

Handelsblatt Stahlmarkt speech

22 February 2011

Thank you for the opportunity to speak at this year's Stahlmarkt.

You all know that I have spoken here before, but today I am representing a new company and will be talking about a new brand in Europe – Tata Steel.

Whatever you think you know about this group, its assets and its ambitions, please put it all to one side as I introduce you to our new strategy in Europe. I will also talk briefly about our position on sustainability and about our core values, as these too are central to what our brand stands for.

First of all, the global Tata Group: it was founded more than 140 years ago in India by Jamsetji Tata, and since then it has diversified very successfully into many different industry sectors. Today, it employs more than 350,000 people across the world. Just over 81,000 of these employees are within Tata Steel.

The Tata Steel Group's turnover in the last fiscal year was US\$23bn and we secured EBITDA of US\$2.1bn. In the first nine months of this fiscal year, Tata Steel has realised turnover of US\$19bn and EBITDA of US\$2.8bn.

And the business continues to grow globally. Expansion of Jamshedpur's capacity to 10mpta is about to be completed. Other projects to increase steel production include a 6mpta facility at Orissa, which will be built in two phases between 2013 and 2015 at a total cost of approximately \$8bn. We have also made investments to secure our raw material supply, with mines in Mozambique, the Ivory Coast, Canada and other countries.

For many of you, of course, the Tata name really came to the foreground with the acquisition of Corus in 2007 – what a time to buy a steel company! It was a bold move and one that showed a great ambition to grow on a global scale and to have a significant presence in Europe. It also showed a long-term play that is characteristic of the Tata business culture.

As a European on the Tata Steel board in India, I see there a different and I believe admirable mindset which we have now adopted in Europe: it is one of clear customer focus, long-term vision and constant striving for improvement.

So let me tell you in a little more detail where Tata Steel stands today – or more specifically, the part of Tata Steel formerly known as Corus. You might remember us as a somewhat fragmented company, but I can tell you we have changed a lot and we are still changing!

"Nomen est omen" – which roughly translates from the original Latin as "the name is the sign" – is exactly the reason why we have now formally adopted the Tata Steel brand. Our change of name signals a fundamental, wide-ranging programme of transformation that we are undertaking. It reflects our commitment to the future and to better meeting the needs of our customers.

Customer first

Our new business strategy has one clear focus: our customers. Those customers are in all the major sectors – from automotive, lifting and excavating, rail, energy and

power, to construction and packaging. We have now reorganised our company around those sectors, and will serve all our customers in each sector with the best possible product range as one seamless company.

We recognise the need to excel in meeting customer expectations in the new world, and also that the challenges and needs vary greatly for each market sector. The dynamics in the automotive sector, for example, are different from those in the lifting and excavating or rail sectors. We are therefore transforming our sales and marketing organisation and introducing dedicated market sector teams which will help our customers to perform more effectively in their markets and make it easier for them to do business with us.

Our aim is to grow the volume of our primary sectors – construction, automotive, lifting and excavating, and energy and power – from 40% of our current portfolio to 65%. This growth will be achieved both through market recovery and by improving our offering to the market. We will enrich our mix of existing packages by increasing sales of higher value, more advanced products – we call this our differentiation strategy.

We are also developing multi-product offerings and have aligned our commercial approach so that we now offer one single face to the customer. In practice, this means one account manager will serve each customer for all their needs – it does not matter what types of product are needed, the same account manager will arrange them all.

Innovative solutions

To maximise our offerings, we also need technological innovation. In cooperation with our customers, we are developing the right steels with the right characteristics like strength, tensile strength and wear-resistance. And we are developing simultaneous engineering.

Tata Steel employs close to 800 researchers in five technology centres, four of which are in Europe, and we keep them at a high capability level through continuous investment.

We already have some unique developments in the market today. Just to give one example: together with the Australian company Dyesol and Swansea University, we are developing metal roof and wall cladding products with dye solar cell (DSC) functionality integrated in the strip steel. Unlike other solar technologies, DSC is grid-competitive in the normal light levels experienced in most cities around the world. It can help create buildings that are power plants in themselves, and the costs are much lower than from PV panels since the manufacturing is an integrated process.

