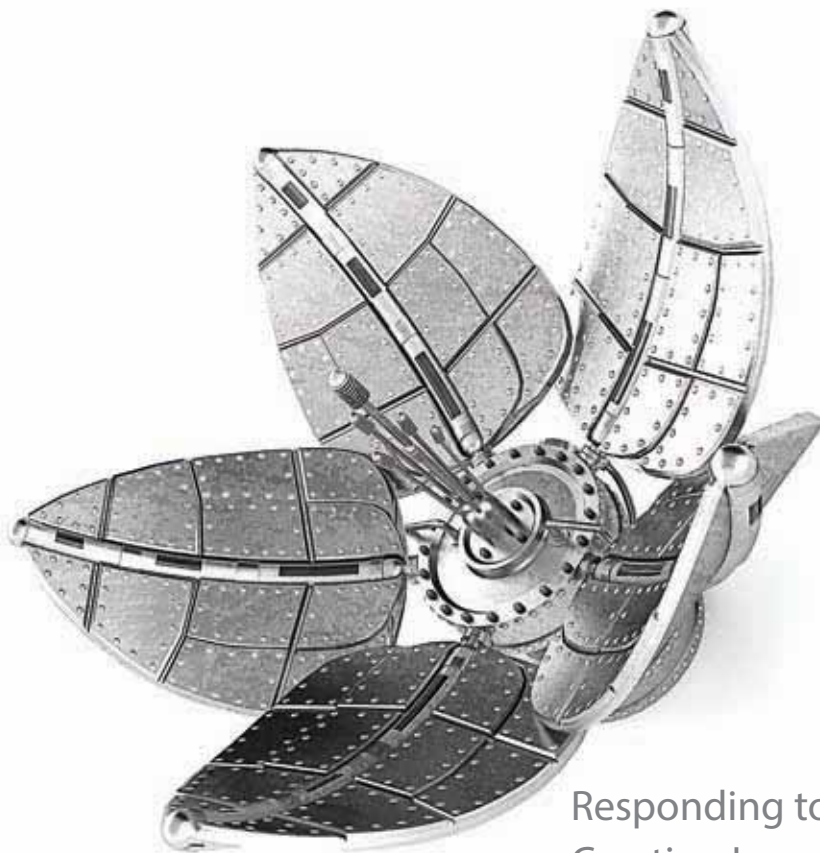


TATA STEEL



108th Annual Report 2014-2015



Responding to **Challenges.**
Creating Long-Term **Value.**

C O N T E N T S

Integrated Reporting enables an organisation to communicate its vision, its strategic objectives and the strategy that it will implement through its business model. Its performance is based on the result of these strategies, the mitigation of risks, the exploration of opportunities and governance structures that lay the foundation of its future outlook.

This Annual Report is based on the International Integrated Reporting Council (IIRC) principles of reporting. It is in keeping with Tata Steel's own belief in transparency, accountability and ethics.



02 Leadership

The strategies and operations are driven by the Board, with the experience and vision to steer the Group in global markets.



06 Performance

We have responded to the challenges the global economy and steel industry has thrown our way with alacrity. Our performance reflects this.



10 Strategic Objectives and Strategy

Our focus on innovation, product differentiation, raw material security and continued emphasis on sustainability is holding us in good stead.



16

Business Model

Our integrated business model supports our vision of being a steel industry benchmark in Operational Excellence, Corporate Citizenship, Social Responsibility and Environmental Performance.



26

Risks and Opportunities

Countering risks inherent to the steel industry, several measures help us leverage our position by mitigating risks and exploring opportunities.



29

Governance

We have focussed on the highest standards of transparency and ethics. Our code of conduct applies to every member of the Tata Steel family.



30

Future Outlook

With all strategies in place, we are looking forward to a future of greater value creation for all our stakeholders, the community and society as a whole.

