

Tata Steel reports consolidated results for the financial year 2008-09

Tata Steel Limited today declared the audited Consolidated Group Financial Results for the year ended March 31 2009.

Key Highlights

- Tata Steel Indian operations increased its deliveries by 9% from 4.78 million tonnes in financial year 2007-08 to 5.23 million tonnes in financial year 2008-09. The Steel deliveries of the Tata Steel Group for the financial year 2008-09 at 28.54 million tonnes were 10% lower compared to 31.68 million tonnes during the financial year 2007-08. The Group recorded a Turnover of Rs.147,329 Crores (US\$ 28,962 mn) for the financial year 2008-09, 12% higher than the turnover of Rs. 131,534 Crores (US\$ 25,857 mn) for the financial year 2007-08.
- The EBITDA for the Group at Rs. 18,495 crores (US\$ 3,636 mn) for the financial year 2008-09 was 1% higher than the EBITDA of Rs.18,287 Crores (US\$ 3,595 mn) recorded during the financial year 2007-08.
- Profit before taxes and exceptional items was Rs.10,838 Crores (US\$ 2,130 mn) during the financial year 2008-09 against Rs.10,036 Crores (US\$ 1,973 mn) for the financial year 2007-08.
- Exceptional items during the financial year 2008-09 of Rs. 4,095 Crores (US\$ 805 mn) represent 'Restructuring, impairment and disposals' relating to the disposal/impairment of assets and restructuring arising out of the 'Fit for the Future' programme at Tata Steel Europe.
- The Board of Directors has recommended a dividend of Rs.2 per share (US\$ 0.04) on Cumulative Convertible Preference Shares and Rs. 16 per share (US\$ 0.31) on Ordinary shares for the financial year 2008-09.

1. Financial Performance Analysis:

Consolidated Financial results summary (under Indian GAAP) for the year ended March 2009

FY 2009	FY 2008	Highlights	FY 2009	FY 2008
28.54	31.68	Steel deliveries (Mn tonnes)	28.54	31.68
Rs.Crs.	Rs.Crs.		US\$ mn	US\$ mn
1,47,329	1,31,534	Turnover	28,962	25,857
18,495	18,287	EBITDA	3,636	3,595
12.55%	13.90%	EBITDA Margin	12.55%	13.90%
4,265	4,137	Depreciation	838	813
3,290	4,085	Net Finance Charges	647	803
10,838	10,036	PBT before Exceptional items	2,130	1,973
(4,095)	6,335	Exceptional items	(805)	1,245
6,743	16,371	PBT after exceptional items	1,326	3,218
4.58%	12.45%	PBT Margin	4.58%	12.45%
4,951	12,350	Profit after Taxes, MI and Share of Associates	973	2,428
3.36%	9.39%	PAT Margin	3.36%	9.39%
Rs.	Rs.		US\$	US\$
58.99	162.62	Diluted EPS	1.16	3.20

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For the purposes of this note the Indian rupee has been converted to US\$ at Rs.50.87 per US\$.

During the financial year 2008-09, sales volume of the Group was lower by 3.14 million tonnes compared to financial year 2007-08, reflecting sluggish market conditions in the second half of the financial year especially in Europe where there has been a severe demand contraction. Turnover, however, was higher than the previous financial year primarily on account of higher prices. In spite of the lower sales volume and write down in the value of inventories, EBITDA during financial year 2008-09 was Rs. 208 Crores (US\$ 41 mn) higher than in financial year 2007-08.

Profit before exceptional items and taxes during the financial year 2008-09 at Rs.10,838 Crores (US\$ 2,130 mn) were higher by 8% over financial year 2007-08 (Rs. 10,036 Crores, US\$ 1,973mn) . In line with prudent accounting norms, the Company has taken an exceptional charge of Rs. 4,095 crores (US\$ 805 mn) during the financial year 2008-09 representing restructuring, disposal & impairment costs undertaken at Tata Steel Europe. Profit after taxes, minority interest and share of profit of associates for the year registered a drop of 60% compared to the previous year primarily due to a very weak economic environment in Europe .

