TATA SPONGE IRON LIMITED

TATA

FINANCIAL STABILITY

MANUFACTURED EXCELLENCE

HUMAN POTENTIAL

# Creating Value. Responsibly.

SOCIAL & RELATIONSHIP BONDS

NATURAL SUSTAINABILITY

2016-17

34TH ANNUAL REPORT

**Forward Looking Statements**

In this Annual Report, we have disclosed forward looking statements to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that sets out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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**Turnover**

Rs. **61,516** Lacs

**EBITDA**

Rs. **6,166** Lacs

**Profit After Tax**

Rs. **5,874** Lacs

**Earnings per Share**

Rs. **38**

for more details visit our website
**www.tataspong e.com**

The financial year 2016-17 has been an important year for us. We are pleased to have achieved encouraging results and a significant improvement in efficiencies. We have proven that we are resilient, when operating in a volatile business scenario and demonstrated good progress across all our operations.

During the year, we launched multiple initiatives to enhance capacity and create a leaner, customer focused and a more efficient business. Our ambition is always to be our customers' partner of choice. We achieve this by consistently meeting and exceeding customer expectations and engaging in joint value-creation initiatives to grow their businesses and ours.

Moreover, we continue to invest in reinforcing the capabilities of our teams and collaborate with the community in helping meet their development aspirations.

We believe that fundamental to our comprehensive and responsible value creation is integrated planning and execution of business strategy across all capital sources available to us.

**ACROSS ECONOMIC VOLATILITY, SOCIETAL TRANSFORMATIONS AND BUSINESS CYCLES, WE ARE COMMITTED TO CREATE VALUE RESPONSIBLY FOR ALL STAKEHOLDERS.**

# A Glimpse of **Tata Sponge**

Tata Sponge Iron Limited (Tata Sponge) has emerged as one of India's largest merchant sponge iron manufacturers. We are engaged in the production of sponge iron by direct reduction method of iron ore and power generation from waste heat.

The Company commenced its journey as IPITATA Sponge Iron Limited in 1982. It was a joint venture between Tata Steel Limited and the Industrial Promotion & Investment Corporation of Orissa Limited (IPICOL) for the production of sponge iron, based on the TISCO Direct Reduction (TDR) technology. Later, in 1991, Tata Steel acquired IPICOL's entire stake and Tata Sponge became an associate company of Tata Steel. We are now a subsidiary of Tata Steel, wherein Tata Steel holds 54.5% shareholding.

We produce and market sponge iron, which is a single end use (steel making) and a single grade product. Moreover, we export our surplus power (by-product) from our two power plants to our parent company.

We also produce power through Waste Heat Recovery Boilers (WHRB) enabling us to help reduce carbon emissions and earn carbon credits. It allows us to participate in the global movement to combat climate change.

## Our Vision

Tata Sponge shall endeavour to be a sustainable and learning organisation for setting a benchmark in creating value in the sponge iron business, so as to meet the aspirations of its stakeholders. It shall do so through pursuit of operational excellence and by adopting opportunities of new investments in its value chain.

While doing so, Tata Sponge shall continue to remain a responsible corporate citizen.

## Our Mission

Tata Sponge shall always contribute towards progress of the nation through economic value creation.

In doing so, and consistent with the Tata Group's purpose, it will also try to improve the quality of life in its sphere of influence, by contributing to society, from what it earns.

## Our Values

- **Pioneering:** We will be bold and agile, courageously taking on challenges, using deep customer insight to develop innovative solutions.
- **Integrity:** We will be fair, honest, transparent and ethical in our conduct; everything we do must stand the test of public scrutiny.
- **Excellence:** We will be passionate about achieving the highest standards of quality, always promoting meritocracy.
- **Unity:** We will invest in our people and partners, enable continuous learning, and build caring and collaborative relationships, based on trust and mutual respect.
- **Responsibility:** We will integrate environmental and social principles in our businesses, ensuring that what comes from the people goes back to the people many times over.

## Our culture

- Welfare of employees and the surrounding community
- Honesty in dealings
- Environment-friendly operations
- Adaptability to changing business scenario
- Trust in all our transactions

# A Glimpse of **Tata Sponge** (contd.)

## Our Manufacturing Bandwidth

| Units | Products manufactured | Technology / Process | Annual production (Rated capacity) |
|---|---|---|---|
| Rotary Kiln - I, II & III | | | 3,90,000 MT / annum* |
| Power Plant - I | | | 7.5 MW |
| Power Plant - II | | | 18.5 MW |

Sponge Iron

Power

TDR Technology (with Lurgi Modification)

Waste Heat Recovery Boiler

*In May 2017, the Company has received an approval from the Ministry of Environment, Forest and Climate Change, Government of India, for enhancement of DRI production by 35,000 MT (i.e. from 3,90,000 MTPA to 4,25,000 MTPA) in the existing facility located at Biliepada, District Keonjhar, Odisha.

### Our Capacities

**3,90,000 MTPA**
Sponge iron

**26 MW**
Power generation

## Our Strategic Location

We are located in Bileipada near Joda in the Keonjhar district of Odisha. Our plant is situated near one of India's richest iron ore reserves. Transportation of our raw materials and product dispatch is organised by the roadway and railway networks. We are well connected with cities like Jamshedpur (150 km), Rourkela (150 km), Bhubaneswar (270 km), Kolkata (390 km) and other industrial hubs of eastern India.

## Our Awards and Accreditations

- Conferred the Productivity Award 2016 for Significant Improved Productivity during the year 2016 by CII (Eastern Region)
- Tata Sponge Power Plant Quality Circle Team, PRATIBHA received the NCQC Excellence Award
- Received the CII Excellence Award on Safety, Health & Environment 2015
- Tata Sponge Power Plant Quality Circle Team, PRATIBHA received the CCQC 2016 Gold Award

## Core Strengths of Tata Sponge

1 *Raw material (Iron Ore) security and its proximity*

2 *Consistent product quality*

3 *Enriched customer relationship management practices*

4 *Reliable manufacturing workflow with online information system and data back-up*

5 *Infrastructural facilities to support manufacturing and delivery of finished products*

6 *Fair, transparent and ethical business practices*

7 *Efficient environment and waste management systems*

8 *Competent, motivated and engaged workforce, resulting in lower attrition*

9 *Cogeneration of power for own use and sale*

10 *Deep community relationships*

# Chairman's **Review**

*India has already emerged as the world's third largest producer of steel and with the thrust on infrastructural development, the demand for Steel will go up further.*

## Dear Shareholders,

I am happy to present to you the performance of your Company for the financial year 2016-17.

During the year the Indian economy grew at a respectable rate of 7.1% despite some headwinds faced due to the demonetisation of currency. The various policies announced by the government will strengthen the industrial base of the country. India has already emerged as the world's third largest producer of steel and with the thrust on infrastructural development, the demand for Steel will go up further. This augurs well for the Sponge Iron industry as the spurt in demand of steel will in turn create higher demand for Sponge Iron. Moreover, with the fall in international prices of raw materials - iron ore and coal, the cost of production of Sponge Iron will come down.

TATA

CORPORATE OVERVIEW

STATUTORY REPORTS

FINANCIAL STATEMENTS

Our continuous strive to enhance the value of our product supported by efficient business and operating processes has resulted in higher volume as well as higher operating profit. In FY 2016-17 Tata Sponge produced 3,90,000 MT of Sponge Iron, which was a record, achieving 100% capacity utilisation of the plant. The generation of power was also higher at 185 MKWH in FY 2016-17 (163 MKWH in FY 2015-16).The turnover in FY 2016-17 was Rs. 61,516 lacs, which is lower by 2.82% than the previous year's turnover of Rs. 63,304 lacs. With improved margin, the net profit increased by 84% from Rs. 3,189 lacs in FY 2015-16 to Rs. 5,874 lacs in FY 2016-17. In view of the good performance, the Directors are happy to recommend a Dividend of Rs. 11 per share.

Last year there was a change in the leadership, as Mr. D. P. Deshpande, Managing Director superannuated on October 31, 2016. On behalf of the Board, I would like to put on record our appreciation of Mr. Deshpande's contribution to the Company during his tenure. The Board, subject to the approval of the shareholders of the Company, has appointed Mr. Sanjay Kumar Pattnaik, Executive Director as the Managing Director of the Company w.e.f. November 1, 2016.

*Our continuous strive to enhance the value of our product supported by efficient business and operating processes has resulted in higher volume as well as higher operating profit.*

I strongly believe that the long-term sustainability of the industry is possible only when we behave responsibly towards our Society and the Environment that we live in. I am happy to note that Tata Sponge has done a commendable job in the progress of the community by supporting education and women empowerment as well as focusing on heath and sanitation. It is also very satisfying to add that our plant at Joda is considered as one of the 'greenest' Sponge Iron companies in the country.

The overall improvement has been possible by adopting the Tata Business Excellence Model and implementing best practices in all processes. With the Indian economy showing signs of better days ahead, your Company is well prepared to seize the opportunity and grow.

I would like to thank the members of the Board, the management team, the employees and the Union leaders for their contribution and support.