FINANCIALS

Directors' Report	33	Financial Statistics	149	Auditors' Report on Consolidated Financial Statements	206
Management Discussion and Analysis	103	Dividend Statistics	150	Consolidated Balance Sheet	214
Corporate Governance Report	123	Independent Auditors' Report	151	Consolidated Statement of Profit and Loss	215
Business Responsibility Report	138	Balance Sheet	156	Consolidated Cash Flow Statement	216
Highlights	145	Statement of Profit and Loss	157	Notes to Consolidated Balance Sheet and Statement of Profit and Loss	218
Sources and Utilisation of Funds	146	Cash Flow Statement	158	Notice	271
Financial Ratios	147	Notes to Balance Sheet and Statement of Profit and Loss	160		
Production Statistics	148				

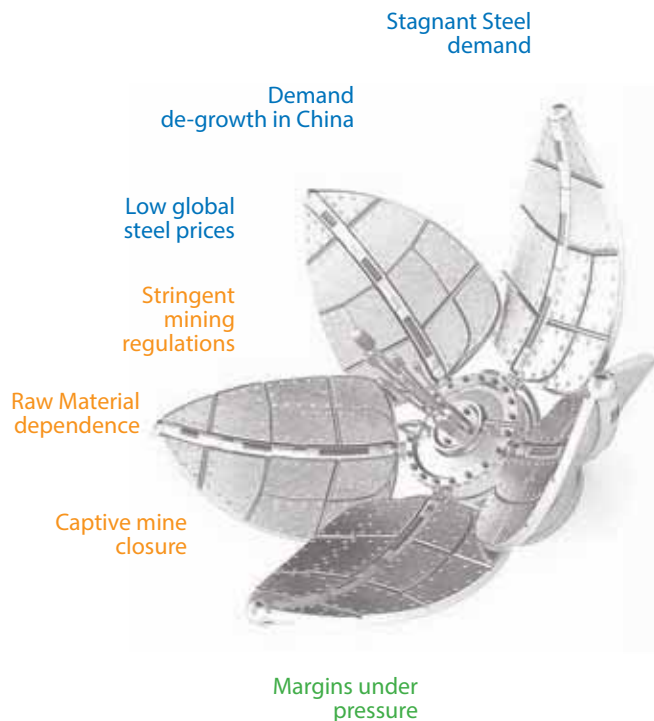
Responding to **Challenges.**

Creating **Long-Term Value.**

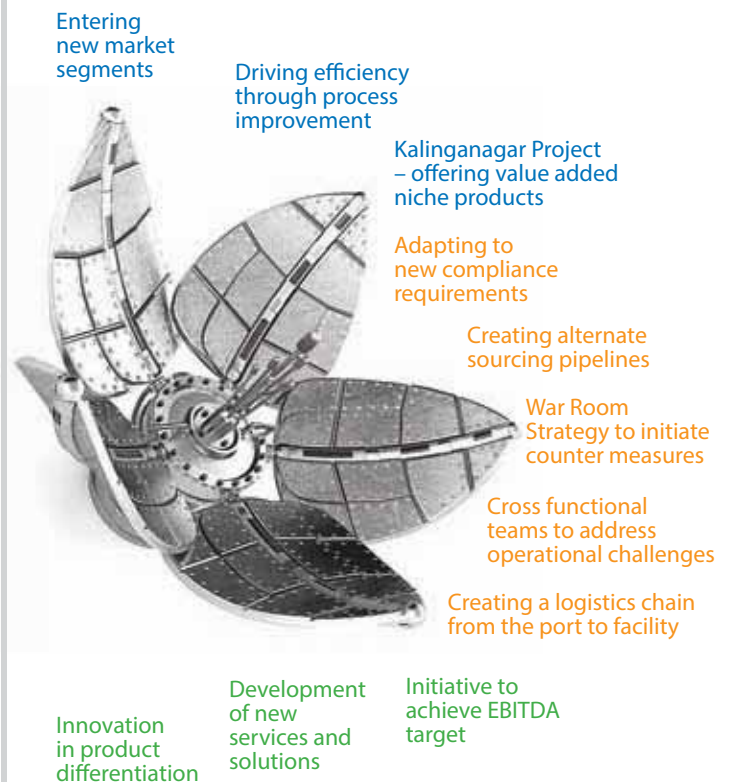
The true mettle of an organisation is tested when it is able to respond to the challenges the environment throws up and turn them into an advantage. At Tata Steel, it's been a turbulent year. For the first time in its history, it encountered closure of critical mines. During the same period global steel demand stagnated while imports surged. As a result, margins were under severe pressure.

