

# Tata Steel

## Reports Consolidated Financial Results for Q4FY'15



**T**ata Steel group declared its consolidated financial results for the full year (FY'15) and fourth quarter (Q4FY'15) ended March 31, 2015. The Company recorded deliveries of 26.32 million tonnes for the year and 7.06 million tonnes for the quarter. Turnover was Rs139,504 crore for the year and Rs33,666 crore for the quarter. The Company declared an equity dividend of Rs8 per share.

### Consolidated Performance Highlights

#### All Figures in Rs Crore Unless Specified

FY'15	FY'14		Q4FY'15	Q3FY'15	Q4FY'14
26.32	26.56	Steel Deliveries (million tonnes)	7.06	6.30	7.62
139,504	148,614	Turnover	33,666	33,633	42,428
12,745	16,377	EBITDA	1,580	3,090	4,917
5,944	5,841	Depreciation	1,513	1,451	1,472
4,848	4,337	Finance Costs	1,195	1,167	1,169
(3,929)	(28)	Exceptional Items	(4,811)	==	(46)
(1,388)	6,722	PBT	(5,837)	578	2,436
(3,926)	3,595	Profit after Taxes, Minority Interest and Share of Associates	(5,674)	157	1,036
(42.24)	35.19	Basic and Diluted Earnings per Share (₹)	(58.88)	1.16	10.20

### Indian Operations

The Indian steel industry witnessed subdued demand across steel-consuming industries. There was a surge in low priced imports especially from China, Japan and Korea, which led to a sharp correction in steel prices especially during the last few months

of the year. Despite these challenges, the Indian operations of the Company registered best ever production in hot metal, crude steel and saleable steel and successfully ramped up deliveries across its key business segments.

Automotive and special products sales rose by 15 percent over the previous year while Branded Products, Retail and Solutions sales increased by 10 percent. Brands such as Tata Tiscon, Tata Shaktee and Tata Steelium registered best ever sales during the year.

The Company's captive iron ore mines were in operation through Q4FY'15 and the mining operations were

able to return to their normal levels.

Turnover in FY'15 was Rs41,785 crore compared to Rs41,711 crore in FY'14 as the benefits of higher volumes were largely offset by lower realisations and weak demand. Q4FY'15 turnover increased by seven percent to Rs10,635 crore from Rs9,897 crore in the

previous quarter but fell 13 percent from Rs12,191 crore in Q4FY'14. The quarter-on-quarter improvement in revenue was driven by higher volumes partially offset by lower realisations.

FY'15 EBITDA declined by 24 percent to Rs10,102 crore from Rs13,281 crore in FY'14. Q4FY'15 EBITDA was Rs1,661 crore compared to Rs1,979 crore in Q3FY'15 and Rs4,052 crore in Q4FY'14. The decline was driven by a steep fall in realisations combined with an increase in iron ore costs on purchased iron ore that was procured to support the operations during the previous

quarters when the captive mining operations were closed due to regulatory actions.

Profit after tax in FY'15 was flat at Rs6,439 crore compared to Rs6,412 crore in FY'14. Q4FY'15 profit was Rs814 crore compared to Rs881 crore in Q3FY'15 and Rs1,979 crore in Q4FY'14. Earnings Per

Share (EPS) in FY'15 increased marginally to Rs64.49 from Rs64.21 in FY'14. EPS in Q4FY'15 was Rs7.94 compared to Rs8.61 in Q3FY'15 and Rs19.93 in Q4FY'14.

### European Operations

Volume output in Europe was stable, despite being constrained by demand and operational issues. Lower turnover was due to reduced sales prices. Operating profit improved nevertheless, with EBIT turning positive. Further strong progress was made in the market differentiation strategy in Europe. Differentiated products sales represented more than a third of overall sales for the year as a whole. Sales of new products surged 16 percent by volume and the company raised the total of new products in its portfolio to 113 by the end of FY'15.

Liquid steel production in FY'15 declined by 2.5 percent to 15.16 million tonnes from 15.55 million tonnes in FY'14. Q4FY'15 production of 3.91 million tonnes was 4.5 percent higher than the 3.74 million tonnes produced in Q3FY'15 and 3 percent lower than the 4.04 million tonnes produced in Q4FY'14.

Deliveries declined marginally to 13.67 million tonnes in FY'15 from the 13.86 million tonnes in FY'14. Q4FY'15 deliveries of 3.81 million tonnes were 15 percent higher than the 3.31 million tonnes in Q3FY'15 and 6.5 percent lower than the 4.07 million tonnes in Q4FY'14.

Turnover in FY'15 was Rs79,878 crore versus Rs84,666 crore in the previous year. Q4FY'15 turnover was Rs19,537 crore compared to Rs19,399 crore in Q3FY'15 and Rs24,376 crore in Q4FY'14. The drop in turnover was driven by falling raw materials prices, which dampened realisations.

