

TATA STEEL



106th Annual Report 2012-2013



*The journey towards
enduring sustainability*

INTEGRATED REPORTING

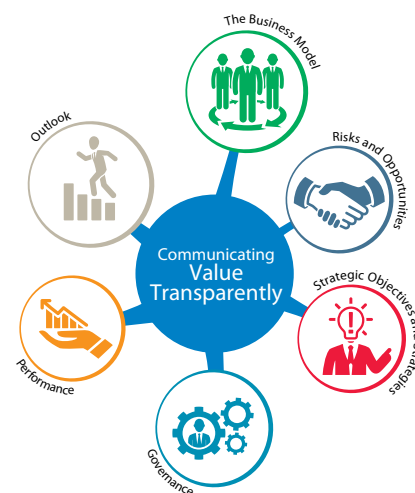
Communicating Value Transparently

At the very core of the concept of **Integrated Reporting (IR)**, is the growing recognition that a number of factors determine the value of an organisation – some of these are financial or tangible in nature and are easy to account for in financial statements. However others, like people, natural resources, intellectual capital, markets, competition, etc., are harder to measure.

This is where the concept of Integrated Reporting comes in. IR enables an organisation to communicate in a clear manner on how it is utilising its resources and relationships to create, preserve and grow value in the short, medium and long-term. And thus helping investors to manage risks and allocate resources most efficiently.

The IR reporting framework covers six parameters:

- ❖ *Organisational Overview of the Business Model*
- ❖ *Operating Context, Risks and Opportunities*
- ❖ *Strategic Objectives and Strategies*
- ❖ *Governance*
- ❖ *Performance*
- ❖ *Outlook*



This Annual Report is Tata Steel's maiden attempt to report in accordance with the above parameters. It is in keeping with Tata Steel's own belief in transparency, accountability and ethics. A belief that Tata Steel has held strong for over a century.



The journey towards enduring sustainability

Tata Steel has embarked on the journey toward sustainability with the objective of building a sustainable business while generating long-term value for its stakeholders.

Responsible businesses are increasingly seen as corporate citizens who must set examples, actively contribute to the well-being of society, not just in economic terms, but also through actions that are aimed at conserving the environment and contributing to the growth of society. As boundaries of responsibility are redefined, businesses must be proactive, they must define and drive a vision that welds the goals of the society in which they function, with their own aspirations for growth.

What does sustainability mean to us at Tata Steel?

Tata Steel has been one of the first companies in India to adopt sustainability as a policy. It is a core value, built on our respect for people, our desire for growth and our respect for the environment. Building further on this vision, Tata Steel is the first Indian company to be a part of the International Integrated Reporting Council (IIRC) – an international initiative towards voluntary communication on how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long-term.



INTEGRATED REPORTING

Helping stakeholders to understand an organisation's strategy, governance, performance and prospects that will lead to the creation of value over the short, medium and long-term.

An integrated report thus communicates the factors most important to the creation of value over time.



Organisational Overview of the Business Model

This provides a perspective of the core business of the company so that stakeholders have a clear understanding of what the company does – and how it does it.



Governance

The ethical standards of a company are an important aspect that a stakeholder is concerned about when investing. Transparent reporting on the governance process helps reassure stakeholders and builds trust.



Operating Risks and Opportunities

It is important for every stakeholder to understand and weigh for themselves the risks the company is exposed to – as well as the opportunities that come its way.



Performance

Performance – whether it is operational, quality, delivery, innovation or CSR – is of paramount importance for the investing community.



Strategic Objectives and Strategies

One of the key aspects of understanding a company is the knowledge of its strategies and growth plans.



Outlook

The macro economic environment globally continues to be uncertain and volatile. Under such conditions it is important for the stakeholders to be appreciative of the company's long-term plans.



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The Annual General Meeting will be held on Wednesday, 14th August, 2013 at Birla Matushri Sabhagar at 3.00 p.m. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to kindly bring their copies to the meeting.