Staying **alert to the dynamics of the steel industry and remaining responsive to it, has enabled us to manage the impact of these challenges and come out stronger.** We have seeded several initiatives and projects that will bear fruit in the coming year. A tightening of processes has enabled us to become leaner and more agile than ever before. And an ongoing focus on continuous improvement is helping us innovate to achieve even greater efficiencies.

THE CHALLENGES



THE RESPONSE



CHAIRMAN'S STATEMENT



The steel industry is the foundation industry of any economy especially in developing countries whose material intensity is likely to increase significantly in the future for infrastructure investment and growth in the manufacturing sector.

Dear Shareholders,

The last twelve months saw the manifestation of several global macro risks that could have a long and deep impact on the world economy that is likely to influence the shape of the economic cycle in the future. The key amongst them was the slowdown in the Chinese economy. After a sustained period of super normal growth in the last two decades, the Chinese economy sharply declined during the last year. This development had a deep impact on the commodity cycle, the commodity economies and currencies that depended on China's growth story.

China in the last decade built substantial steelmaking capacity to meet its manufacturing growth and consumption requirements. This resulted in, China's share of global steel production to double to 50%. The global steel capacity utilisation continues to remain at around 75%, while, utilisation levels in China remained lower than global average and around 70% of the total global excess capacity resides in China. This coupled with declining domestic steel consumption led to rise in steel exports from China. Chinese steel exports surged to an all-time high of over 100 million tonnes in fiscal 2015 creating a cascading effect on other steel producing nations. Further, a sharp depreciation of currencies in Russia and Japan improved their competitive position and increased steel exports from these countries. Resultant steel trade dynamics, subdued demand and declining raw material prices have driven global steel prices lower and impacted profitability of steel companies. All of the above have distorted the pricing structure of steel globally and adversely impacted the long term economic competitiveness of steel including in India, thereby impacting employment and prospects of new capital investment in the steel sector.

The Steel industry is the foundation industry of any economy, especially in developing countries whose material intensity is likely to increase significantly in the future, for infrastructure development and growth in manufacturing sector. India certainly is one such economy that is poised to grow significantly over the next decade with its per capita consumption nearly at one-fourth of the global average. A competitive and efficient domestic steel industry is a pre-requisite for India to succeed in its industrial vision for 'Make in India'. Investments in the steel sector are highly capital intensive and long term in nature, whose economic viability is dependent on the fundamental growth assumptions of the domestic economy. The Government of India aims to triple the steel capacity to 300 million tonnes by 2025. In order to ensure that such capacity is viable to set up and value creating for the stakeholders, it is important to ensure that the ease of doing business is enhanced and the Indian steel industry is not unfairly harmed by low priced subsidised imports from overseas.

During the Financial Year 2014-15, the performance of the Company's Indian operations was adversely impacted by the regulatory uncertainties in the mining sector. For the first time in the history of the Company, several of its critical mines remained closed for varying periods, causing immense stress on operations. This led to supply and production disruptions and impacted the cost structure. However, I am happy to report that the Company responded with remarkable fortitude and created an opportunity from the crisis. This was evident from the fact that, despite



the closure of the mines, the Company ensured raw material availability during the period and was also able to grow steel volumes by 3% over the previous financial year. The Jamshedpur Steel Works also achieved the milestone of becoming the first Indian steel plant to produce 10 million tonnes of hot metal from a single location. There were several other initiatives that were undertaken to focus on operational and marketing excellence.

While the Company faced challenges in its operations, especially due to the mining crisis for most part of the financial year, it remained committed to building the greenfield steel plant in Kalinganagar. I am happy to report that the first phase of the project of 3 million tonnes per annum with an investment of around ₹ 25,000 crores is substantially complete and is getting ready for commissioning in 2015-16.

