



TATA SPONGE IRON LIMITED

27th April, 2016



Analyst Presentation

Fact File



Registered Office
(Joda, Dist. Keonjhar)



- A subsidiary of TATA Steel - holding 54.50%

Production Capacity

- Sponge Iron : 390,000 TPA
- Power : 26 MW

Strategic Advantages

- The goodwill of TATA brand
- Supply of quality iron ore from nearby sources, including that of Tata Steel, thus saving on logistics
- Captive Railway Siding to facilitate receipt of inbound raw materials and despatch of finished product in bulk quantities, despatch product to distant regions due to low freight cost
- Power generating plants reduce the cost of manufacturing and also offer revenue from sale of surplus power
- Trained and stable workforce

Few Significant Achievements

- A zero debt company
- Earning profits for the past 23 years & consistently paying dividends
- **Most eco friendly** – a benchmark among coal based DRI plants in India. First DRI company to earn CDM benefits.
- Certified in ISO-9001, ISO 14001 & OHSAS 18001
- TPM – 1st DRI plant in the World to achieve certification
- 15 awards on Environmental care, 13 on Quality, 16 safety awards, 4 on CG, 2 on HR,.....
- Won 3 awards of repute during 2015-16

Business Performance in 2015-16



		2015-16	2014-15	% change	Remarks
Operational	Production, MT				
	Own 3 kilns	360,446	365,324	5	115 days' Kiln-1 renovation
	Nearby kilns	21,998	0		
	Power Gen, mU	163	173	(6)	Same as above
	Despatches	387,519	362,912	7	
	Sp. con- sumption				
	Iron Ore, T/T	1.692	1.618	(5)	Softer ore, new sources
	Coal, T/T	0.889	0.892		Efficient operation
	Capacity Utilisation, %	92.42	93.67	(1)	Adjusted for Kiln-1 renovation : 102%
Financial*	Turnover, Rs Crore	574	790	(27)	Due to fall in the NR of DRI. Reduction in RM Price was not in commensurate with the drop in NR
	EBIDTA, Rs Crore	60	155	(61)	
	PBT, Rs Crore	42	137	(69)	
	PAT, Rs Crore	31	92	(66)	
	EPS, Rupees	20.05	59.71	(66)	

Few good performances

- Production @ 1246 TPD wrt PY figure of 1175 TPD (production rate exceeding the capacity of three Kilns)
- 17% of DRI despatched through 29 containerized rakes, for the first time
- Installed iron ore crusher and crushed 2,20,597MT of 10-40 mm ore to ensure continuity of operation and cost control
- Solid waste disposed – 185% of the total generation.
- Earned 19,404 e-certificates of BEE through energy saving

Business Performance in Q-3 & Q-4 of 2015-16



		Q4	Q3	% change	Remarks
Operational	Production, MT				
	Own 3 kilns	100,047	109,202	(8)	One shutdown more in Q-4, against plan
	Nearby kilns	275	-		
	Power Gen, mU	45.52	49.2	(7)	Lower DRI production
	Despatches	99,998	107,856	(7)	- Do -
	Sp. con- sumption				
	Iron Ore, T/T	1.699	1.650	(3)	Loss in fines during crushing
	Coal, T/T	0.894	0.900	1	
	Capacity Utilisation, %	103	111		Capacity utilisation >100% in both the Quarters
Financial*	Turnover, Rs Crore	140	139	1	NR slightly increased in Q4
	EBIDTA, Rs Crore	26	11	136	Q4 - Increase in NR and fall in RM price
	PBT, Rs Crore	19	7	171	
	PAT, Rs Crore	13	5	160	
	EPS, Rupees	8.32	3.41	144	

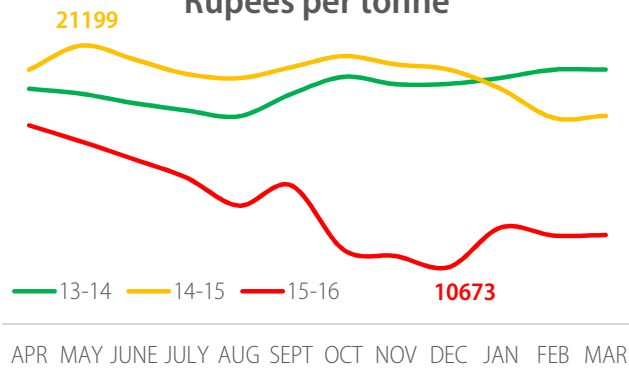


A few more Financial Highlights

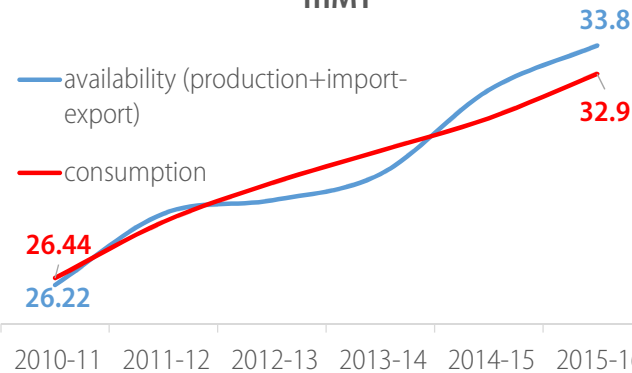
Primary reasons for the financial lag

- A 46% drop in the cost of iron ore was not commensurate with the drop of Rs.6250/- in net realization and caused drop in EBIDTA in FY16.
- Increase in the import of scrap & bars & rods impacted both steel & DRI prices
- MIP impact on the DRI price was positive, but only moderate

