

TATA STEEL



JAMSETJI TATA
Celebrating 175th Birth Anniversary

Journey towards operational excellence | **107th Annual Report 2013-2014**



A visionary with a timeless legacy

Born 175 years ago, in 1839, Jamsetji Nusserwanji Tata, the Founder of the Tata group, was a visionary who felt the need to use the resources and capabilities at his command to the service of the people of the country and make India a self-reliant economy. Motivated by the early nationalists of the Indian freedom movement in the latter half of the

nineteenth century, Jamsetji Tata devoted his entire energy and effort to implement his vision of building an industrial enterprise in India that would provide economic freedom to the country.

An enlightened entrepreneur and a great nationalist, his vision for “a free enterprise” was one that would make the community “the very purpose of its existence”. A simple and altruistic viewpoint, it enveloped within it a complex, hitherto unheard of, holistic ideology of business enterprise as corporate citizens. His basic premise was that just as other citizens had both rights and duties, the duty of a corporate citizen required it to serve the plural interests of diverse stakeholders – perhaps collectively viewed by him as the community.

Even long before the steel plant was established, Jamsetji had the vision that Tata Steel’s business practices should follow few principles for common good including adopting an ethical value system and transparent business practices, driven by the ideals of good governance that consider the interests of the shareholders our own, and focus on the health and welfare of the employees. His vision for Tata Steel was not restricted to the steel works but also of a planned city with a lot of greenery around where the contented and productive work force would reside. In later years, the city thus born out of his vision aptly came to be named as “Jamshedpur”. He consciously abjured philanthropy, choosing instead to equip India to climb out of poverty by establishing the means to harness its finest minds.





Jamsetji believed that the route to the creation of wealth was “widespread industrialisation and the infusion of modern science and technology into the country’s economic life”. He balanced it with the notion that in its pursuit of industrial growth, Tata Steel’s value system must act as a lodestone, continuously guiding its social consciousness to stretch beyond its vision - the end goal - to select and deploy ethical means or strategies that ultimately serve its primary purpose.

Viewed in the context of the expectations that the community and the society have of businesses today, Jamsetji Tata’s vision of the purpose of an organisation

more than a century ago is still immensely relevant. Thus, even before the turn of the twentieth century, Jamsetji Tata laid the principles of Tata Steel’s future business proposition of being a fair and transparent company whose actions would foster trust and have the ability to deliver common good.

Tata Steel over the last century has always endeavoured to align its strategy and actions that are focused on building sustainable and long-term business by placing equal emphasis on stakeholder value creation and corporate citizenship.



In remembrance of **Mr Russi Mody**



Successive generations of leaders at Tata Steel have drawn guidance and inspiration from the purpose for which the Founder, Jamsetji Tata, created Tata Steel. Among them was Rustomji Hormusji Mody, who joined Tata Steel as an Office Assistant in 1939 and rose through its ranks to become its only Chairman and Managing Director in 1984, remaining at the helm of the Company till 1993, in a career spanning 53 years.

Loved, respected and trusted by all, especially the employees of Tata Steel and its communities, Mr Russi Mody passed away on 16th May, 2014.

Mr Mody, who was educated in England at Harrow School and later Christ Church College, Oxford, was hand-picked by the Late J R D Tata in 1953 to engender greater employee engagement and welfare at Tata Steel. During his tenure as Director, Personnel, the historic participative management agreement between Tata Steel and the Tata Workers' Union was signed in 1956. He became Managing Director of Tata Steel in 1974 and on 23rd October, 1984 he was appointed its Chairman and Managing Director.

Mr Mody felt a close connect with Jamsetji Tata's vision, Tata Steel's social consciousness, the enlightened approach to the redistribution of wealth, and the priority placed on employee welfare and industrial harmony. Under Mr Mody's leadership, Tata Steel came to be popularly known as "the company that also made steel". He established formal mechanisms and processes for employee participation, economic well-being of communities and social inclusion that were watersheds in the history of Indian industry.