Globally, declining steel demand and increased production in China are expected to result in continued high export levels to Europe. There are, however, some visible signs of recovery as ECB's quantitative easing and various regional measures boost the markets, even though countries like the United Kingdom has been impacted by the currency volatility. The Company's European operations, especially in IJmuiden in Netherlands showed a 39% improvement in its EBITDA in Financial Year 2014-15, due to the focus on product differentiation and productivity improvement.

Tata Steel UK has a high number of pensioners as compared to active employees and it is in discussions with the UK Unions to create a more sustainable pension arrangement for the UK employees thereby providing a chance to sustain the business.

The Company's operations in South-East-Asia witnessed significant pressure from Chinese exports as evident from spread decline in the past year. Our operations intend to mitigate this risk by focusing on cost savings initiatives and downstream market strategy.

In keeping with the Company's vision of creating sustainable value, the focus on Safety, Corporate Social Responsibility (CSR), Sustainability and Human Resources continues to be of great importance. I am happy to report that the Company's CSR activities touched more than 16 lakh lives last year and Tata Steel received the *Economic Times Corporate Citizen of the Year* award and the *Business of the Year Award* at the CII-ITC Sustainability Awards function.

The Tata Steel Group remains committed to ensuring safety of all employees and contractors at all our sites. The "Committed

to Zero" initiative launched across the Company during the last year is a step forward in our mission of being the benchmark in Health & Safety in our industry.

As we enter a new financial year, the global economy continues to be fragile and uncertain especially with regard to the impact of the Chinese slowdown and the Eurozone crisis. The Company's management will continue to focus on operational and commercial excellence across all its operations and also leverage its asset footprint to drive customer centricity with its differentiated product portfolio to overcome the market challenges. The UK business of Tata Steel Europe is the most impacted by the surge of Chinese imports as its domestic demand continues to be weak. While the management will take all actions to make the UK business more sustainable, continued challenges due to adverse currency movement of the Pound versus the US Dollar and the Euro as also the unrelenting Chinese imports into the UK may force the Company to undertake further asset right-sizing in the near future.

Finally, I would like to thank all our stakeholders around the world – shareholders, customers, suppliers, vendors, partners, employees and unions and their families, the various Governments and regulatory agencies for the support extended to us and I hope to continue to receive your support in the future.

Yours sincerely,

Cyrus P Mistry
Chairman
Mumbai, 20 May, 2015

BOARD OF DIRECTORS



COMPANY SECRETARY

Mr. Parvatheesam K.

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 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
E-mail: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com



Top (left to right):

1. Mr. D. K. Mehrotra
2. Mr. O. P. Bhatt
3. Dr. Karl-Ulrich Koehler (*Managing Director & Chief Executive Officer, Tata Steel Europe*)
4. Mr. T. V. Narendran (*Managing Director, Tata Steel India & South-East Asia*)
5. Mr. Jacobus Schraven
6. Mr. Subodh Bhargava
7. Mr. Koushik Chatterjee [*Group Executive Director (Finance & Corporate)*]

Seated (left to right):

8. Mr. Andrew Robb
9. Ms. Mallika Srinivasan
10. Mr. Cyrus P. Mistry (*Chairman*)
11. Mr. Nusli N. Wadia
12. Mr. Ishaat Hussain

LEGAL ADVISORS

AZB & Partners,
Cyril Amarchand Mangaldas,
Mulla & Mulla and Craigie Blunt & Caroe

AUDITORS

Messrs Deloitte Haskins & Sells LLP

The Annual General Meeting will be held on Wednesday, 12 August, 2015 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.

