Purchases of finished, semis & other products	3,249	3,650	Lower purchase across geographies
Changes in inventories	(547)	(150)	Higher inventory at Standalone and Tata Steel BSL; partly offset by lower inventory at Tata Steel Europe
Employee benefits expenses	4,745	4,922	Lower expense at Standalone and Europe
Other expenses	13,246	12,161	Primarily at Standalone
Depreciation & amortisation	1,926	1,908	At par
Other income	211	354	Lower at Standalone
Finance cost	1,940	2,153	Lower at Standalone and Tata Steel BSL
Exceptional Items	32	164	Primarily due to provision for impairment & write-off in PPE and other assets; partially offset by gain on TRL Krosaki divestment
Tax	1,401	2,326	Primarily at Standalone and Europe
Other comprehensive income	172	(1,811)	Re-measurement gain/loss on actuarial valuation and favourable FX translation impact

1. Operating entities comprising NatSteel Singapore and Tata Steel Thailand

Annexure – III: Tata Steel Europe – performance and key updates

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	3QFY19	2QFY19	3QFY18
Liquid Steel production (mn tons)	2.34	2.43	2.67
Deliveries (mn tons)	2.35	2.27	2.44
Total revenue from operations	15,850	15,929	14,693
Raw material cost ¹	6,395	6,974	6,659
Change in inventories	847	(61)	15
EBITDA²	947	1,111	608
EBITDA/t (Rs.)	4,035	4,886	2,490

Key updates

- The blast furnace at Port Talbot was under shutdown for life extension & upgradation program in 3Q. The blast furnace has restarted after completion of the program in Jan 2019
- 3QFY19 production and sales volumes were mainly impacted by shutdown of the blast furnace, coupled with other operational issues at both main steelmaking locations of IJmuiden and Port Talbot
- Update on tk-TSE JV:
 - The executive leadership of the planned JV has been announced
 - European Commission Phase II merger control review for tk-TSE JV is underway; update from the Commission is imminent

Regulatory review
of tk-TSE JV
ongoing

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products; 2. EBITDA restated to exclude share of JV and Associates

Annexure – IV: Tata Steel SEA – performance and key updates

<i>(All figures are in Rs. Crores unless stated otherwise)</i>	3QFY19	2QFY19	3QFY18
Saleable Steel production (mn tons)	0.52	0.54	0.55
Deliveries (mn tons)	0.57	0.65	0.62
Total revenue from operations	2,572	2,963	2,492
Raw material cost ¹	1,893	2,087	1,882
Change in inventories	(18)	26	(201)
EBITDA²	10	112	194
EBITDA/t (Rs.)	167	1,736	3,123

Key updates

- Production and sales volume were lower due to continued sluggishness in Singapore and Thailand markets
- EBITDA was impacted due to lower steel spreads in Singapore and Thailand markets
- Divestment:
 - Divesting 70% stake in SEA operating entities; SEA operations will be deconsolidated
 - The transaction is expected to be completed in 1QFY20 subject to regulatory approvals
 - US\$327mn³ sale consideration will be used for deleveraging; consolidated gross debt will come down by ~US\$500 mn

SEA operating entities will be deconsolidated; Consolidated gross debt will come down by ~US\$500 mn

1. Raw material cost includes raw material consumed, and purchases of finished and semi-finished products; 2. EBITDA restated to exclude share of JV and Associates; 3. Subject to customary closing adjustments

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