

**- TRANSLATION -**

TSTH 072/2015 RM/PS/PB

October 27, 2015

To: President  
The Stock Exchange of Thailand

Subject: Report of the Company's Operating Results for the Second quarter of FY 2015-2016  
(July-September 2015)

Tata Steel (Thailand) Public company Limited ("Company") would like to report the company's operating results for the second quarter of 2015-2016 (July-September 2015) as under:

### **1. Operating Results**

The slowdown in China coupled with likely impact of US Fed tightening the rates continued to dominate the head line news. The month of August saw devaluation of Chinese Yuan, resulting in weakening of most ASEAN currencies. Many emerging markets were hoping to capitalize on their newly-competitive currencies so that export growth offsets the impact of tighter monetary and fiscal policy. However, there has so far been little evidence that any major region has benefited from a weaker exchange rate for the period.

Thailand continued with its slow rate of growth and the GDP estimate for 2015 is likely to be lower than 3%. The growth was affected primarily due to a) Slow down in China & other ASEAN countries & b) impact of drought leading to low farm income and consumer confidence staying fragile. However the inflationary pressures were considerably reduced due to lower energy cost driven by lower than expected crude oil prices. Bank of Thailand (BOT) in its recently concluded Monetary Policy Committee (MPC) meeting maintained the policy rate at 1.5% to provide the required stability.

With slow growth overall and monsoon season impact in Q2, the demand for steel remained weak. New projects by the government are getting delayed. Internationally the prices of finished steel weakened further and this put pressure on domestic steel prices as well. As a result of this, the dispatches in Q2 & H1 were lower than last year with continued pressure on spreads. The company focused its activity in improving its sourcing practices, Customer relationships by conducting seminars and service levels.

#### **1.1 Operating Results compared with previous Qtr. & previous year**

##### **1.1.1 Net Sales**

In Q2 FY'16, the Company recorded net sales of 4,200 MB from a sales volume of 276('000 ton). In terms of revenue, this was lower by 5% and 23% over Q1 FY'16 and Q2 FY'15 respectively. This was on the account of pressure on rebar's price as a result of weak demand. Wire rods grew slightly after temporary AD measurement was announced. Consequently in H1 FY'16, the net sales of 8,616 MB from a sales volume of 546('000 ton) was lower than H1 FY'15 by 25%.

##### **1.1.2 Net Profit before Income Tax & EBITDA**

With effective control on cost and working capital, the company has reported a Profit before tax at 60 MB which is higher than previous Q & previous year same quarter level of 30 MB and (83) MB respectively. PBT for H1 FY'16 at 90 MB was higher than last year at the level of (53) MB. Accordingly the company has recorded an EBITDA Q2 FY'16 at 249 MB which is higher than Q1 FY'16. For H1 EBITDA at 465 MB is higher than previous year due to above stated reasons.

## 1.2 Operating Results compared to Plan

### 1.2.1 Net Sales

During Q2 FY'16, company has recorded 21% lower net sale in MB as compared to plan primarily due to the sluggishness in demand on account of delay in announcement of projects both in public & private sector and weak customer sentiments resulting in customer placing orders based on orders in hand. While volumes were higher than Q1, prices declined to have adverse impact on the revenue.

### 1.2.2 Net Profit before Income Tax & EBITDA

EBITDA performance in Q2 FY'16 at 249 MB, which was higher than the plan, as a result H1 EBITDA at 465 MB primarily due to a) contribution is favorable on account of low price sourcing of metallic, stock & mix impact and also better management of spread and b) lower fixed cost. The PBT performance in Q2 FY'16 at 60 MB was higher than the plan, consequently for H1 the performance of 90 MB was better the plan. Company continued to stay focused on cost & working capital management. Plant variable costs and overall fixed cost of the company were lower than previous year and plan.

## 2. Statement of Financial Position

### 2.1 Assets

As on September 30, 2015, **Total assets** have decreased by (309) MB over Q4 FY'15 due to:

- Reduction in Cash and cash equivalents by (246) MB post payment of long term loan installment.
- Reduction in Properties, Plant, Equipment by (143) MB on account of depreciation.
- Reduction in Trade Account Receivable by (121) MB due to better management of debtors.
- Inventory increased by 111 MB on account of increasing in finished goods while decreasing in metallic.

### 2.2 Liabilities and Shareholders' Equity

As on September 30, 2015, **the liabilities** have decreased by (368) MB over Q4 FY'15 due to:

- Reduction in Long-term borrowing by (665) MB post payment of the loan installment.
- Reduction in Trade and other payables (386) MB
- Short term loan increased by 259 MB by utilizing the structured finance from local bank for specific business purpose.

Please be informed accordingly.

Sincerely yours,

Tata Steel (Thailand) Public Company Limited

*- signature -*

(Mr. Rajiv Mangal )  
President and CEO