Yours sincerely,

**A. M. Misra**
**Chairman**

# Stakeholder Value **Creation Model**

Our business model is at the heart of everything we do. It defines the initiatives we engage in, the relationships we rely on and the outputs and outcomes we aim to achieve. Our objective is to create value for all our stakeholders in the short, medium and long-term.

## SHAREHOLDERS

**20** Years

**Consistent dividend payout track record**

***We communicate with our shareholders through quarterly disclosures and financial performance briefings.***

## EMPLOYEES

**99.76 %**

**Employee retention in FY 2016-17**

***Our employees actively engaged in various skill development programmes and other training activities driving holistic development and employee satisfaction.***

## CUSTOMERS

**85 %**

**Repeated business in FY 2016-17**

***Our commitment towards our valued customers is our priority. We interact with customers to understand their requirements and offer the bespoke commitments.***

## COMMUNITY

Rs. **2.19** Crore

**Total amount spent in Corporate Social Responsibility activities during FY 2016-17**

***Consistent with Tata Group's purpose, we are focused on improving the quality of life of people in and around our area of operations.***

# Here we present a holistic picture of our value creation process.

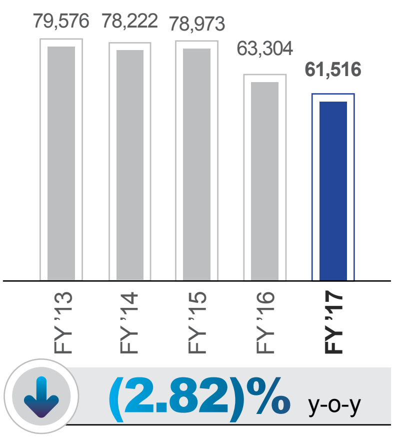
We have tried to provide a combination of quantitative and qualitative information of the capitals that we deploy in our operations.

We use capitals as stocks of value that are transformed by our business initiatives to produce outputs. The five capitals that we leverage as an organisation are Financial, Manufactured, Human, Social & Relationship and Natural.

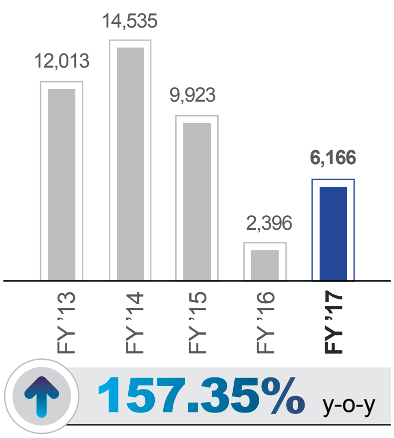
# Financial Capital

Financial capital represents a pool of funds, used to create value through conversion into other forms of capital. This capital is mobilised through financing, operations and investments. Over the years, Tata Sponge has been delivering sustainable financial performance.

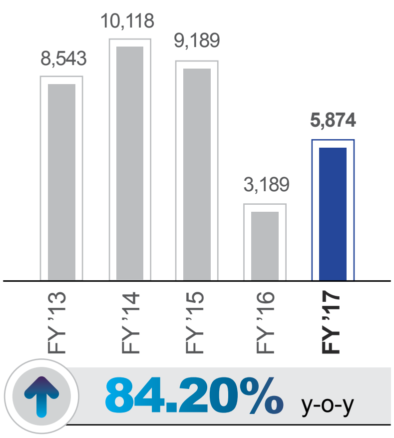
**Turnover** (Rs. in Lacs)



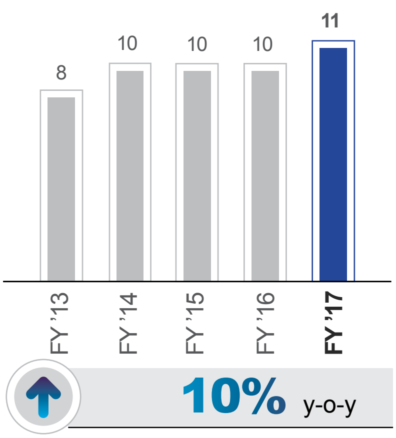

**EBIDTA** (Rs. in Lacs)



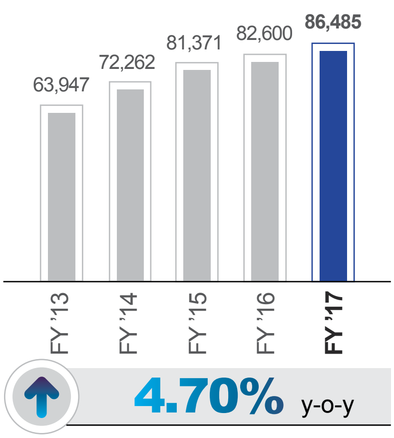

**Profit After Tax** (Rs. in Lacs)



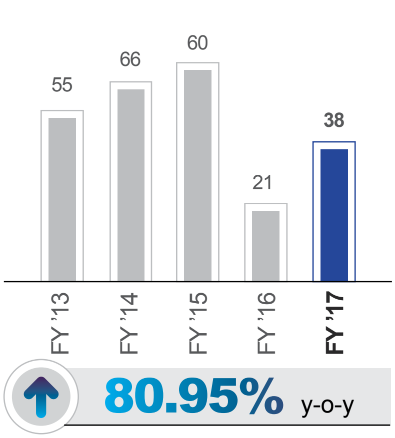

**Dividend Payout** (Rs. per Share)




**Net Worth** (Rs. in Lacs)




**Earnings Per Share** (Rs.)



# Manufactured Capital

Manufactured capital represents physical assets that are available to Tata Sponge for use in the production of goods or provision of services.

**0.7** MTPA

**Annual iron ore requirement**

## Raw Material Availability

The quality of sponge iron depends primarily on the characteristics of the raw materials used to obtain the rated capacity and desired quality product. It is, therefore, crucial to conduct a quality check of these raw materials separately and in combination. The raw materials undergo a set of tests in the laboratory to ascertain their suitability in a rotary kiln.

### Iron Ore

The manufacture of sponge iron entails the reduction of iron ore in a solid state. The iron ore is chosen carefully to optimise the yield factor.

### Coal

Coal is used as reductant and fuel in the DRI process. In the recent years, we have been importing coal from South Africa. This coal comes with low ash content, which is highly efficient in bolstering productivity, energy efficiency and cost optimisation. In addition, we have a linkage of 24,000 MT of coal from Eastern Coalfields Limited (ECL)

### Dolomite

Dolomite acts as a desulphuriser from the feed mix during the reduction process. It is mixed in small proportions, along with coal and iron ore before charging into the kiln. Controlling the sulphur content in Sponge Iron is an essential prerequisite for the manufacture of good quality Sponge Iron.


**0.39** MTPA

**Annual coal requirement**

## Driving Manufacturing Excellence

The process of DRI (Direct Reduced Iron) making through Rotary Kiln Process involves removal (reduction) of oxygen from iron ore. The removal process of oxygen creates micro pores in the ore's body, making it porous. When observed under a microscope, sponge iron resembles a honeycomb structure looking spongy in texture; hence, its commercial name is 'sponge iron'. Sponge iron is also termed as DRI. Quality of Sponge Iron is primarily ascertained by the percentage of metallic iron (free iron after removal of oxygen from iron oxide) and metallisations, which is the ratio of metallic iron to total iron present in the product.

### Characteristics of Sponge Iron Produced by Tata Sponge are:

- High metalise iron content and enhanced degree of metallisation

- Uniform and consistent quality
- Lower sulphur and phosphorus content
- Negligible tramp element

## Safety Considerations

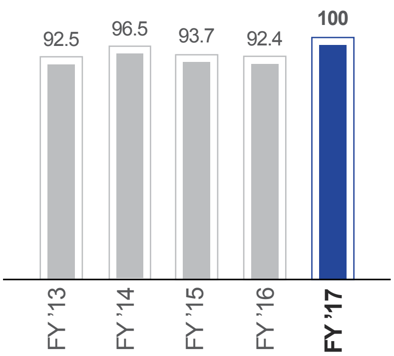
Tata Sponge is committed to provide a safe and healthy working environment and achieving an injury and illness free workplace. Over the years of continuous encouragement to employees at all levels (permanent & contractual employees), safety has become a way of life at Tata Sponge.

The Company has facilitated an in-house IT based "Safety Management System" through which information related to safety, various reports such as near miss, mock drill, incident investigation, analysis and reporting, fuguais etc. are logged, monitored and retrieved including generation of email alerts/reminders to the concerned employees.

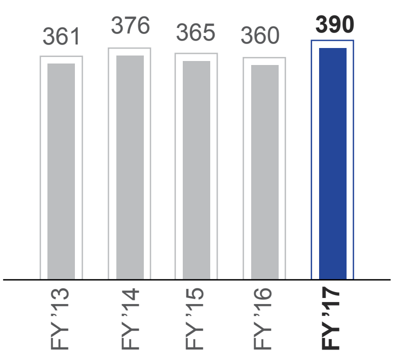
## Operational achievements

Usage of high quality coal coupled with a number of improvement initiatives rolled out during the year under review resulted in enhanced production of sponge iron (3,90,000 MT).