FY'15 EBITDA rose by 42 percent to Rs4,285 crore from Rs3,008 crore in FY'14, reflecting improved margins and better market positioning. Q4FY'15 EBITDA of Rs1,053 crore, though down from Rs1,308 crore in Q3FY'15, was 29 percent higher than the Rs817 crore in Q4FY'14.

FY'15 EBIT was a profit of Rs1,015 crore and a turnaround on the loss of Rs158 crore in the previous year. Q4FY'15 EBIT of Rs280 crore was also a turnaround on the loss of Rs16 crore in Q4FY'14, though down from Rs485 crore in Q3FY'15. Wider market spreads and the increase in premium product volumes again lay behind the improved figures.

### South East Asia

The South East Asian operations were affected by weak demand and a contraction in

the rebar-scrap spread on the back of a significant increase in imports from China. Deliveries increased at NatSteel's operations in Singapore though they declined in China. Tata Steel Thailand also recorded an increase in sales, including value-added domestic rebar sales, during the fourth quarter.

FY'15 deliveries declined to 3.59 million tonnes from 3.98 million tonnes in FY'14. Q4FY'15 deliveries declined to 0.76 million tonnes, from 0.80 million tonnes in Q3FY'15 and 1.07 million tonnes in Q4FY'14.

Turnover in FY'15 declined to Rs13,048 crore compared to Rs16,988 crore in FY'14. Q4FY'15 turnover was Rs2,461 crore versus Rs2,831 crore in Q3FY'15 and Rs4,365 crore in Q4FY'14.

EBITDA in FY'15 was a loss of Rs500 crore compared to the profit of Rs439 crore in FY'14 due to compression of rebar-scrap spreads and one-off provisions. Q4FY'15 EBITDA was a loss of Rs232 crore compared to the loss of Rs18 crore in Q3FY'15 and profit of Rs80 crore in Q4FY'14.

### Mining Update

All the iron ore and chromite mines are operating. The Mines and Minerals Development and Regulation (MMDR) Amendment Act 2015 was passed by the Indian Parliament and notified in the Gazette on March 27, 2015. The Company has since been working with the respective State Governments of Jharkhand and Odisha on completing the necessary documentation for the extension of its mining leases as provided in the MMDR Act. Regarding the Company's mines in Odisha, Supplementary Lease Deeds have been executed for the Joda East (Iron ore), Khonbond (Iron and Manganese), Joda West (Manganese), Manmora (Manganese), Bamebari (Manganese), Tiringhpahar (Manganese) and Gomardih (Dolomite) mines. All the leases have been extended upto March 31, 2030 except Gomardih, a non-captive mine, which is extended upto 2020. The lease execution process is ongoing for Katamati (Iron) mines. A decision on Sukinda (Chrome) and Malda (Manganese) is awaited. The Company is engaged in discussions with the Government of Jharkhand on the extension of the mining lease for Noamundi Iron Ore Mine. The operations of Noamundi Iron Ore mines are continuing as per the order of the Honourable High Court of Jharkhand.

### Executive Comment

**Mr T V Narendran, Managing Director of Tata Steel India and South East Asia,**

**said:** "It has been a very challenging year for the steel industry with several macro headwinds at play. Despite this, we continued to outperform the industry and registered growth in deliveries in a relatively flat steel market. Our focus on our marketing franchise, strong customer relationships and various cost saving initiatives has helped us weather the weak business environment. Steel realisations fell sharply during the second half of the year due to the deluge of imports combined with sluggish domestic demand. In addition, our performance was impacted by mining disruptions during the year. We are hopeful that steel demand will rebound this fiscal year on the back of higher investments across key industrial and infrastructure sectors as the government's "Make-In-India" campaign starts yielding results. Performance of the South East Asian operations was also impacted by higher imports and lower market spreads. We are focused on implementing our 3mtpa greenfield expansion at Kalinganagar, Odisha, which we expect to commission this year. In addition, the first phase of our Gopalpur ferro-chrome plant will start operation by October-2015."

**Dr Karl-Ulrich Köhler, MD & CEO of Tata Steel in Europe, said:** "We continued to make steady progress on our strategic transformation to become a customer-orientated, financially sustainable company despite weakening market conditions in the last six months. Our financial performance improved due to our market differentiation strategy, as well as wider market spreads and continued cost control. We launched 35 new products for customers during the year, including a premium quality surface finish for car body panels, a lighter-weight construction steel and a new steel grade for tractor wheels. We also invested in our customers through the opening of a new heavy-gauge decoiler in South Wales, a new finishing line in IJmuiden, a new light gauge centre in the UK's West Midlands and the acquisition of several service centres in the Nordic region. Our European production and deliveries were stable, despite being constrained by reduced demand in the second half and operational issues such as a power blackout in the Netherlands in the fourth quarter. In the coming year we see opportunities to further improve sales through higher precision. EU demand is forecast to grow modestly again and the EU steel industry is in a stronger position to benefit than it was pre-crisis. But surging Chinese exports look set to remain a serious concern."