Tata Steel India

Turnover at Tata Steel India increased by 23% to Rs. 24,316 crores (US\$ 4,780 mn) during the financial year 2008-09 compared to financial year 2007-08. EBITDA increased by 14% to Rs 9,442 crores (US\$ 1,856 mn) during financial year 2008-09.

Finished steel production at Tata Steel India for financial year 2008-09 stood at 5.37 million tonnes, 11% higher than the previous year. In financial year 2008-09 steel deliveries at 5.23 million tonnes were 9% higher than in the previous year.

Corus (Tata Steel Europe)

Turnover at Corus increased by 9% to Rs. 109,570 crores (US\$ 21,439 mn) and EBITDA decreased by 2% to Rs. 8,906 crores (US\$ 1,751 mn) in financial year 2008-09 compared to financial year 2007-08. Steel deliveries and liquid steel production fell by 14% and 20% to 19.69 million tonnes and 16.21 million tonnes respectively in financial year 2008-09 reflecting a weak second half of the year.

Tata Steel Europe has undertaken two major cost-saving initiatives, '**Weathering the Storm**' and '**Fit for the Future**', in the second half of financial year 2008-09.

'**Weathering the Storm**' includes a series of actions undertaken to mitigate the negative impact of the market deterioration, specifically the alignment of production with the prevailing market demand (in particular by idling blast furnaces at Port Talbot, IJmuiden and Scunthorpe,) and also an operational cash savings plan. During the year, this initiative generated cash savings of Rs.5,587 Crores (£ 712 million).

'**Fit for the Future**' is a set of strategic measures undertaken to improve the long-term competitiveness of Tata Steel's European operations. These measures include: (i) completion of the sale of the aluminum smelter operations at Voerde (Germany) and Delfzijl (Netherlands); (ii) reconfiguration of the Strip Products UK business, including mothballing of the hot strip mill and pickle line 1 at Llanwern, and closure of the aluminised products business at Pontardulais; (iii) introduction of a new business model for the Engineering Steels business, including closure of the Primary Mill and Large Bloom Caster and finishing operations at Aldwarke, as well as closure of certain satellite sites, and (iv) streamlining of downstream facilities in distribution, building systems and tubes.

Since these initiatives were announced in January, some European operations have continued to experience deteriorating market conditions. As a result Corus is today announcing additional measures to align production and manning levels in those areas with existing and anticipated demand levels.

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These measures involve opening consultations on a series of further job reductions, which have become necessary because of the worldwide economic downturn and, in particular, the decline in steel demand in Europe and America.

The consultation process identifies 2,045 jobs as being at risk. Some 1,500 of these are in the company's production facilities: about 800 at the engineering steels sites, mainly Rotherham and Stocksbridge; about 370 in Corus Tubes in the UK and the Netherlands, and about 375 at downstream rolling and finishing plants in Teesside and Scotland. The company is also opening consultations on 500 white-collar jobs throughout the Corus Long Products division, the majority at Scunthorpe. The company will make every effort to ensure as many of the job losses as possible are voluntary, though the potential for compulsory redundancies cannot be ruled out. The company will at the same time seek to retain critical skills. Redundancy packages and outplacement support services will be available to those leaving the company. There will be full consultations with employees and their representatives throughout the process.

2. Financing and Capital Raising Initiatives:

- **Covenant reset in TSUK**

Tata Steel UK was successful in receiving lenders' approval to reset the covenants in its £3.7 billion acquisition-related senior debt facility. The Lenders demonstrated their strong relationship with the Tata Steel Group and voted unanimously in favour of the Company's proposal.

As part of the agreement reached with the banks, testing of the facility's earnings-related covenants will largely be suspended till March 2010 and will then resume with significantly higher flexibility than in the case of the original covenants. Further, there will be no increase in the current level of interest costs for the remaining life of the loan. The revised covenant package does not involve any additional finance from the Lenders or rescheduling of its debt-servicing commitments.