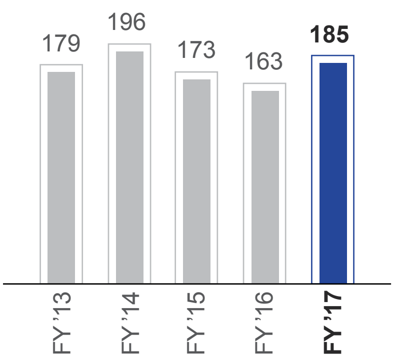
**Capacity Utilisation** (%)




**Sponge Iron Production** (000' MT)




**Power Generation** (MKWH)



## Enduring Customer Engagements

We serve the metallic requirements of Electric Arc Furnace & Induction Furnace operators. Coal based sponge iron is produced and marketed in two size fractions, +3mm (lumps) and -3mm (fines). Since sponge iron is an intermediate product, there are no major differences in customer requirements. We utilise our private railway siding to cater to the sponge iron needs of consumers based in various market segments of East, North and North East India. We also export considerable quantity of sponge iron to Nepal, Bhutan and Bangladesh customers.

### Close to Customers

The Company has a system in place to gather market information regularly from furnace operators in different market segments. The Company strives to meet the expectations of the customers which helps in building enduring relationships and improving business proposition.

Tata Sponge is known for supplying consistent and high-quality sponge iron in the industry. It also extends support to its customers by providing inputs for consuming higher quantity of sponge iron for enhanced yield in steel making. It also provides technical solutions to different operational issues faced by the customer on account of sponge iron usage.

**42%**

**Of our customers enjoy a decade-rich relationship with us**

The Company follows the philosophy of meeting the customer requirements of good quality sponge iron, on a timely basis. The customers are served not only by personal interactions but also through an access mechanism for quick resolution of the issues.

### Customer-oriented Initiatives

The key initiatives undertaken to strengthen our relationships with customers comprise:

- Customer meetings conducted at corporate level;
- Managing Director's interactions with the customers at their plant premises;
- Inviting customers to our plant to witness the production process and express their requirement for economic use of sponge iron.

An annual customer satisfaction survey is conducted to capture customers' satisfaction as well as grievances for further course of action.

To reduce costs and execute timely delivery to the customers, the Company has initiated dispatch of sponge iron in containers.

This has helped the customers to gain in terms of door delivery of sealed containers, without manual handling for unloading and transportation. This has also aided in prevention of moisture ingress during rainy season. Customer gets benefited by holding the containers for two to three days at the terminal in case they have storage issues.

# Human Capital

Human capital at Tata Sponge is the collective value that is derived by leveraging our teams' competencies, capabilities, experiences and their motivation to achieve organisational goals.

## We Value our People

Tata Sponge recognises that its human capital is its most important asset. It pursues innovative human resource practices for attracting, developing and retaining talent for business competitiveness.

Employee engagement is our key business driver for sustainable value creation. We have always focused on building a committed and engaged workforce to take the organisation forward, despite industry headwinds

## Talent Acquisition and Retention at Tata Sponge

Tata Sponge being an equal opportunity employer promotes employment without any bias which induces diversity in ideas, culture and believes.

We at Tata Sponge have adopted a balanced approach to talent acquisition. We leverage the skills and experience already available within the organisation, while bringing in the necessary capabilities that will help position the Company for long-term sustainable performance.

The Company has a comprehensive and structured induction programme to enable new recruits to transition and settle into their new job roles effectively. The induction programme aims to provide new recruits an insight into the corporate culture, along with familiarisation training on operations, systems and processes.

Our human resource practices have helped us achieve maximum retention of new employees.

We have built excellent relationships with our employees over the years. Our employee retention stood at 99.76% in 2016-17.

## Employee Engagement & Satisfaction

### Learning and Development

Tata Sponge promotes a culture where learning and development is much valued and takes the centre stage of the Company's HR strategy and annual business plans. We identify and collate training needs of our people through our well-established Training Management System (TMS).

To cater to the Company`s ever-evolving, diverse and concentrated efforts to train and upgrade the skill-sets of its people, the 'Learning and Development Centre' of the Company conducted various training programmes during the year broadly under three heads – 'Managerial Training', 'Functional Training' and 'Improvement Initiatives'. In order to achieve operational effectiveness, specific KPI based functional trainings were developed in-house & imparted to officer and asssociates. Apart from this, officers undergo 70:20:10 training module for self development.

### Leadership Development

The Company focuses on engaging with employees, creating opportunities, enabling managers for taking up senior leadership roles and setting a suitable framework.

Our emphasis is on facilitating job rotations and getting involved in task force teams. This also allows employees to develop and expand their skills and help in career progression.

**413**

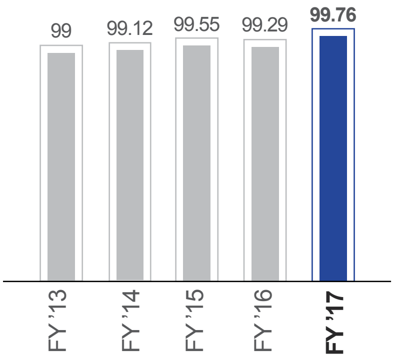
Team strength as on March 31, 2017

**63.6 %**

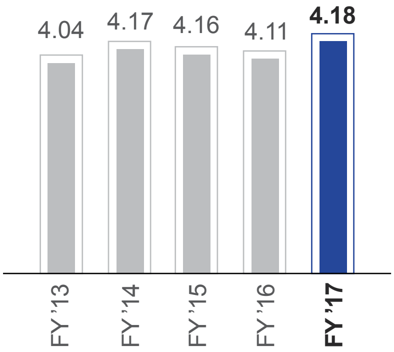
Of our people are associated with us for over 10 years (Officers: 40% and Associates: 79%)

## Key Human Resource Management (HRM) KPIs and Trends

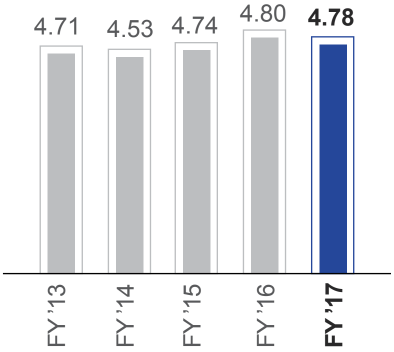
### Employee Retention (%)




### ESI* - Overall (Permanent) (Scale of 5)




### ESI* Overall – Contract workforce (Scale of 5)




*Employee Satisfaction Index

**Milan**
We have a dedicated platform for employee engagement and satisfaction popularly called 'Milan' for aligning employee performance with organisational performance. This leads to motivation and engagement of employees. Under the Milan umbrella, various interventions and initiatives are conducted throughout the organisation and in the township. Social groups have been formed who make the working environment and township lively with their regular activities.

### Performance Management System

Performance management is a critical aspect that is given utmost importance to drive a performance driven culture. The performance management process comprises goal setting early in the year, a mid-year review and a year-end review. It primarily aims at providing a systematic review of employees' performance. This forms the basis for assessing competency gap and training needs at an individual level and collectively as team, in line with corporate goals. This also supports the management decision-making process to determine the level of rewards and recognition to be extended to officers.

### Rewards and Recognition

We recognise our people's expertise and experience and inculcate a performance-based reward system. Reward & Recognition are an on-going integral part of the organisation. We have a number of recognition programmes such as, 'Adarsh' and 'Sparkle Knight' to name few.

While 'Adarsh' is specifically meant for our unionised employees, who are rewarded every month for achieving certain key targets, 'Sparkle Knight' is hosted annually. In this programme, all stakeholders (employees including contract workforce, customer, community, suppliers and service providers) are recognised for their good work. Besides, 'Feel Good' is another annual recognition programme for all the employees wherein an environment is created to experience a feel good factor.


## Industrial Harmony

Tata Sponge Shramik Sangha, an elected body of unionised employees, partners with the management to develop and deploy policies. As always, employees Union plays a constructive role in achieving the Company's goal. The payment of bonus to Unionised employees is based on capacity utilisation and profit after tax. Production incentives are linked to employee productivity, safety and manpower utilisation. As a result of transparent human resource practices, the relationship with unionised employees continues to be cordial.

# Social and relationship Capital

Our social and relationship capital represents our deep engagements with stakeholder groups to drive welfare of communities.

Tata Sponge identifies social and cultural gaps of the local community, formulate and implement need-based programmes in the realms of education, livelihood creation, women empowerment, health, sanitation and community development.

## Education

### Guru Dikashya

Guru Dikashya was conceptualised to impart education among students from backward communities of tribal dominated areas. We primarily focus on seven blocks of Keonjhar district in Odisha. Of the 50 schools where we operate, 36 are Computer Aided Learning (CAL) Government-supported schools. We have provided a laptop and a projector to each of the remaining 14 schools.