RESPONDING TO CHALLENGES, DRIVING PERFORMANCE

Consolidated Financial Highlights 2014-15

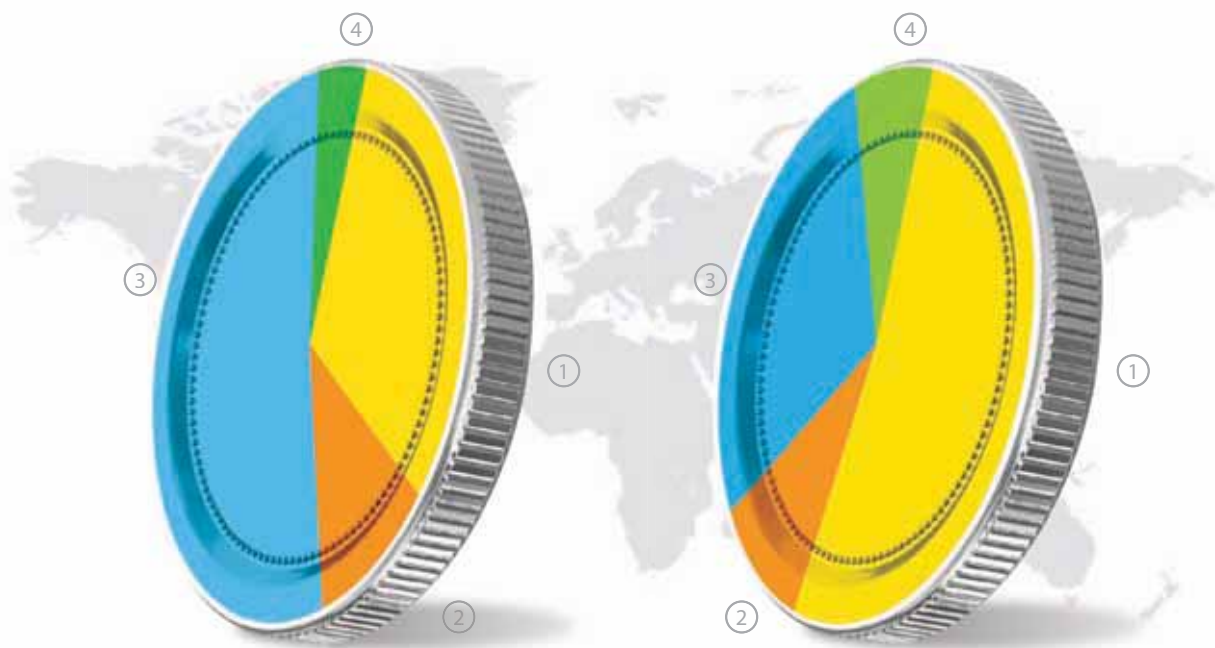
Geographical Distribution of Revenue

India	32%	1
Asia excluding India	11%	2
Europe	52%	3
Rest of the World	5%	4

Capital Employed by Geographies

India	53%
Asia excluding India	10%
Europe	29%
Rest of the World	8%

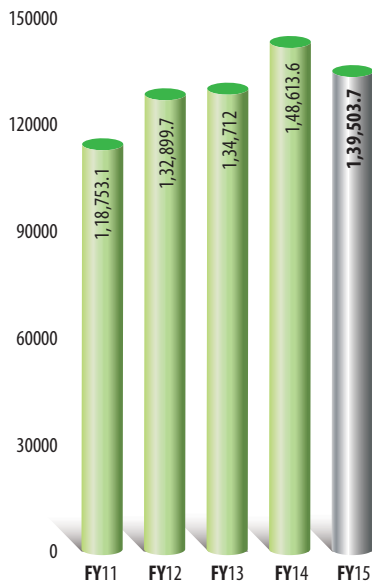
We strive to achieve our vision of being the global steel industry benchmark for Value Creation and Corporate Citizenship.





Turnover

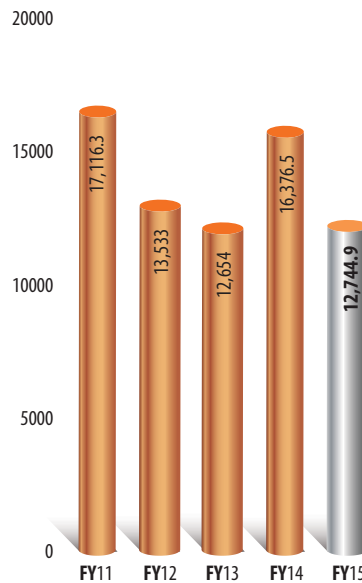
(₹ crores)



