

Tata Steel announces support for Tata Sponge's entry into steel business and identifies it as the strategic vehicle for acquisition of steel business of Usha Martin Limited

Mumbai, October 24, 2018: Long products comprise an important part of the overall market for steel and demand for them in India, is expected to grow significantly in the future, especially in value added customer segments like construction, automotive and engineering. Tata Steel Limited ("Tata Steel") has been a producer of long products in its integrated facilities in Jamshedpur and in its downstream operations in Tarapur, with market presence across rebars, wire rods and wires, recognized for their high quality and customer service levels. Tata Steel has identified growth in long products as an important long-term strategic intent. Unlike flat products, where manufacturing is dominated by large integrated facilities with economies of scale, capacity addition in long products especially in specialty and alloy steel configuration has been typically more modular, characterised by comparatively smaller furnace and mill configuration and higher product customisation to suit customer requirements.

As part of its above-mentioned strategy to grow long products, Tata Steel had on September 22, 2018 announced that it had executed definitive agreements for acquisition of the steel business of Usha Martin Limited ('UML') by itself or any of its subsidiaries or affiliates. Tata Sponge Iron Limited ('Tata Sponge'), a 54.5% subsidiary company engaged in the sponge iron business, has been evaluating various strategic options to enhance its product portfolio and has identified an entry into steel manufacturing in long products as a route to ensure sustainable value creation for its shareholders. Tata Sponge has a debt free capital structure and free cash reserves of around INR 670 crores. It is therefore ideally placed to enter steel manufacturing with a focus on the attractive speciality long products portfolio. Considering the alignment in the views of Tata Steel and Tata Sponge with regard to the latter's strategy of focusing on long products, Tata Steel as the promoter shareholder of Tata Sponge, has agreed to support Tata Sponge's strategy and has identified it as the strategic vehicle to undertake the acquisition of the steel business of UML.

It is also the intent of Tata Steel to in future, support Tata Sponge's growth and work synergistically to create a globally competitive long products business focused on value added and differentiated products, technology and cost competitiveness.

The Board of Tata Sponge after having evaluated independently the asset perimeter, financial forecasts, synergies, prospects and the risks of the proposed acquisition along with the possible funding options, has on October 24, 2018 resolved that it will seek to acquire the business through a slump sale process and has accordingly executed a novation agreement with Tata Steel and UML. The steel business undertaking of UML inter-alia comprises of a specialised ~1.0 MPTA alloy based manufacturing capacity in long products segment based in Jamshedpur, a producing iron-ore mine, a coal mine under development and captive power plants.

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The closing of the acquisition remains subject to fulfilment of various conditions under the agreements. UML and TSIL with the support from Tata Steel shall jointly work towards fulfilment of conditions precedents required for the transfer of the business undertaking.

In order to acquire the steel business of Usha Martin in furtherance of its growth strategy, the Board of Tata Sponge has today also announced a financial plan to raise capital through a Rights Issue of equity shares, debt and mezzanine finance. Tata Steel has noted the financing plan and confirmed its support, in-principle to the overall financing structure. Once Tata Sponge finalises the specifics of the above plan and approaches Tata Steel for investment support as may be necessary, the same will be considered by the Board of Tata Steel at the appropriate time.

About Tata Steel

Tata Steel Group is among the top global steel companies with an annual crude steel capacity of 27 million tonnes per annum (MTPA) as on March 31, 2018. It is the world's second-most geographically-diversified steel producer, with operations in 26 countries and a commercial presence in over 50 countries. The Group recorded a consolidated turnover of US \$20.41 billion (INR 133,016 crore) in FY18. Tata Steel Group is spread across five continents with an employee base of nearly 74,000. Tata Steel retained Industry Leader position in FY18 and ranked second overall in the DJSI assessment, 2017. The Company has been recognised as the Climate Disclosure Leader in 'Steel category' by CDP (2017). Besides being a member of the World Steel Climate Action Programme, Tata Steel was felicitated with several awards including the Prime Minister's Trophy for the best performing integrated steel plant for 2014-15 and 2015-16, Best Risk Management by CNBC TV18 (2018) and 'Corporate Strategy Award' by Mint (2018). The Company also received the 'Most Ethical Company' award from Ethisphere Institute for the sixth time (2018), Steel Sustainability Champions (2017) by the World Steel Association, Dun & Bradstreet Corporate Awards (2017 & 2018), Golden Peacock HR Excellence Award by Institute of Directors (2017) as well as 'Asia's Best Integrated Report' award by the Asia Sustainability Reporting Awards (2017), among several others.

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