Rs. **2.19** cr

**Spent in Corporate Social Responsibility activities during 2016-17**

### Prarambh

We have constructed Anganwadi centres in ten villages. These centres have been built keeping in mind the requirements of children. Several training sessions were conducted for Anganwadi workers to promote quality pre-school teaching for over 2,000 children.

### Child-friendly Police

Our volunteers collaborated with the Police Department and conducted an awareness programme called 'Child-friendly police and child protection & issues' at Bileipada High School. More than 150 students from the Government High School and Shishu Mandir attended the programme. Several aspects of child protection issues at home, community, street, school and elsewhere were discussed.

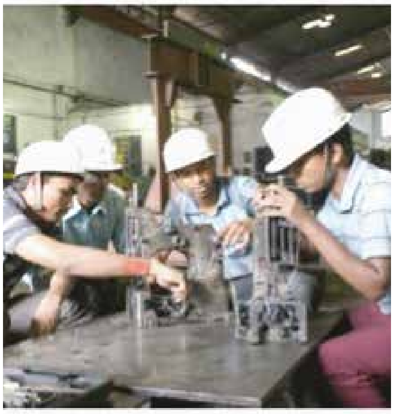
### Science Exhibition

We conducted the third Tata Sponge Science Exhibition in November, inside the Company's township. Around 200 schools from Keonjhar district participated in the event.


## Employment

### Affirmative Action

To engage the unemployed youth into gainful employment, the Company organises various skill building programmes for the benefit of different sections of the society. In collaboration with ITI, Barbil, the Company imparts one-year on-the-job trade skills to selected students, and also pays them stipends. Positive discrimination is exhibited in all permanent recruitments in the Company. As on date, 18% of permanent employees belong to the SC/ST community.



### Mango orchard at Sankarpur

We collaborated with villagers of Sankarpur in Joda (Odisha) to help them earn by building a mango orchard. The rural economy primarily depends on seasonal agriculture and almost half of the families earn their livelihood from daily wages. The orchard is managed by a committee formed by the beneficiaries. This orchard would help the members in supplementing their income in future.

## Community Development

### Jal-dhara

We have constructed a water supply plant that supplies purified water to individual households, through pipelines. Under this project, the Company is catering to the need of over 1,000 people in Bileipada.

### Swabhiman

Swabhiman promises an open defecation-free environment for 1,200 families living in five villages. Under this project, we are constructing phases, household toilets and bathrooms with piped water facility. Besides, we have built toilets for students at various schools in Keonjhar district under “Swachh Bharat Abhiyan”.

### Entrepreneurship

Prospective entrepreneurs are identified and nurtured through personal support that includes their registration, assistance in clearance from the government authorities, arrangement/provision of loan, training, if required, and other amenities.

### Protection of Children’s Right

Around 20 employees and their family members volunteered at a programme in the UGME School and the Anganwadi centre in Bileipada. This initiative was taken during Tata Volunteering Week (TVW) 7.

### Women Empowerment Programme

Our team of volunteers had visited the nearby Gobardhanpur village in Deojhar Gram Panchayat. They interacted with the women Self-Help Groups (SHGs) and the Village Development Samiti on women’s active contribution at home, work front, community, among others. The volunteers emphasised on the need to immediately stop all kinds of violence against women and to work towards making a safer and women-friendly society. Other issues like collaborative income generation through SHGs, eradication of social evils like alcoholism and superstitions were also discussed at the event.

## Healthcare

### Sanitation Drive at Anganwadi

To raise awareness among villagers on sanitation and usage of toilets, Tata Sponge volunteers including employees and their family members conducted an awareness drive on sanitation under TVW-7, at the Anganwadi Centre and primary school in Kaliabeda village. Children were instructed on the benefits of personal hygiene and the need to wash their hands before every meal.

### Patient-attendant Waiting Hall

Our team built a patient-attendant waiting hall at CHC Basudevpur, Keonjhar district to provide temporary relief to the attendants of the patients during their treatment round the year, especially on crowded days.

## Sports

### Encouraging rural sports

To inculcate healthy lifestyle habits, we encouraged sporting activities. We also promote rural sports in the community as a part of its rural welfare strategy. Recently, Mr. Mahavir Prasad, veteran sportsman and ex-player of the Indian national football team, conducted a coaching programme for the youth in Chamakpur village.

## Rural Development Projects

Solar lights handed over to respective village communities, which are used as street lights, lightning at Panchayat Bhawan and other community locations, these solar lights were managed by the community representatives and respective institutions. Moreover, bus rest shed, a bridge on Sona river, stadium and roads were constructed at various locations by Tata Sponge.

**10+**

**Villages benefited by Tata Sponge's social endeavours**

# Natural Capital

Natural capital represents all renewable and non-renewable environmental resources such as water, land, minerals, forests, biodiversity and health of the ecosystem. At Tata Sponge, we have introduced processes and practices and adopted relevant technologies to foster green growth.

## Environment at Tata Sponge

Tata Sponge has emerged as one of the cleanest and best-maintained coal based sponge iron plants in the Country. The Company has set a benchmark for DRI industry by installing and maintaining environmental protection equipment. We have taken unique and proactive measures, which are:

### Pollution Control Initiatives

We focus on pollution control since inception and our level of awareness has helped us in exceeding several environmental norms. Some of the initiatives are:

- Electrostatic Precipitator (ESP) which cleans the process gas in kilns in a dry state, thus dispensing with the use of water, followed by the process of sludge generation, waste water recovery and cake disposal
- De-dusting systems to arrest the menace of fugitive dust during plant operations
- Dust Suppression system that sprays chemicals on raw materials circuits to prevent the finer sized coal and iron ore from flying
- Telescopic unloading spouts have been fitted with the pneumatic gates of product bunkers to arrest the sponge iron dust from flying, while they are loaded on to the truck
- Fogging canon gushes out water to supress fugitive dust of local areas
- Mobile vacuum cleaning van to clean the fugitive dust, settling inside the plant roads

### Reduction in $CO_2$ Emission

The Company strives to reduce the carbon footprint by taking necessary steps to reduce green house gas emissions.

We ensure regular compliance to pollution control norms. It takes regular pollution readings at different plant locations.

## Tree Plantation

The afforestation programmes have outweighed the reduction of green coverage around Tata Sponge premise. The area was lying barren when we took over the land from its original owners. We have planted over 1,64,500 trees. We have also opened a nursery to provide seedlings to employees at subsidised rates. To promote a green culture in our township, we organise annual garden competitions. Several plantation drives are organised on the community land, school campuses and colonies involving school children, youths and our staff.

### Verdant Cover

Several lawns, gardens and parks enhance the beauty of the factory surroundings. To improve the eco-system and expand green cover, most of the area around the plant is covered with lush green lawns and flower gardens. Over 2,500 sq. metre of land has been used inside the plant to build picturesque gardens and parks.

### Recognition

We have the distinction of receiving ISO-14001 certification amongst the coal based sponge iron plant in the Country. Besides, Tata Sponge has also been recognised in India for its excellence in environmental standards.

## Waste Management

### Solid wastes

Tata Sponge generates solid wastes which are non-Hazardous in nature. ESP dust generated is utilised for manufacturing of Fly Ash bricks. Besides, ESP dust is utilised during concreting of roads, platforms and plantation purpose. Non-magnetic material such as char generated in the sponge iron manufacturing process is sold to the private entrepreneurs for their Industrial use (Cement, AFBC power producers). Other solid wastes like Back spillage, DE dust, wet scrapper dust, kiln accretion material etc. are partially sold to outside parties and

balance quantity are used for land reclamation by filling up the low lying areas in & around the plant.

### Waste Water
Tata Sponge is a 'zero' water discharge plant. Cooling water is recycled in the system. Blow-down water of Power plant after its primary treatment is utilised at Fly ash brick plant for brick curing purpose. The waste water is also used for road dust suppression, washing of floors, dust suppression at coal yard, waste dump yard, railway siding & coal/iron ore circuits.

### e-Waste
All e-waste are collected and stored in an identified covered room with tiled floor and on accumulation it is sold to the authorised dealers of e-waste as per statute.

### Bio-Medical Waste
Tata Sponge has a dispensary for preliminary treatment and first Aid. The biomedical waste generated are kept segregated in different coloured covered containers till they are disposed as per statute.

### Hazardous Waste
Hazardous waste viz. spent resin, used oil and batteries are suitably disposed as per the approved consent given by the state pollution control board.

### Conversion of waste heat to power
We have installed Waste Heat Recovery Boilers (WHRB) to generate power from hot gases of operating kilns. The latent heat of gases is converted into productive electrical energy. This energy not only caters to the requirement of the entire plant, but the surplus power that is generated, earns revenue for the Company. The WHRB power generation does not require further fossil fuel and thereby reducing the emission of GHG, SOx, NOx, among others.

**1,64,500+**

Trees planted as on date

### Water Conservation
At Tata Sponge, we do not discharge any water outside our premises. Wastewater generated from our plant is used for road dust suppression, solid waste dump yards and gardening purposes after primary treatment. The Company has a rain water harvesting arrangement within its premises for groundwater percolation and reuse.