Turnover = Revenue from operations (-)
Excise Duty

EBITDA

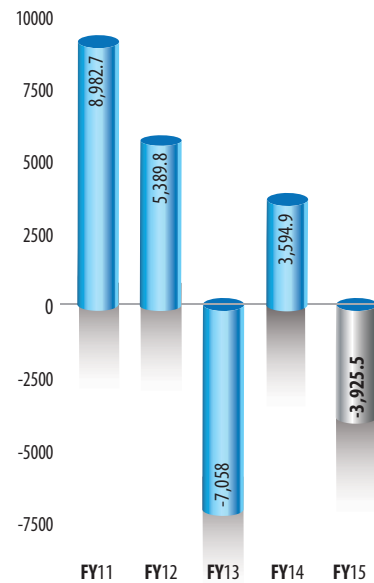
(₹ crores)



EBITDA = Profit before exceptional items
and taxes (+) Net Finance Charges (+)
Depreciation (-) Minority Interest (+)
Share of Profit of Associates

Profit after Tax

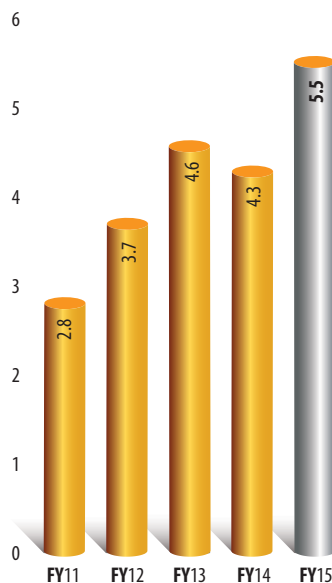
(₹ crores)



Profit after tax, minority interest and
share of profit of associates

Net Debt/EBITDA

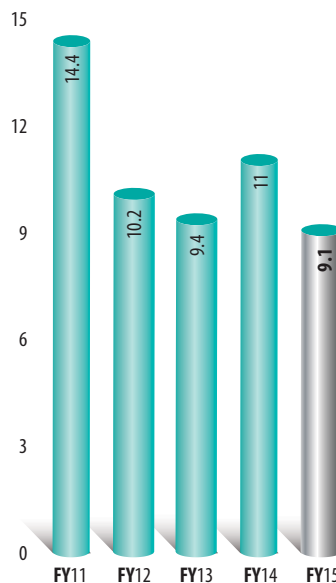
(Number of times)



Net Debt/EBITDA (Annualised)

EBITDA Margin

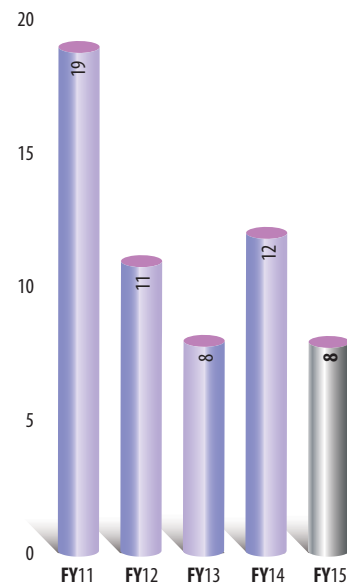
(%)



EBITDA Margin = EBITDA/Turnover

Return on Invested Capital (Pre-tax)

Excluding exceptional items (%)



ROIC = Adjusted Operating Profit before tax
and exceptional items/Average Invested Capital
[Invested Capital = Net Fixed Assets (excluding
WIP) + Goodwill + Adjusted Net Current Assets]