A great friend of the less privileged and marginalised, Mr Mody injected

result-orientation in Tata Steel's social welfare programme with the formation of societies for rural development and tribal welfare. His dream was to prepare the communities to become self-reliant. Mr Mody also devoted his efforts towards excellence and promoted "Sports as a way of life" across all Tata Steel's communities.

A veritable people's person, Mr Mody's compelling sincerity and strong will, both in the service of the Company and humanity, contributed to 50 years of industrial harmony at Tata Steel and a great depth of managerial talent at the Company. He received the Padma Bhushan in 1989 for his exemplary contribution to industry.

An astute, intuitive and incisive businessman, he took the capacity of the Company from eight-lakh tonnes in 1974 to almost 2.5 million tonnes by 1992-93. Much before the rest of the industry, Mr Mody foresaw the need for change. He instituted 'vision building' at Tata Steel, heralded its largest modernisation programme from the early 1980s and oversaw its technological transformation. He simultaneously launched the quality movement at Tata Steel. A believer in judiciously preparing for the future, Mr Mody laid the foundation of an enterprise of tomorrow, enthusing its people to restructure and re-engineer it with a compelling vision for the next millennium.

Tata Steel pays its tribute at the passing away of this iconic leader.



Journey towards operational excellence

Through the decades of change that the world has witnessed, the Tata Steel group has continually focussed on driving and maintaining **excellence in operations**. This has found expression in a relentless drive for excellence in process, product and people; a culture of continuous improvement; and a spirit of innovation that has helped the Tata Steel group sustain growth through turbulent times.

With the world going through perhaps one of the longest and most sustained slowdowns in economic history, Tata Steel has successfully withstood this scenario, thanks to a **long-term strategy and vision**. With a continued focus on enhancing its competitiveness, Tata Steel has initiated several strategies that have enabled it to grow sustainably. The **continuing integration** of its processes have enabled it to increase efficiencies. Added to this is the enduring commitment of **giving back to society** that helps make the vision of **sustainable growth** a reality.

CONTENTS

<i>Chairman's Statement</i>	4	<i>Production Statistics</i>	132
<i>Board of Directors</i>	6	<i>Financial Statistics</i>	133
<i>Consolidated Financial Highlights</i>	8	<i>Dividend Statistics</i>	134
<i>Management Speak</i>	10	<i>Independent Auditors' Report</i>	135
<i>Business Model Overview</i>	12	<i>Annexure to the Independent Auditors' Report</i>	137
<i>Organisational Overview of Business Model</i>	14	<i>Balance Sheet</i>	140
<i>Operations Overview</i>	16	<i>Statement of Profit and Loss</i>	141
<i>Risks and Opportunities</i>	22	<i>Cash Flow Statement</i>	142
<i>Strategic Objectives</i>	26	<i>Notes to Balance Sheet and Statement of Profit and Loss</i>	144
<i>Governance Systems</i>	28	<i>Auditors' Report on Consolidated Financial Statements</i>	188
<i>Performance</i>	29	<i>Consolidated Balance Sheet</i>	190
<i>Outlook</i>	30	<i>Consolidated Statement of Profit and Loss</i>	191
<i>NVG Principles</i>	31	<i>Consolidated Cash Flow Statement</i>	192
<i>Notice</i>	33	<i>Notes to Consolidated Balance Sheet and Statement of Profit and Loss</i>	194
<i>Directors' Report</i>	49	<i>Summary of Financial Information of Subsidiary Companies</i>	239
<i>Management Discussion and Analysis</i>	73	<i>Proxy/Attendance Slip</i>	247
<i>Corporate Governance Report</i>	99		
<i>Business Responsibility Report</i>	121		
<i>Highlights</i>	129		
<i>Sources and Utilisation of Funds</i>	130		
<i>Financial Ratios</i>	131		

The Annual General Meeting will be held on Thursday, 14th August, 2014 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.