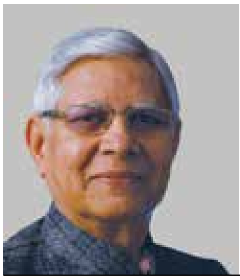
# Board of **Directors**

**Mr. A. M. Misra**
Chairman

Mr. Abanindra M. Misra, is the Chairman of Tata Sponge Iron Ltd., since 2009. He was also the former Chairman of The Indian Steel & Wire Products and Tata Steel KZN (a Ferro Alloy co. in South Africa). In a career spanning 40 years in Tata Steel, Mr. Misra has a wide experience of the steel industry, and has been a member of the senior Management Team of Tata Steel. He was Vice President (Raw Materials) in charge of Mines & Collieries, Vice President (Coke, Sinter & Iron), and also the Vice President (Shared Services) in charge of the Maintenance of the 10 Million Ton Steel Plant at Jamshedpur. He also possesses a sound knowledge of the Mining Industry having worked as the General Manager of a large colliery. He has also served Tata Steel as the Vice President (HR) as well as Vice President (Industrial Relations). He spearheaded the Performance Ethic Programme along with McKinsey consultants to develop the long-term strategy for Human Resource. He led the Total Quality Movement in Tata Steel in the initial phase of the journey, which culminated in the company bagging the several coveted awards including the Deming Grand Prize, the only integrated steel plant outside Japan to have achieved this distinction. Mr. Misra is a graduate in Mechanical Engineering. He has done Business Management from XLRI, and has also attended The General Management Programme in CEDEP (INSEAD), France.

**Mr. D. K. Banerjee**
Independent Director

Mr. Dipak Kumar Banerjee holds a Bachelor's Degree in Commerce (Honours) from Calcutta University and is a Chartered Accountant from the Institute of Chartered Accountants of India. He started his career with LIC in 1970 and joined Hindustan Lever in 1975. He became the Chairman of Unilever, Uganda and Horn of Africa. Mr. Banerjee serves on the Board of several companies including The Tinplate Company of India Limited, DIC India Limited, Tayo Rolls Limited and Rupa & Company Limited. Mr. Banerjee is associated with the Company since 2003 as an Independent Director.



**Mr. P. C. Parakh**
Independent Director

A post graduate from IIT (Roorkee), Mr. Parakh is a retired IAS officer of Andhra Pradesh cadre. In his parent cadre Mr. Parakh held several important positions and had a long tenure in Industry Ministry. He was instrumental in making Hyderabad an important investment destination. At Centre he worked in the Ministry of Petroleum and Natural Gas and retired in December 2005 as Secretary, Ministry of Coal. Post retirement he is settled in Hyderabad and works for two NGOs involved in welfare of physically challenged persons and kidney patients.

**Mr. Manoj Thomas**
Independent Director

Mr. Thomas has been working as a faculty member with XLRI since May 2007. Prior to this, Mr. Thomas worked for about eight years with different organisations in research and consulting. Mr. Thomas had published several research papers related to technology management, and strategic management. Mr. Thomas teaches Strategic Management, and Resource Based Strategy at XLRI.

**Dr. O. N. Mohanty**
Independent Director

A B.Tech. and M.Tech. in Metallurgical Engg. from IIT Kharagpur, Dr. Mohanty obtained his doctoral degree from the Univ. of Karlsruhe, Germany. Worked as a faculty (Lecturer, Asst. Professor & Professor) at the Department of Metallurgical Engg., IIT Kharagpur for 17 years. Moved to the National Metallurgical Lab.(NML),Govt. of India, Jamshedpur, as Director-Scientist for ten years. Thereafter, joined Tata Steel for a total of 11 years as Director (R&D); Chief (R&D and Scientific Services ) and then as the Tata Research Professor at IIT Kharagpur. Took over as the Vice Chancellor of the Biju Patnaik Univ. of Technology (BPUT) Govt. of Odisha during 2005 - 2010. Has since been with the RSB Group, Pune as the Director Technology & Academic Initiative.

**Mrs. Meena Lall**
Non-Executive Director

Mrs. Meena Lall is the Chief - Legal & Compliance at Tata Steel. She has done her LLB and B. Sc. from Rani Durgavati Vishwavidyalaya, Jabalpur. She comes from a family of Advocates and judges. After a stint of practice in High Court, Mrs. Lall joined Tata Steel in 1990 in the legal department. Since then she has handled complex issues and has gained experience in diverse fields of law, interacted and worked with several Counsels. Mrs. Lall was a director on a subsidiary of Tata Steel, before coming on the board of Tata Sponge.

**Mr. Krishnava S. Dutt**
Independent Director

Mr. Dutt's experience encompasses the entire repertoire of corporate practice including mergers and acquisitions, private equity, banking and finance, projects and project finance. He has extensive experience in advising both the government and private players in various infrastructure projects across the country, especially in the water, airport, roads and mining sectors. Mr. Dutt started his legal career in the Calcutta High Court where he practiced civil law. He joined Amarchand Mangaldas in 2005 and became the partner in charge of the eastern operations of the firm in the year 2007. Mr. Dutt is a legal practitioner and Managing Partner in Argus Partners.

**Mr. Sanjay Kumar Pattnaik**
Managing Director
(with effect from November 1, 2016)

Mr. Pattnaik joined Tata Steel in 1983 and had a long stint of 31 years in different functions & divisions of the Company viz. raw materials, port operations & logistics solutions, liaison & business facilitation, policy & regulatory affairs relating to mining etc., before joining the Board of Tata Sponge as an Executive Director in August, 2014. He is also on the Board of T M Mining Company Ltd. (A joint venture between Tata Steel & MMTC) and is holding the position of President of Federation of Indian Mineral Industries (FIMI) and Vice President of Mining Engineers Association of India (MEAI). He also served as the Chairman of Confederation of Indian Industry (CII), Odisha State Council. Mr. Pattnaik is a graduate in Mining Engineering and has also done Advanced Management Programme from CEDEP – INSEAD, France.

**Mr. R. Ranganath**
Non-Executive Director

Mr. R. Ranganath is Vice President Finance (India & South East Asia), Tata Steel Ltd. He is also on the Board of Directors of several group companies such as JUSCO, Tata Steel Thailand and Industrial Energy Ltd., to name a few. Prior to joining Tata Steel in May 2013, he was with Cairn Energy India Ltd. in the dual roles of Director (Finance) and CIO. He has also worked in Bharat Petroleum Corporation Ltd. in Finance, Sales & Marketing, Strategy and their transformation projects.
Mr. Ranganath is a Chartered Accountant and with a work experience spanning 30 years, he has extensive experience in leading transformation processes leveraging Information Technology and has overseen the implementation of several strategic initiatives through organisational restructuring, SAP driven business process re-engineering, strategy conceptualisation and execution.

**Board Committees**

- Audit Committee
- Nomination And Remuneration Committee
- Stakeholders' Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management Committee
- Ethics and Compliance Committee
- Committee of Board
- ★ Chairman/ Chairperson of Committee

**Key Managerial Personnel**

- **Mr. Sanjay Kumar Pattnaik**
  Managing Director
- **Mr. S.K. Mishra**
  Chief Financial Officer
- **Mr. Sanjay Kasture**
  Company Secretary

# NOTICE

Notice is hereby given that the Thirty Fourth Annual General Meeting (AGM) of the members of Tata Sponge Iron Limited will be held on Friday, August 04, 2017, at 10:00 a.m. at "Lake View Officers' Recreation Centre", TSIL Township, Joda, Dist – Keonjhar, Odisha – 758 034, to transact the following business:

## ORDINARY BUSINESS

1. **Adoption of financial statements:**

   To receive, consider and adopt the:

   a) Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2017 together with the Reports of the Board of Directors and the Auditors thereon; and

   b) Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2017 together with the Report of the Auditors thereon.

2. **Declaration of dividend:**

   To declare dividend of Rs. 11/- per Equity Share of Rs. 10/- each for the financial year 2016-17.

3. **Appointment of Mrs. Meena Lall as a director liable to retire by rotation:**

   To appoint a Director in place of Mrs. Meena Lall (DIN: 05133322), who retires by rotation and being eligible, offers herself for re-appointment

4. **Appointment of auditors:**

   To appoint auditors of the Company, fix their remuneration and pass the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, Messrs Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E / E300009) be and is hereby appointed as the Statutory Auditors of the Company, in place of the retiring auditor, Messrs Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 302009E) to hold office from the conclusion of the Thirty Fourth Annual General Meeting till the conclusion of the Thirty Ninth Annual General Meeting, subject to ratification by the Members of the Company at every subsequent Annual General Meeting at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors."

   "**RESOLVED FURTHER THAT** the Board of Directors (which term includes a duly constituted Committee of the Board of Directors) be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this Resolution and / or otherwise considered by them to be in the best interest of the Company."

## SPECIAL BUSINESS

5. **Ratification of Cost Auditors' remuneration:**

   To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time, the Company does hereby ratify the remuneration of Rs. 1.80 lakh (Rupees one lakh and eighty thousand only) (excluding taxes, cess etc.), plus out of pocket expenses, payable to Messrs. Shome & Banerjee, Cost Accountants, (Registration No.: 000001) who have been appointed by the Board of Directors as the Cost Auditors of the Company, to conduct the audit of cost records of the Company as may be prescribed by the Central Government under the Act and Rules framed thereunder, for the financial year ending March 31, 2018."