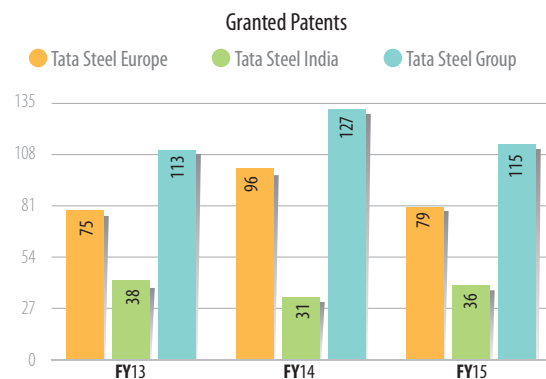
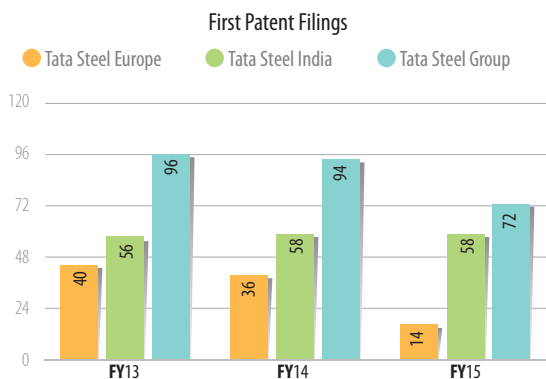
RESPONDING TO CHALLENGES, DRIVING PERFORMANCE

Non-Financial Highlights 2014-15

We believe that the non-financial performance of a company reflects as much or more than the financial performance does. At Tata Steel, our efforts at sustainable business and social initiatives are indicated here.

Overview of first patent filings and granted patents

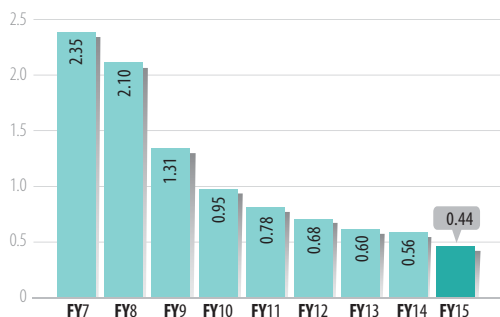
Patent filing across the Group has been a consistent activity, reflecting Innovation and technological differentiation.



Safety

Safety is a top priority area across the Tata Steel Group and initiatives to help achieve the ambition to be the benchmark within the industry are underway.

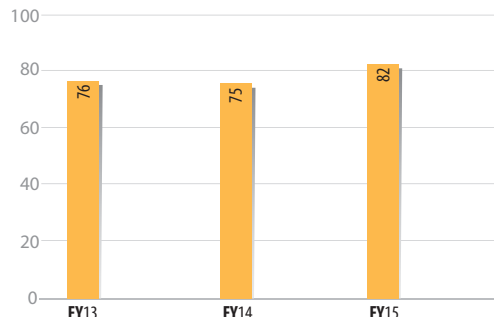
LTIFR (Loss Time Injury Frequency Rate) data for Tata Steel Group



Customer

A continuous focus on process improvements led to higher customer satisfaction. CSI scores are calculated basis Annual Surveys conducted through an independent Market Research Agency.

Customer Satisfaction Index (CSI) - Steel Business (India)



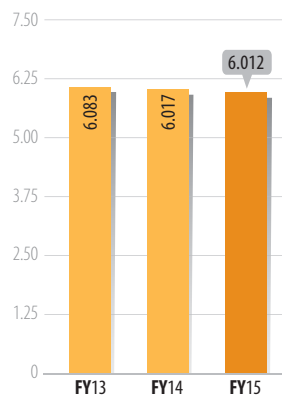
Sustainability Indicators

(Jamshedpur Works)

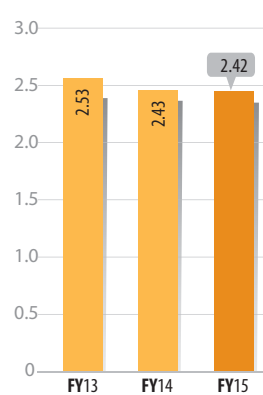


The Company has been investing in efficient processes, best available technologies and imbibing best practices. Several measures have been taken to ensure sustainable processes and results that lead to a greener planet.

Energy intensity (Gcal/tcs)



CO₂ Emission Intensity (tCO₂/tcs)



Sp. Water Consumption (m³/tcs)