One of the key pillars of the Company's strategy is to continue to build capacity in India that is globally competitive and delivers world-class products to its customers.

Dear Shareholders,

The Financial Year 2013-14 saw mild trends of macroeconomic recovery in several major economies, including the US and Europe even though structural weaknesses continue to be a major threat in the medium term. The global steel industry has structural overcapacity in China and Europe, which need to be recalibrated to the underlying global demand to make the industry more competitive and sustainable in

the long-term. Growth in China, the largest producer of steel globally, has tempered, as the country shifts gears to pursue a 'sustainable' model of economic development. Deviations in the growth trajectory of China will impact global steel demand-supply and pricing dynamics.

In recent times, following the change in the political leadership in China, there has been a conscious focus by the leadership in China on improving the quality and sustainability of the country's economic growth model, which has had an impact on China's steel sector. It is believed that this structural shift could influence demand-supply dynamics in the regions, especially import susceptible geographies such as Europe and USA, and lead to moderation of raw material prices and pricing dynamics across regions.

World crude steel production grew at 3.6% in 2013. Lower steel consumption growth in large emerging economies such as China and India were countered by growth in mature markets such as the USA. However, disinflationary pressures and financial fragility continue to be a concern in the Eurozone. In light of the above, global steel demand is forecast to grow by 3.1% in 2014.

In Europe, despite volatile raw material prices and challenging market conditions, the business reported an increase in operating margins compared to the previous year. This is credited to the management's focus on cost management and a strategy for driving product differentiation. Over 30 new products were launched during the year in Europe, leading to a 75% increase in volume of new products sold. This is a record for the ongoing New Product Development programme. Our focus on driving market differentiation and cost competitiveness will continue in the future.

On the domestic front, the Indian economy grew at a rate lower than the trend average of the last 10 years due to overhang of lower capital expenditure and investments, tight monetary policy and sluggish demand conditions in critical sectors such as automotive, infrastructure and construction. There are significant expectations of the new Government to pursue further economic reforms, investments in infrastructure and an inclusive growth agenda to revive the economy. Steel as a foundation industry will play a significant role in this journey and therefore it is very important for policy makers and the government to facilitate a robust supply side framework as an enabler for a vibrant steel industry in the country. Tata Steel is committed to engaging in a constructive manner with all stakeholders to evolve such a framework.

One of the key pillars of the Company's strategy is to continue to build capacity in India that is globally competitive and delivers world-class products to its customers. In Jamshedpur, as part of the 2.9 million tonnes per annum expansion, the Company achieved almost a million tonnes of additional production and sales during the Financial Year 2013-14. In the midst of difficult market conditions, the successful ramp up during the year of all major facilities to their rated capacity enabled the Indian operations to improve operational efficiency and margins while sustaining a robust level of operating cash flow. As Tata Steel grows its volumes in India, it will strengthen its focus on customer centricity and branding across all product segments.

The Company is also aggressively pursuing completion of the first phase of the 6 million tonnes per annum greenfield project in Kalinganagar, with stage-wise commissioning expected to start by end of Financial Year 2014-15. The Company is focussed not only on the execution of the plant facilities but also on addressing

the socio-economic infrastructure needs of an industrial enterprise of this scale. The Company is committed to addressing the developmental needs and aspirations of the communities around the project, in the areas of health, education, livelihood and skill building.

As the Company diversifies its operations into new locations in India and overseas, it will continue to build on the capabilities of its existing CSR programmes to improve the livelihood of the communities in which it operates. The Board and the leadership team are also committed to improving our safety practices and reducing the environmental impact of our operations.

Sadly, the year gone by, saw the passing away of Russi Mody, a visionary leader, who helped Tata Steel transcend its corporate identity, achieving fame not just for its operational excellence, but also for its commitment to community programmes.