6. **Approval of Material Related Party Transactions:**

   To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to the provisions of Regulation 23 (4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI Listing Regulations, 2015"] and other relevant provisions of the Companies Act, 2013 ["Act"] read with related Rules thereto, consent of the members be and is hereby accorded to the transactions to be entered with Tata Steel Limited, Tata International Singapore PTE Limited and Tata International Limited (as detailed in the Explanatory Statement annexed to the Notice) under a contract or an arrangement, for a sum not exceeding Rs. 300 crore per annum for each such related party as defined under Regulation 2(zb) of SEBI Listing Regulations, 2015, during the financial year 2017-18 and each subsequent financial year, till the termination of said contract or arrangement."

   "**RESOLVED FURTHER THAT** the Board of Directors ("Board") be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be necessary and to delegate all or any of the powers herein conferred, to any Director(s) or Chief Financial Officer, Company Secretary or any other officer of the Company to give effect to the aforesaid resolution(s)."

   "**RESOLVED FURTHER THAT** all actions taken by the Board in connection with any matter referred to or contemplated in any of the foregoing resolution are hereby approved, ratified and confirmed in all respects."

7. **Appointment of Mr. Sanjay Kumar Pattnaik as Managing Director:**

   To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

   "**RESOLVED THAT** pursuant to Sections 196, 197, 203 and other applicable provisions of the Companies Act, 2013 (the "Act"), and Rules made there under, as amended from time to time, read with Schedule V to the Act and Article 112 of the Articles of Association of the Company, the Company hereby approves the appointment and terms of remuneration of Mr. Sanjay Kumar Pattnaik (DIN: 00256832) as the

Managing Director of the Company for a period of three years with effect from November 01, 2016 to October 31, 2019 upon the terms and conditions set out in the Explanatory Statement annexed to the Notice convening this meeting with authority to the Directors to alter and vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Mr. Sanjay Kumar Pattnaik."

**"RESOLVED FURTHER THAT** the Board (which term includes a duly constituted Committee of the Board of Directors) be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

**Notes:**

1) Explanatory statement, pursuant to Section 102 of the Companies Act, 2013, in respect of the business under Item Nos. 5 to 7 above is annexed hereto. The relevant details of Directors seeking appointment/re-appointment under Item Nos. 3 and 7 above pursuant to Regulations 26(4) and 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI Listing Regulations, 2015"] is also annexed.

2) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, VOTE INSTEAD OF HIMSELF/ HERSELF AND THE PROXY NEED NOT BE A MEMBER.** A person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. in case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder. Proxies, in order to be effective, must be received at the registered office of the Company at Joda, Dist-Keonjhar, Odisha, Pin: 758 034, not less than 48 hours before this Annual General Meeting.

3) Corporate members intending to send their authorised representative(s) to attend the Meeting are requested to send a certified copy of the Board Resolution to the Company, authorizing their representatives to attend and vote on their behalf at the Meeting.

4) Members/ Proxies/ Authorized Representatives are requested to bring the duly filled Attendance Slip enclosed herewith to attend the meeting.

5) The Register of Members and Share Transfer Books of the Company will be closed from Saturday, July 29, 2017 to Friday, August 04, 2017 both days inclusive.

6) Dividend, if declared, will be paid to those shareholders, whose names appear on the Company's Register of Members/ Register of Beneficial Owners as on Friday, July 28, 2017. The payment will be made on or after Monday, August 7, 2017.

   Your dividend warrant is valid for payment by the Company's Bankers for three months from the date of issue. Thereafter, please contact our Share Registrars, M/s. TSR Darashaw Limited (formerly Tata Share Registry Limited) 6-10 Haji Moosa Patrawala Industrial House, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai – 400 011, for revalidation of the warrants.

   Please encash your dividend warrants immediately as the dividend amounts remaining unclaimed/ unpaid at the expiry of 7 years from the date that becomes due for payment are required to be transferred by the Company to the Investor Education and Protection Fund established under Section 125 in terms of Section 124 of the Companies Act, 2013.

7) The unclaimed dividend for the financial years 1993-94 and 1994-95 has been transferred to the General Revenue Account of Central Government and for the years 1995-96 to 2008-09 has been transferred to Investor Education and Protection Fund. Members, who have not encashed their dividend warrant for 1993-94 and 1994-95, are, therefore, requested to claim the amount from the Ministry of Corporate Affairs (MCA), Odisha, Corporate Bhawan, 3rd Floor, Plot No. 9 (P), Sector-1, CDA, Cuttack–753 014.

8) Members, who have not encashed their dividend warrants issued for the years 2009-10 to 2015-16 are requested to immediately forward the same for revalidation to our Share Registrars at their address given under (6) above and get the encashment at the earliest.

9) Shareholders are requested to notify their bank particulars giving the name of the bank and the branch and the nature of account and also any change of address to the Company's Registrar and Share Transfer Agent, M/s. TSR Darashaw Limited. Shareholders are hereby intimated that under instructions from the Securities and Exchange Board of India, furnishing of bank particulars by the shareholders has become mandatory.

10) In order to provide better service to the shareholders, the Company has introduced Electronic Clearing Service (ECS) for payment of dividend. Shareholders desirous of availing ECS facility may provide the required information to our Share Registrars at their address given under (6) above.

11) Shareholders are hereby informed that the bank particulars given by them at the time of opening a depository account will be used by the Company for printing on the dividend warrants. This would ensure that the dividend warrants cannot be deposited in any account other than the one specified on the warrants. For the safety and interest of the shareholders, it is important that bank account details are correctly provided to the Depository Participants. The bank mandate for shares held in physical form will not be applied for shares held in electronic form.

12) Section 72 of the Companies Act, 2013, extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders holding share certificates in physical form and willing to avail this facility may make nomination in Form SH-13, which may be sent on request. However, in case of demat holdings, the shareholders should approach to their respective Depository Participants for making nominations.

13) Members, who have multiple accounts in identical names or joint names in same order are requested to intimate M/s. TSR Darashaw Limited, the Ledger Folios of such accounts to enable the Company to consolidate all such share holdings into one account.

14) Members holding shares in physical form are requested to consider converting their holding to dematerialised form to eliminate all risks associated with physical shares for ease of portfolio management. Members can contact the Company or TSR Darashaw Limited for assistance in this regard.

15) To support the 'Green Initiative', Members who have not registered their e-mail addresses are requested to register the same with TSR Darashaw Limited/ Depositories.

16) Voting through electronic means

I. In compliance with the provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015, Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["SEBI Listing Regulations, 2015"] and the Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, the Members are provided with the facility to cast their vote electronically, through e-voting services provided by NSDL.

II. The Company has appointed Ms. Manjari Sinha (ACS: 26617, CP No: 9724) Practising Company Secretary, Dream Heights, 2nd Floor, Near Chinmayah Vidyalaya, South Park, Bistupur. Jamshedpur – 831001, Jharkhand as the Scrutinizer for conducting the entire process including e-voting in a fair and transparent manner.

III. The facility for voting, either through electronic voting or polling paper shall also be made available at the Annual General Meeting and Members attending the meeting who have not already cast their vote by remote e-voting shall be able to exercise their right at the meeting.

IV. The Members who have cast their vote by remote e-voting prior to the meeting may also attend the meeting but shall not be entitled to cast their vote again.

V. Members can opt for only one mode of voting, i.e. either by e-voting or voting at Annual General Meeting. In case Members cast their vote through both the modes, voting done by e-voting shall prevail and votes cast at Annual General Meeting shall be treated as invalid.

VI. The instructions for e-voting are as under:

A. In case a Member receives an e-mail from NSDL [for Members whose e-mail addresses are registered with the Company/ Depository Participant(s)]:

(i) Open email and also open PDF file, namely "Tata Sponge e-Voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/ PIN for e-voting. Please note that the password is an initial password.

(ii) Launch internet browser by typing the following URL : https://www.evoting.nsdl.com/

(iii) Click on Shareholder – Login.

(iv) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote.

(v) If you are logging in for the first time, please enter the user ID and password provided in the PDF file attached with the e-mail as initial password. The password Change Menu will appear on your screen. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of both. Please take utmost care to keep your password confidential.

(vi) Once the e-voting home page opens, click on e-Voting > Active Voting Cycles.

(vii) Select "EVEN" (E-voting Event Number - 104062) of Tata Sponge Iron Limited.

(viii) Now you are ready for e-voting as Cast Vote page opens.

(ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.

(x) Upon confirmation, the message "Vote cast successfully" will be displayed.

(xi) Once you have voted on the resolution, you will not be allowed to modify your vote.

(xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutinizer through e-mail to investorcell@tatasponge.com or evoting@tatasponge.com with a copy marked to evoting@nsdl.co.in

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/ Depository Participant(s) or requesting physical copy]:

(i) Initial password is provided as below/ at the bottom of the Attendance Slip for the AGM:

**EVEN (e Voting Event Number) + USER ID and PASSWORD/ PIN**

(ii) Please follow all steps from Sl. No. A (ii) to Sl. No. A (xii) above, to cast vote.

VII. In case of any queries, you may refer the Frequently Asked Questions (FAQs) Shareholders and e-voting user manual for Shareholders available at the

Downloads section of www.evoting.nsdl.com or call on toll free no. 1800-222-990.

VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

IX. The e-voting period commences on Tuesday, August 01, 2017 9:00 a.m. IST and ends on Thursday, August 03, 2017 5:00 p.m. IST. During this period, Members of the Company holding shares either in physical form or in dematerialised form, as on Friday, July 28, 2017, i.e. the cut-off date, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the Member, the member shall not be allowed to change it subsequently or cast vote again.

X. The voting rights of Members shall be in proportion to their share(s) of the paid up equity share capital of the Company as on the cut-off date. A person, whose name is recorded in the Register of Members or in the Register of Beneficial Owners maintained by the Depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting, voting through ballot form, as well as voting at the meeting through ballot.

XI. Any person, who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice and holding shares as of the cut-off date, may obtain the login ID and password by sending a request at evoting@nsdl.co.in. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset your password by using "Forget User Details/ Password" option available on www.evoting.nsdl.com.

XII. The Scrutinizer shall immediately after the conclusion of voting at the general meeting, would count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing who shall countersign the same and declare the result of the voting forthwith..

XIII. The Results declared along with the Scrutinizer's Report shall be placed on the Company's website www.tatasponge.com and on the website of NSDL www.evoting.nsdl.com immediately after the result is declared. The Company shall simultaneously forward the results to BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), where the shares of the Company are listed.

XIV. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (9:00 a.m. to 5:00 p.m.) on all working days, and including the date of the Annual General Meeting of the Company.

By Order of the Board of Directors

sd/-

**Sanjay Kasture**
Company Secretary

Kolkata
June 06, 2017

Registered Office:
Post Joda
Dist.: Keonjhar
Odisha – 758 034
CIN- L27102OR1982PLC001091
Website: www.tatasponge.com

## EXPLANATORY STATEMENT

[Pursuant to Section 102 of the Companies Act, 2013 (“Act”)]

The following Statement sets out all material facts relating to Item Nos. 4 to 7 mentioned in the accompanying Notice.

**Item No. 4**

This Statement is provided though strictly not required as per Section 102 of the Act.

The Companies Act, 2013 (‘the Act’) was notified effective April 01, 2014. Section 139 of the Act lays down the criteria for appointment and mandatory rotation of statutory auditors. Pursuant to Section 139 of the Act and the Rules made thereunder, it is mandatory to rotate the Statutory Auditors on completion of two terms of five consecutive years. The Rules also lays down the transitional period that can be served by the existing auditors depending on the number of consecutive years for which an audit firm has been functioning as auditor in the same company. The incumbent auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 302009E) have served the Company for over 10 years before the Act was notified and will be completing the maximum number of transitional period (three years) at the ensuing Thirty Fourth Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board in its meeting held on Tuesday, June 06, 2017, appointed Messrs Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E/E-300009) (“PWC”) as the Statutory Auditors of the Company. PWC will hold office for a period of five consecutive years from the conclusion of the Thirty Fourth Annual General Meeting of the Company till the conclusion of the Thirty Ninth Annual General Meeting to be held in 2022.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No. 4 of the Notice. The Board recommends the resolution set forth in Item No. 4 for approval of the Members.

**Item No 5**

Based on the recommendation of the Audit Committee, the Board in its meeting held on April 26, 2017, appointed Messrs Shome & Banerjee, Cost Accountants, (Firm Registration No.: 000001) to conduct the Cost Audit for the financial year ending March 31, 2018 at a remuneration of Rs. 1,80,000/- (excluding taxes, cess etc.), plus out of pocket expenses.

In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rule 14(a)(ii) of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor is to be ratified by the Members of the Company. Accordingly, the Members are requested to ratify the remuneration payable to the Cost Auditors as set out in the Resolution at item No 5 of the accompanying Notice.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested in the Resolution mentioned at Item No. 5 of the Notice. The Board recommends the resolution set forth in Item No. 5 for approval of the Members.

**Item No. 6**

As per Regulation 23 (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI Listing Regulations, 2015”] all material related party transactions shall require the approval of shareholders. Further, explanation provided to Regulation 23(1) of SEBI Listing Regulations, 2015 states that a transaction with a related party shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during the financial year (i.e during 2016-17), exceeds 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. According to this definition the relevant turnover was approx. Rs.615.16 crore for 2016-17 and 10% of which is equal to Rs. 61.52 crore. Hence, it is proposed to secure shareholders approval on Resolution No. 6 in the forthcoming Annual General Meeting including through ballot/ e voting for approving following related party contracts/ arrangements to be entered during financial year 2017-18 and each subsequent financial year, till the termination of said contract or arrangement.

| Sl No | Description | Details | | |
|---|---|---|---|---|
| a | Name of the related party | Tata Steel Limited | Tata International Singapore PTE Ltd | Tata International Limited |
| b | Name of the director or key managerial person who is related , if any | None | None | None |
| c | Nature of relationship | Tata Steel Ltd is a holding Company having 54.5 % shares in the paid up capital of the Company. | Group Company | Group Company |
| d | Nature, material terms, monetary value and particulars of the contract or arrangement. | The Company intends to purchase iron ore from Tata Steel Limited. The Company also intends to sell power to Tata Steel Limited. The pricing mechanism is purely market based. Latest auction price of Odisha Mining Corporation (OMC) for Barbil sector has been considered as base/ indicative price. In the absence of auction price of Barbil sector, Gandhmardan sector auction price is considered as base indicative.<br>**Maximum value of transactions in a financial year:**<br>Rs. 300 crore for purchase of Iron Ore and sale of Power | The Company intends to import coal from Tata International Singapore PTE Limited. AP14 Index is the basis of coal (FOB) procurement. Freight & insurance are at prevailing market conditions.<br>**Maximum value of transactions in a financial year:**<br>Rs. 300 crore for import of Coal. | The Company intends to sell sponge iron to Tata International Limited.<br>**Maximum value of transactions in a financial year:**<br>Rs. 300 crore for sale of Sponge Iron. |

| Sl No | Description | Details | | |
|---|---|---|---|---|
| e | Any other information relevant or important for the members to take a decision on the proposed resolution | This contract is at arm's length basis and in the ordinary course of business. | This contract is at arm's length basis and in the ordinary course of business. | This contract is at arm's length basis and in the ordinary course of business. |

According to the provisions of Section 188 and Regulation 23 (7) of SEBI Listing Regulations, 2015,the related party shall abstain from voting on Resolution mentioned at Item No. 6 of the Notice.

None of the Directors and key managerial personnel of the Company or their relatives are concerned or interested in the Resolution at Item No. 6 of the Notice. The Board recommends the Resolution mentioned at Item No. 6 of the Notice for approval of the Members.

**Item No. 7**

**Profile of Mr. Sanjay Kumar Pattnaik**

Mr. Sanjay Kumar Pattnaik (57) has been on the Board of the Company since August, 2014 as an Executive Director. He also served as a Non-executive Director on the Board of the Company from July 2003 to August 2009. He serves on the Board of T M Mining Company Ltd. (A joint venture between Tata Steel & MMTC) and is holding the position of President of Federation of Indian Mineral Industries ("FIMI") and Vice President of Mining Engineers Association of India (MEAI). Mr. Pattnaik joined Tata Steel in 1983 and had a long stint of 31 years in different functions & divisions of the Company viz. raw materials, port operations & logistics solutions, liaison & business facilitation, policy & regulatory affairs relating to mining etc. Prior to his appointment as an Executive Director of the Company, he was General Manager, Raw Materials Strategy Group in Tata Steel Limited. Mr. Pattnaik competed his B.E. Degree in Mining Engineering from Osmania University in 1983 and has done Advanced Management Programme from CEDEP - INSEAD, France in 2004.

He had served on the Board of TRL Krosaki Refractories Ltd. (formerly Tata Refractories Ltd.), Nilanchal Refractory Ltd., Trustee of Paradeep Port Trust and as a Vice-President of Utkal Chamber of Commerce & Industries. He also served as the Chairman of Confederation of Indian Industry ("CII"), Odisha State Council. He was also a member in the core committee of Ministry of Mines, Ministry of Steel and Ministry of Environment & Forest, formed by Government of India on statutory regulations & policy issues related to the mineral & mining sector.

In view of his excellent professional background and leadership skills, the Board in its meeting held on November 01, 2016 appointed him as a Managing Director of the Company, subject to the approval of shareholders for a period of 3 years i.e, with effect from November 01, 2016 to October 31, 2019, on the following terms and conditions:

1) **Period of appointment:** November 01, 2016 to October 31, 2019

2) **Nature of Duties:** The Managing Director shall devote his whole time and attention to the business of the Company and carry out such duties as may be entrusted to him by the Board from time to time and separately communicated to him and exercise such powers as may be assigned to him, subject to superintendence, control and directions of the Board in connection with and in the best interests of the business of the Company and the business of any one or more of its associated companies and/ or subsidiaries, including performing duties as assigned by the Board from time to time by serving on the boards of such associated companies and/ or subsidiaries or any other executive body or any committee of such company.