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Dear Shareholders,

During the year, the world economy has struggled on a path to uniform and widespread economic stability. Most emerging markets and developing economies have shown moderate growth, whereas the developed economies have moved on divergent paths, with pickup in growth in the US and weak economic conditions in the euro zone area. The Indian economy has slowed down in the last 12 months and some of the sectors including the automotive and capital goods have been faced with demand slowdown that is unlikely to turnaround quickly. The Chinese economy too has witnessed a moderation in its growth rate and it is widely expected that following the political transition, China would look at rebalancing the economy to a sustainable level.

In 2012, the world's crude steel production stood at 1.54 billion tonnes, an increase of roughly 0.7% over the previous year. This has been the slowest rate of growth since the crisis of 2008. The overhang of the economic crisis and significant overcapacity in regions like Europe and China continues to stress global capacity utilisation and the demand supply balance. In our key overseas markets of Europe and UK where the Company has significant manufacturing presence, the economic downturn has significantly affected steel demand, which is now almost 30% lower than the pre-2008 financial crisis level. The outlook for the euro zone area currently continues to be depressed and we have had to revise our cash flow expectation and valuations of the Group's European operations. It is in this context, that we took an impairment charge in the last quarter. A clear industrial policy with special emphasis on manufacturing competitiveness and infrastructure spending will be the key requirement for revival of demand in markets like the UK.

On the operational front, we have made significant progress in the last year. In India, the Company commissioned the 3 mtpa brownfield expansion project at Jamshedpur. The facilities have been gradually ramping up and should enhance the product offerings and earnings of the Tata Steel Group in the future. The operational capabilities in Europe have also been strengthened on the back of investments made in the last year that included the rebuilding of a blast furnace at Port Talbot in the UK and the improvement initiatives that are targeted at efficiency enhancements, product rationalisation and restructuring. These actions should improve the competitiveness of the European operations even though the market is expected to remain challenging. The South-East Asian operations have already started reporting better results on the back of restructuring initiatives undertaken earlier. The operational initiatives across the



The operational initiatives across the Group are aimed to make the Tata Steel Group a stronger and more competitive business that can withstand external shocks better and create long term value for its stakeholders.



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The most important growth project for the Tata Steel Group is the 6 mtpa greenfield steel plant in Odisha, where work is continuing at full speed for the first phase of 3 million tonnes. All efforts are concentrated on commissioning the first phase of the project as per schedule, which when ready, will help strengthen the product portfolio in India and help rebalance steelmaking capacities across the Group. Despite several challenges, the management team is currently working very hard to ensure timely completion of the project and build state-of-the-art facilities that will enhance Tata Steel's market positioning and generate life cycle returns for its shareholders.

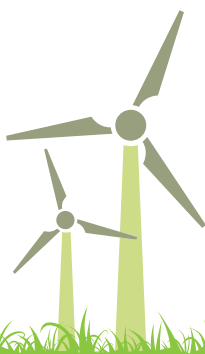
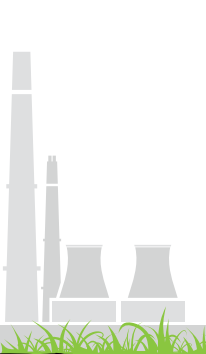
The consumption of steel, a key ingredient in several industries such as construction, infrastructure, automobiles and consumer goods, will continue to be linked closely to the economic prospects of a country or region. In the face of volatile raw material prices and systemic weakness in demand in key markets, the next 18-24 months will be challenging for Tata Steel. However, I believe, we will emerge on a stronger footing, through a series of management initiatives targeted at strengthening our core operations including investment in select facilities, product rationalisations and right-sizing of manufacturing assets.

In these trying times, I would like to place on record my appreciation to all employees, unions, lenders, shareholders and other stakeholders, for their dedication and support. Tata Steel is committed to improving the efficiencies in its operations and differentiating itself in the market-place through customer focussed innovation in product and services, so as to build a stronger and sustainable future for our Company. Finally, I would like to thank our Chairman Emeritus Mr. Ratan N. Tata for his visionary leadership and extraordinary stewardship with which he led the Company through many challenges during his tenure as the Chairman of Tata Steel.