In 2014, we celebrate the 175th birth anniversary of Jamsetji Nusserwanji Tata, a man whose passion and commitment to build a strong India was embedded in his vision for Tata Steel. We are committed to living his values and building on his legacy, as we strive to secure a strong future for our Company.

Finally, I would like to thank all our shareholders and also our customers, suppliers, vendors, project contractors and lenders for their unstinted support to the Company during the year. I would also like to thank all the employees and unions, across the globe, for their tireless commitment to enhancing the performance and well-being of the Company.

Yours Sincerely,

Cyrus P Mistry

Chairman

Mumbai, 31st May, 2014

BOARD OF DIRECTORS



Top (left to right): Mr. D. K. Mehrotra,
Dr. Karl-Ulrich Koehler (*Managing Director and Chief Executive
Officer, Tata Steel Europe*), Mr. T. V. Narendran (*Managing Director,
Tata Steel India and South East Asia*) Mr. Subodh Bhargava,
Mr. Ishaat Hussain, Mr. Koushik Chatterjee [*Group Executive
Director (Finance & Corporate)*]

Seated (left to right): Mr. Andrew Robb,
Mrs. Mallika Srinivasan, Mr. Nusli N. Wadia,
Mr. Cyrus P. Mistry (*Chairman*), Mr. B. Muthuraman (*Vice Chairman*),
Mr. O. P. Bhatt, Mr. Jacobus Schraven

COMPANY SECRETARY
Mr. A. Anjeneyan

REGISTERED OFFICE
Bombay House,
24 Homi Mody Street, Fort, Mumbai 400 001.
Tel.: +91 22 6665 8282 Fax: +91 22 6665 7724
E-mail: cosec@tatasteel.com, Website: www.tatasteel.com
CIN: L27100MH1907PLC000260



REGISTRARS & TRANSFER AGENTS

TSR Darashaw Private Limited,
6-10, Haji Moosa Patrawala Industrial Estate, 20,
Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.
Tel.: +91 22 6656 8484 Fax: +91 22 6656 8494/6656 8496
E-mail: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

LEGAL ADVISORS

AZB & Partners,
Amarchand & Mangaldas & Suresh A. Shroff & Co.,
Mulla & Mulla and Craigie Blunt & Caroe

AUDITORS

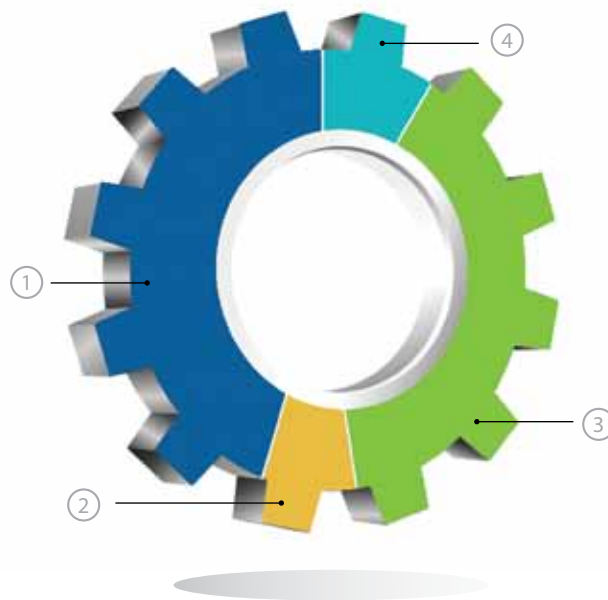
Messrs Deloitte Haskins & Sells LLP

CONSOLIDATED FINANCIAL HIGHLIGHTS 2013-14



Geographical Distribution of Revenue

India	30%	1
Asia excluding India	13%	2
Europe	52%	3
Rest of World	5%	4
Total	100%	



Capital Employed by Geographies

India	45%
Asia excluding India	8%
Europe	38%
Rest of World	9%
Total	100%