

# Tata Steel Ltd.


Tata Steel has been in existence for over 100 years and the management team, under the guidance of the Board has put in place several measures to strengthen the leadership position of your company. The company is working towards cementing its long history of leadership in India and building a sustainable future for its global operations.

## India Operations

- 1. Significant emphasis on Safety:** A significant emphasis has been placed on creating a zero fatality workplace. The management has put in place several measures helping bring down the Lost Time Injury Frequency Rate (LTIFR) from 0.95 in FY10 to 0.43 in Q2FY17. While there is still a long way to go, the World Steel Association recently recognised the efforts of Tata Steel for setting the highest standards of health and safety at the workplace
- 2. Kalinganagar Project:** First started in 2005, Kalinganagar represented India's largest Greenfield capital project undertaken in recent years. An independent assessment of the project in 2012 revealed a huge cost overrun and a significant delay. Of the total project work, only 11 percent of construction had been completed by then. Turning around the project required revamping the project leadership team and setting up a robust governance and review process, which was overseen by a committee of the Board.

At its peak, over 49,000 workers were on site in 2015. The plant is built with some of the best technologies, including the largest operating LD converter in India, use of by-product gas for power generation with a lower carbon footprint, zero effluent discharge and a significant reduction in Noise and dust pollution levels during production. Commercial production commenced in May of this year and the plant is ramping up to its rated capacity. The infrastructure is also in place to support 3 to 5 MTPA of capacity in phase 2.


As I highlighted in my recent interview, I believe Kalinganagar is a demonstration of organisational perseverance and conviction in the building of an inclusive social and business environment with a commitment to creating long-term value for all stakeholders. The experience has taught us a lot in terms of carrying out large-scale, transformative industrial projects. Kalinganagar has the potential to be larger than Jamshedpur, driving growth in the future.

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3. **Cost Optimization:** In the wake of declining raw material prices and surging imports, the management has continued to drive cost optimization programs, helping the company save thousands of crores for the last few years. Employee productivity (in tons of crudes steel/employee/year) has also improved from 455 in FY12 to over 700 in FY16. The EBITDA for the Indian operations is amongst the global best, marginally lower than Russian steelmakers
  4. **Branded Retail:** In the Branded space, the company has over 25 brands across a range of products. The top brands, TISCON, ASTRUM and STEELIUM continue to do well. In fact, branded sales increased by over 9% compared to last year. Over the last 12 months, the company's retail products have touched over 30 lakh households across India, including in semi-urban and rural India. The company continues to see success in its drive to create a differentiated product offering, catering to the unique needs of its varied customers. The total patents granted to the company increased from 182 in FY12 to 318 in FY16.
  5. **Mines:** After the disruptions of the past years, all the company's mines, except Malda, are now operational. The company has also secured operating leases for its major iron ore mines till March 2030. Mining has also commenced at Sukinda, where the government has provided an extension on a non-captive basis till 2020. The construction of the first phase of the ferro-chrome plant of 55,000 TPA in Gopalpur is in full swing and is expected to be commissioned in FY17

Tata Steel Minerals Canada (TSMC) is also operating a Direct Shipping Ore (DSO) project in the provinces of Quebec and Newfoundland & Labrador. Developing the project in sub-arctic weather conditions is a testament to the will and dedication of our employees. In October of this year, your company announced loading of TSMC's 1st ship from the Government of Quebec's recently acquired Pointe Noire port facilities.

## Global Operations

The Total Capital Employed in Tata Steel Europe grew from ₹67,000 Cr in FY12 to over ₹93,500 Cr in FY15. The amount of capital earning negative returns posed a risk to the overall group.

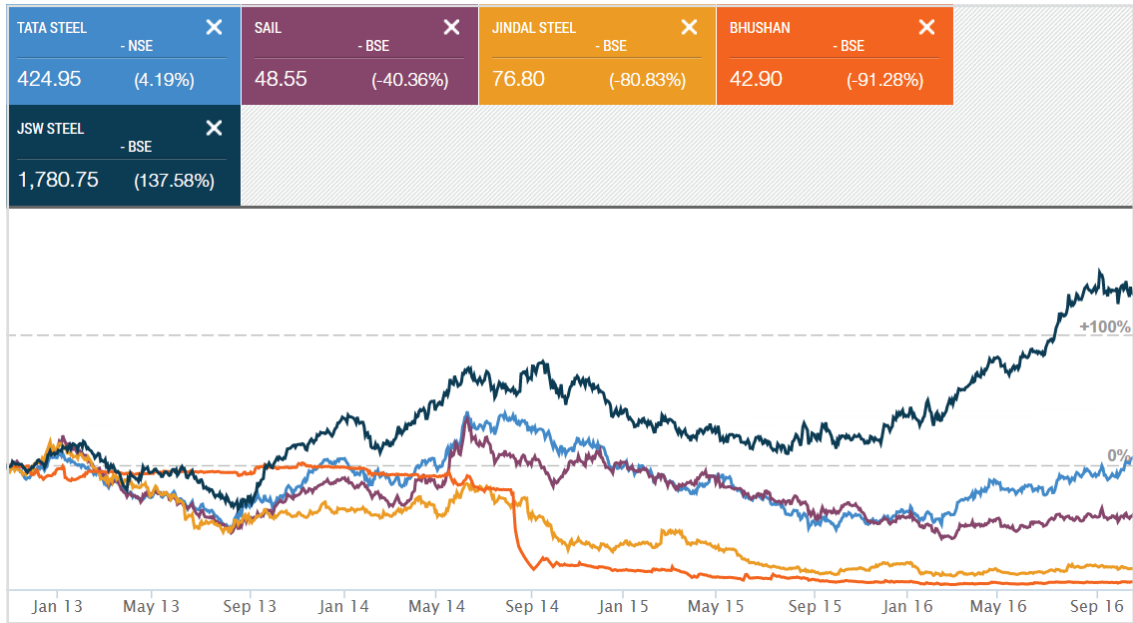
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1. The company's European strategy continues to be focused on developing differentiated products and services which help make its customers more competitive. Sales of differentiated products were 14% higher and their value-add more than a third higher than a year ago

Tata Steel Europe has implemented significant initiatives to deliver substantial savings over the last few years. Improved operational stability was seen through investments to rebuild the blast furnace at Port Talbot. In addition, a series of Supply Chain Transformation initiatives have helped improve margins. The restructuring plan undertaken by the management with the support of the Board to improve costs, led to significant optimization of the footprint and improvement in productivity.

There have been insinuations that the Board of Tata Steel only looked at our UK investments through a short term financial lens. This is furthest from the truth, as can be gauged from our continued investments in these assets, as well as the significant amount of management bandwidth devoted to optimize operations.

Our aim has always been to have robust and resilient global operations. To ensure this outcome, we believe it is important to tackle some of the structural challenges with the UK assets, namely the potential high pension deficits, high energy costs and high taxes. Discussions on all these parameters and more have been ongoing with all the stakeholders. While pursuing a long term solution to the current issue, it is important to balance the needs of nearly 1 million shareholders of the company who have supported the company for decades, many of whom rely on dividends from Tata Steel to supplement their income.

It would give me no greater pleasure than to see a strong and structurally viable UK Strips operations, as part of broader global joint venture, which would make it a much larger player in the European market, and ensure its long term viability.



The company continues to seek avenues to unravel its crossholding in group companies and exit strategically from unrelated business. In the last three years, your company has divested its stake in Titan and Tata Motors and will continue along this journey as part of its strategic plan.

With the strong performance of the India operations, and a long term structural solution to the global operations, I believe Tata Steel is well poised to deliver sustainable profitable growth for the long term.