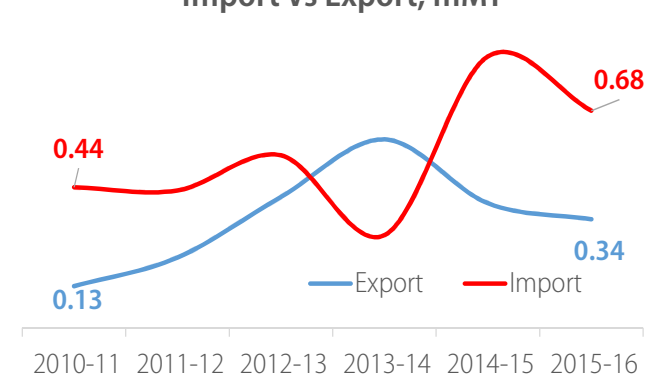
NR of DRI over 3 years,
Rupees per tonne



Increased availability of Bars & Rods,
mMT



Bars & Rods,
Import Vs Export, mMT



Our new Capabilities....for improving bottom line



Container Service

- Enabled the company to serve the customers in Northern India during FY16. Going ahead, we plan to serve the North markets, better.
- A total of 29 rakes were despatched to various destinations, which covered 61,850MT (17% of production) of DRI



Crushing of Lump Iron Ore

- Supply chain capabilities raised through installation of a crusher plant for iron ore.
- Crushing of ~2,20,600 Mt of oversized ore not only ensured continuity of operation, but also saved on the cost of ore
- Customer complaints due to oversized DRI could be eliminated
- Also reduction of fine sized iron ore into kiln, and thus facilitating better control of operating conditions inside the kiln



Safety, Environment & CSR – Good Corp Citizenship



Always the FIRST priority

- Practicing DuPont Safety Model for process & behavioural safety
- Pro-active identification of unsafe conditions & practices
- Plant Safety observation by ALL employees
- An IT based system in place to track safety performances
- Safety rules alike for all – Officers, associates, contractor workmen
- Over 15 National & State safety awards so far



A green Operation

- **One of the cleanest coal based sponge iron plants in India.**
- More than Rs.8 crore per year is spent on environment initiatives
- A dedicated department monitors all the requirements and corrective measures
- Compliance to all Pollution Board stipulations are far superior to the regulatory norms
- Often referred as a “benchmark” company by the State Pollution Control authorities



A harmonious co-existence

- Areas covered : Approx. 36 villages & hamlets under five gram panchayats in our close vicinity
- Majority of company's unskilled & contract labourers reside within this vicinity
- Focus Areas : Drinking water, education, health & hygiene, agricultural equipment, sports & entertainment
- Annual allocation : Rs.2.8 Cr in FY16
- Cordial relationship - there has never been a disturbance of even an hour over these 30 years, leading to production loss

Our key Projects in 2015-16



Towards Greener Power – Solar Panels

- As per new requirement under MNRE, GoI, Tata Sponge has set up a 235 KW Solar Power Plant in FY16.
- The project was completed within a record time of 3 months and used the roof tops of company buildings.
- Another project of 235 KW roof top solar power project is planned during FY17 to meet the balance requirement of obligation of FY16.



Renovation of Kiln-1 for improving performance

- Established in 1986, the kiln & cooler shells required replacement, alongwith other accessories & facilities
- Accordingly, a 115 days' shutdown was taken to complete all the required modifications, at a total expenditure of ~Rs.30 Crore
- Kiln-1 renovation yielded its desired result – 391 TPD average production was achieved during FY16 (pre-renovation: 336 TPD for the past two years)

Money due from MoC

- A total of over Rs.200 Crore is due from the MoC for refund to Tata Sponge, for having invested at our Radhikapur Coal Mine, before it was asked to be closed by the Court Order.
- The block is expected to be reallocated during this year.

Refund of Bank Guarantee

- Tata Sponge had challenged the MoC's order dated 4/08/2015 wherein they had accepted the recommendation of the 31st IMG of forfeiting the BG (Rs 32 Cr).
- The bank guarantee has lapsed and shall be renewed only after the court order to do so.

A few noteworthy developments

Conversion Arrangement

- Conceptualized with a view to provide continuity of supply of sponge iron to our customers during the kiln-1 renovation time
- ~22,000 MT of DRI was converted and sold in the market.
- Learning from the blind spots and, we intend to leverage our experience to produce more through conversion arrangement and reach out to new customers/ markets



Impact of MIP in Q-4 Financial Performance

- Based on the MIP enforced by Gol on 5th Feb,'16, the LP steel prices saw an upward swing of Rs.3000/-
- Closed on these lines, DRI prices increased by ~Rs.1500/- pmt which had been stable till March.
- However, the steel prices are looking unstable and have slumped by ~Rs.1000/- pmt. This is likely to impact the DRI prices too.

Other Developments

- **Customs Duty Notice** : The Customs department has imposed a total penalty of Rs.33 crore over its classification of coal imports. The company has decided to challenge the order; and believes that it has a strong case
- **Water Conservation Fund (WCF)** : The Company has made a onetime provision of Rs.10 Crore towards WCF based on demand by Govt. of Odisha



End of Presentation

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