As part of the package, Tata Steel Limited will inject £425 million into Tata Steel UK in a phased manner, of which around £200 million will be used to prepay debt and de-leverage the European Balance Sheet. The Strategic rationale for the acquisition of Corus continues to be strong with a robust operating model for the Tata Steel Group.

- **Raised long-term debt of ~ US\$ 1 bn**

During the current quarter of FY'10, Tata Steel Limited has raised long-term debt of around US 1,040 mn through a mix of term loans and Non-Convertible Rupee Debentures (NCDs). These facilities have a tenor ranging from five and a half years to ten years and the Company intends to deploy the proceeds for its various expansion plans and general corporate purposes.

- **Liquidity Management**

Tata Steel Group continues to have strong liquidity and has no material repayment obligations or refinancing requirements in the next 12 months. As on 20th June 2009 Tata Steel Group's cash and cash equivalent stood at about US\$ 2.1 bn and the Group had an undrawn bank facility of about US\$ 1.3 bn.

3. Mergers and Acquisitions:

- **Signing of MOU with Tata Power for IJmuiden Power Plant**

A Memorandum of Understanding (MoU) was signed between Tata Steel Limited and Corus Staal BV with The Tata Power Company Limited for the construction of a 525 MW combined heat & power plant at

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Corus' IJmuiden works in the Netherlands. Under this MoU, Tata Steel and Tata Power will set up a Joint Venture company to build, own and operate the power plant. The new plant, estimated to be commissioned by 2013 (subject to obtaining the required permits), will replace part of the existing power supply arrangement. The plant will utilise most of the steelworks' excess process gases, enabling Corus in IJmuiden to secure its own long-term energy needs.

In keeping with its sustainability approach, this plant will bring a significant decline in the carbon footprint of the Tata Steel Group and bring greater environmental benefits to the IJmuiden area through a reduction in off-gas flaring at the site.

- **Joint Venture Agreement for the DSO project in NML**

Tata Steel, along with its partner New Millennium Capital Corp. ("NML"), has announced the commencement of the Direct Shipping Ore ("DSO") Feasibility Study ("Study") and the formation of a Joint Steering Committee to monitor Study progress. Tata Steel holds 19.9% equity interest in NML, a listed Canadian entity and also has option to participate in the DSO project and Labmag taconite project. While DSO properties have estimated reserves of around 100 million tons of historical resources, Labmag contains 3.5 billion tons of proven and probable reserves, 1 billion tons of measured and indicated resources and 1.2 billion tons of inferred resources.

NML is on track to complete the Study in Q3, 2009. NML, working closely with Tata Steel, has completed optimization studies that were designed to maximize the commercially desirable characteristics of the product. The Steering Committee comprising of three members each of NML and Tata Steel has been formed. The Committee has been given the mandate to monitor the progress of the Study and provide the necessary direction to ensure its timely completion. NML's technical team will work closely with engineers from Tata Steel's Global Mineral Resources Group and Research & Development (R&D) Centre.

Tata Steel believes that these deposits once developed can supply a large part of its requirement for pellet feed in Europe.

- **Signing of Share Purchase Agreement with Ryerson on purchase of 50% stake in Tata Ryerson**

Tata Steel has signed a share purchase agreement with Ryerson Holding (India) Pte Ltd. to acquire the entire equity interest of Ryerson in Tata Ryerson Limited ("Tata Ryerson").

Tata Ryerson, a 50:50 joint venture between Tata Steel and Ryerson (a 100% subsidiary of Ryerson Inc, USA), was formed in 1997. Tata Ryerson is India's leading material management services company performing all interface activities, starting from processing of steel and other metals and extending up to the distribution in India.

The transaction, subject to necessary clearances, is expected to be completed by July 2009. On completion, Tata Steel will hold 100% equity stake in Tata Ryerson. Tata Ryerson will continue to service its customers as before.

Disclaimer

Statements in this press release describing the Company's 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 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 Government regulations, tax laws and other statutes and incidental factors.

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