

August 20, 2010

**CARE ASSIGNS A 'CARE AA+' RATING TO THE NCD ISSUE OF
TATA STEEL LTD****Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Non-Convertible Debenture (NCD)	3,000 *	'CARE AA+' (Double A Plus)	Assigned

* The proposed NCD of Rs. 3000 crore is expected to be raised over a period of time, by end of FY11.

Rating Rationale

The rating takes into account the pervasive presence of the Tata group across several sectors, the strategic importance of Tata Steel Limited (TSL) in the group, TSL's highly-efficient operations in India supported by captive iron ore and coal mines making it one of the lowest cost producers of crude steel in the world and the company's geographically-diversified operating and marketing infrastructure.

The rating is supported by the issuance of USD 500 million worth of Global Depository Receipts (GDR) in July 2009, the renegotiation of the covenants with the consortium of senior facility lenders of Tata Steel Europe and the successful conversion of USD 493 million of Convertible Alternate Reference Securities (CARS) into exchange bonds.

The rating is, nonetheless, constrained by the slow recovery in demand for steel in US and Europe, the high cost structure of Tata Steel Europe (TSE) and the high gearing levels for the consolidated entity.

TSL's ability to improve and stabilise its capacity utilisation levels at TSE, achieve the envisaged benefits through the cost-saving programmes and the timely completion of the Jamshedpur expansion project within the envisaged cost are the key rating sensitivities.

Company Profile

Incorporated in 1907, TSL manufactures a diverse portfolio of steel products, with a product range including flat products and long products, besides other related items such as ferro-alloys and minerals, tubes and bearings. Over the past decade, TSL expanded its global operations with a spate of acquisitions of global assets – NatSteel in February 2005, Millennium Steel, Thailand in March-April 2006, and finally Corus Group Plc. in April 2007. TSL is in the process of enhancing its crude steel capacity to 10 mtpa at its Jamshedpur plant which is expected to be completed by FY12. Further, the company is setting up a 6-mtpa capacity greenfield steel plant at Kalinganagar, Orissa. On a standalone basis, during FY10, TSL posted a PAT of Rs.5,047 crore on a total income of Rs.24,887 crore compared to a PAT of Rs.5,202 crore on a total income of Rs.24,638 crore during FY09.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications



Press Release

On a consolidated basis, TSL incurred a net loss of Rs.2,121 crore on a total income of Rs.101,733 crore during FY10, compared to a PAT of Rs.4,849 crore on a total income of Rs.145,353 crore during FY09.

Analyst Contact

Name: Shailendra Gavali

Tel # 6754 3404

Mobile # 98199 71118

Email: shailendra.gavali@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

<p>Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com</p>	<p>Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore - 560 025. Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com</p>
<p>Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com</p>	<p>Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar Hyderabad - 500 029 Tel – 040 40102030 Mobile – 91766 47599 E-mail: ashwini.jani@careratings.com</p>
<p>Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com</p>	<p>Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com</p>