Being a problem solver, a provider of solutions – this is where the edge is and how we intend to make Tata Steel the brand name of choice in all our sectors for all our customers.

Operational excellence

Operational excellence is fundamental to a business that is seeking to enhance its customer service, offer reliable products, maximise the capability of its assets and people, continue to be innovative, and minimise the cost of its entire supply chain.

In Europe, where we have been operating at approximately 90% of capacity for the last three quarters, we have developed a detailed plan to de-bottleneck at all our steelmaking sites.

Port Talbot will benefit from increased operating efficiency following the rebuild of the No 4 furnace, which has involved an investment of approximately £185 million.

At Scunthorpe, operations are being changed to ensure full utilisation of the steelmaking facilities. This requires very little capital expenditure but does demand changed logistics, operational efficiencies and full exploitation of the casting facilities so as to extract most benefit from the available iron-making capacity. Encouraging progress has already been made, and the plant recently achieved a record 40 hot metal melts from one vessel over a period of 24 hours.

At IJmuiden, we are ensuring that iron making stability and hot strip processing are at benchmark levels so we can continue to achieve annual productivity improvements.

Operational excellence is not just about the process of steelmaking – our employees really make the difference. The combination of ongoing training and flexible working patterns leads to improved efficiency and quality that can prove invaluable in a volatile and highly competitive market.

Cost leadership

Tata Steel in Europe must – and will – also continue to strive for cost leadership. Operating in a mature market that faces the threat of import at all times and an ever more challenging regulatory framework demands both rigorous cost control and creativity.

In summary, then, we have identified the fundamental building blocks that are needed to improve our long-term competitiveness, and have launched comprehensive programmes throughout our business to deliver and sustain that improvement.

Steel and sustainability

In 1950, there were 2.5 billion people on this planet. Before the end of this year, there will be 7 billion people, and a predicted 9 billion by 2050. This will have a huge impact on our planet and if we want to make a real contribution to future sustainability, we need to shift our thinking from narrow focused issues to the bigger picture.

Of course we as steelmakers must ensure that our emissions are as low as possible, that we don't harm our immediate environment, and that we don't extract too much water.

Steel does require significant quantities of raw materials, but it is absolutely essential to developing infrastructure and adequate housing, and ensuring a reasonable quality of life. And it can be used over and over, for the same, or even higher-grade, applications. When you use steel, you don't consume it – you only borrow the material and at the end of your use, it can be recycled and become new steel for others to use, making it a truly sustainable material.

Responsibility

Tata Steel is committed to being a responsible steelmaker.

The first part of that commitment is about producing better products. For example, our steels now make vehicles safer and lighter, electrical motors more efficient and rail infrastructure faster and more reliable. We have also developed products, processes and services that make buildings perform better, while at the same time investing to ensure that we contribute to the development of renewable energy technologies such as offshore wind turbines and photovoltaics.

The second strand of that commitment is about our day-to-day operations. We monitor and control our impacts in terms of numerous key performance indicators such as CO₂ and other emissions, energy, water use, health and safety, and we work constantly to improve in all these areas.

The third part of that commitment is about the future of steelmaking. As a leading participant in the ambitious European ULCOS collaborative project, we have just completed construction of the revolutionary HIsarna pilot plant at IJmuiden which, if successful, could further reduce CO₂ emissions from steelmaking by between 20% and 50%.

Values

Finally, our business is also defined by the values with which we conduct ourselves.

The Tata Group has a very strong and distinctive philosophy in this respect; it is what attracts many employees to the group, what helps to win and to retain customers, and to create loyalty and trust between us all, and it is itself an important element of sustainability.

The five Tata core values – unity, integrity, responsibility, understanding, excellence – can be traced back to the earliest days of the group, and continue to provide the framework for all of its business decisions and actions. They underpin the Tata Steel Group's vision to be the global steel industry benchmark for value creation and corporate citizenship.

Conclusion

I have endeavoured in this speech to sum up what the Tata Steel brand stands for:

- Global scale and ambition
- Customer focus
- Business excellence
- Strong values and leadership with trust.

This is Tata Steel – a new brand here in Europe, and one that we will continue to develop and strengthen.

Thank you very much for your attention.