Cyrus P. Mistry
Chairman

Mumbai, 11th June, 2013

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Mr. Cyrus P. Mistry, *Chairman*



Mr. B. Muthuraman, *Vice Chairman*



Mr. Nusli N. Wadia



Mr. Jacobus Schraven



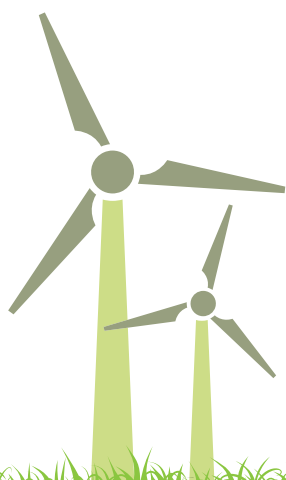
Mr. Andrew Robb



Mr. O. P. Bhatt



**Mr. H. M. Nerurkar,
*Managing Director,
Tata Steel Limited***





Mr. Ishaat Hussain



Mr. Subodh Bhargava



Mrs. Mallika Srinivasan



Mr. D. K. Mehrotra



Dr. Karl-Ulrich Koehler,
*Managing Director and Chief Executive
Officer, Tata Steel Europe*



Mr. Koushik Chatterjee,
*Executive Director and Group Chief
Financial Officer*

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Mr. A. Anjeneyan

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LEGAL ADVISORS

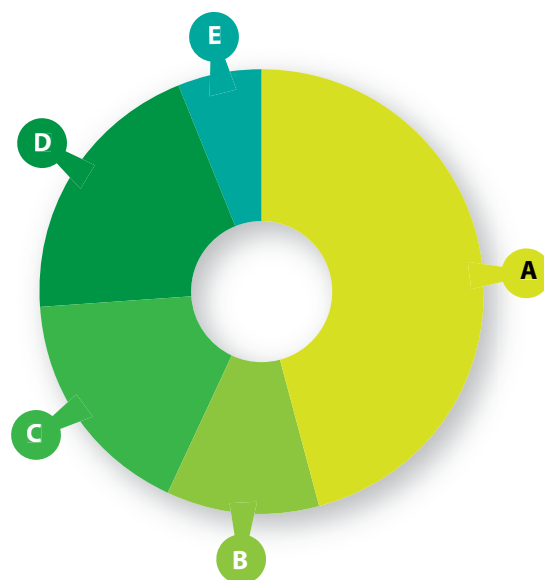
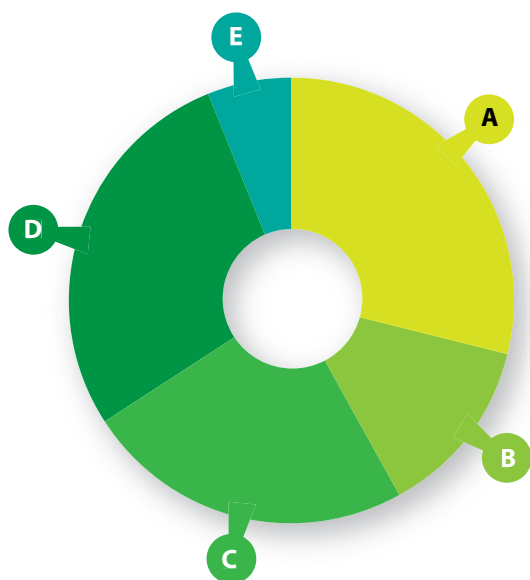
AZB & Partners,
Amarchand & Mangaldas &
Suresh A. Shroff & Co.,
Mulla & Mulla and Craigie Blunt & Caroe,
Cleary Gottlieb Steen & Hamilton LLP,
Linklaters LLP

AUDITORS

Messrs Deloitte Haskins & Sells



Consolidated Financial Highlights 2012-13



Geographical Distribution of Revenue

India	29%	A
Asia excluding India	13%	B
UK	24%	C
EU excluding UK	28%	D
Rest of World	6%	E
Total	100%	

Capital Employed by Geographies

India	46%
Asia excluding India	11%
UK	17%
EU excluding UK	20%
Rest of World	6%
Total	100%