3) **Remuneration:**

a] **Salary**: In the pay scale of Rs. 2,00,000/- to Rs.4,00,000/- per month with annual increments effective 1st April every year, as may be decided by the Board based on merit and taking into account the Company's performance for the year.

b] **Benefits, Perquisites and Allowances**

In addition to the basic salary referred in [a] above, the Managing Director shall be entitled to:

A] Rent-free residential accommodation (furnished or otherwise) the Company bearing the cost of repairs, maintenance, society charges and utilities (e.g. gas, electricity and water charges) for the said accommodation, or,

House Rent, House Maintenance and Utility Allowances aggregating 85% of the basic salary (in case residential accommodation is not provided by the Company).

B] Hospitalisation, Transport, Telecommunication and other facilities

C] Other perquisites and allowances given below subject to a maximum of 55% of the annual salary;

(i) Allowance for Helper/Education of children/ Other allowances equal to 33.34% of his salary per month.

(ii) Leave Travel Concession/ Allowance - The Company shall pay for the Managing Director and his family Leave Travel Allowance equivalent to 8.33% of his salary.

(iii) Medical allowance - 8.33% of his salary.

(iv) Club membership fee for two clubs (which does not include admission and life membership fee) and

(v) Personal Accident Insurance not exceeding Rs.4000/- per annum;

(vi) Contribution to Provident Fund, Superannuation Fund or Annuity Fund and Gratuity Fund as per the Rules of the Company.

(vii) The Managing Director shall be entitled to leave in accordance with the Rules of the Company. Privilege Leave earned but not availed by the Managing Director is encashable in accordance with the Rules of the Company.

Both (iv) & (v) put together up to a maximum of 5% of his basic salary.

c] **Performance Bonus/ Commission**: Managing Director shall be entitled to annual performance linked bonus and/or commission, not exceeding 200% of the annual salary, based on certain performance criteria and such other parameters laid down by the Board/ Committee thereof. These amounts (if any) will be paid after the Annual Accounts have been approved by the Board and adopted by the Shareholders.

4) **Board Meeting Attendance:**

During the year, Mr. Sanjay Kumar Pattnaik attended all the six Board Meetings held.

5) **Other Directorships, Membership/ Chairmanship of Committees of other Boards:**

**Directorships:** TSIL Energy Limited, Federation of Indian Mineral Industries and TM Mining Company Limited

**Membership/Chairmanship:** Mr. Pattnaik is a member of Stakeholders' Relationship Committee, Corporate Social Responsibility Committee, Committee of Board and Risk Management Committee in Tata Sponge Iron Limited. He does not hold Chairmanship in any company specified above.

6) a) The Managing Director shall not become interested or otherwise concerned, directly or through his spouse and/ or children, in any selling agency of the company.

b) The terms and conditions of appointment of the Managing Director may be altered and varied from time to time by the Board as it may, in its discretion deem fit, irrespective of the limits stipulated under Schedule V to the Companies Act, 2013 or any amendments made hereinafter in this regard in such manner as may be agreed to between the Board and the Managing Director, subject to such approvals as may be required.

c) The appointment may be terminated by either party by giving the other party six months' notice of such termination or the Company paying six months' remuneration in lieu thereof.

d) The employment of the Managing Director may be terminated by the Company without notice or payment in lieu of Notice:

(i) If the Managing Director is found guilty of any gross negligence, default or misconduct in connection with or affecting the business of the Company or any subsidiary or associate company to which he is required by the agreement to render services; or

(ii) In the event of any serious repeated or continuing breach (after prior warning) or non-observance by the Managing Director of any of the stipulations contained in the agreement to be executed between the Company and the Managing Director; or

(iii) In the event the Board expresses its loss of confidence in the Managing Director.

e) Upon termination by whatever means of the Managing Director's employment:

(i) the Managing Director shall immediately tender his resignation as Director of the Company and from such other offices held by him in the Company, in any subsidiary or associate company and other entities without claim for compensation for loss of office;

(ii) the Managing Director shall not without the consent of the Company at any time thereafter represent himself as connected with the Company or any of its subsidiaries or associate companies.

f) The Managing Director is being appointed by virtue of his employment in the Company and his appointment is subject to the provisions of Section 196 of the Act, while at the same time, the Managing Director is liable to retire by rotation.

g) The terms and conditions of appointment of the Managing Director also include clauses pertaining to adherence with the Tata Code of Conduct, no conflict of interest with the Company and maintenance of confidentiality.

h) If and when the agreement expires or is terminated for any reason whatsoever, he will cease to be the Managing Director and also cease to be a Director. If at any time the Managing Director ceases to be a Director of the Company for any reason whatsoever, he shall cease to be the Managing Director and the agreement shall forthwith terminate. If at any time, the Managing Director ceases to be in the employment of the company for any reason whatsoever, he shall cease to be a Director and the Managing Director of the Company.

Mr. Pattnaik does not hold any Equity Shares of the Company. Further, there is no inter-se relationship between Mr. Sanjay Kumar Pattnaik, other members of the Board and Key Managerial Personnel of the Company.

The draft agreement of appointment of Mr. Sanjay Kumar Pattnaik is available for inspection at the Registered Office of the Company between 11:00 a.m. to 1:00 p.m. on all working days of the Company.

None of the Directors other than Mr. Sanjay Kumar Pattnaik is concerned or interested in the Resolution at Item No.7 of the Notice. The Board recommends the Resolution mentioned at Item No. 7 of the Notice for approval of the Members.

By Order of the Board of Directors

sd/-

**Sanjay Kasture**
Company Secretary

Kolkata
June 06, 2017

Registered Office:
Post Joda
Dist.: Keonjhar
Odisha – 758 034
CIN- L27102OR1982PLC001091
Website: www.tataspong.com

## ANNEXURE TO THE NOTICE

### DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN THE THIRTY-FOURTH ANNUAL GENERAL MEETING

[Pursuant to Regulations 26(4) and 36(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

| Name of the Director(s) | Mr. Sanjay Kumar Pattnaik | Mrs. Meena Lall |
|---|---|---|
| DIN | 00256832 | 05133322 |
| Date of birth | July 02, 1959 | August 14, 1964 |
| Qualifications | B.E (Mining), Advanced Management Programme (CEDEP/ INSEAD) France | BA, LLB, LLM (Gold Medalist) |
| Expertise in specific functional areas | Mining Engineering | Law |
| List of other Companies in which Directorship held (excluding in foreign companies) | 1) TSIL Energy Limited;<br>2) Federation of Indian Mineral Industries and<br>3) TM Mining Company Limited | Nil |
| Chairman/Member of the Committees of the Board of Directors of other Companies in which he is a Director (excluding in foreign companies). | Nil | Nil |
| Details of shareholding (both own or held by/for other persons on a beneficial basis), if any, in the Company | Nil | Nil |

Note: Directors of the Company do not have any inter-se relationship.

# DIRECTORS' REPORT

Dear Members,

The Directors take pleasure in presenting the Thirty-fourth Annual Report on the business and operations of the Company and its financial results for the year ended March 31, 2017.

## FINANCIAL RESULTS

| | Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|---|
| | | **FY 2016-17 (Rs. Lakh)** | FY 2015-16 (Rs. Lakh) | **FY 2016-17 (Rs. Lakh)** | FY 2015-16 (Rs. Lakh) |
| (i) | Sales (Net of Excise Duty) and other income | **65,218** | 67,071 | **65,223** | 67,076 |
| (ii) | Profit before interest, depreciation and taxes | **9,868** | 6,162 | **9,871** | 6,167 |
| | Less: Interest | **244** | 538 | **244** | 538 |
| | Profit /(loss) before depreciation and taxes | **9,624** | 5,624 | **9,627** | 5,629 |
| (iii) | Less: Depreciation and amortisation expenses | **1,277** | 1,289 | **1,277** | 1,289 |
| (iv) | Profit Before Taxes | **8,347** | 4,335 | **8,350** | 4,340 |
| (v) | Tax Expense | **2,473** | 1,146 | **2,473** | 1,146 |
| (vi) | Profit after tax | **5,874** | 3,189 | **5,877** | 3,194 |

*"The Company has adopted Indian Accounting Standard (referred to as 'Ind AS') with effect from April 01, 2016 and accordingly these financial results along with the comparatives have been prepared in accordance with the recognition and measurement principles stated therein, prescribed under Section 133 of the Companies Act, 2013 (the Act) read with the relevant rules issued thereunder and the other accounting principles generally accepted in India."*

## DIVIDEND

The Board has recommended a dividend of Rs 11 per share (i.e. 110%) on 1,54,00,000 equity shares of Rs.10 each for the financial year ended March 31, 2017 subject to approval of the shareholders at the ensuing Annual General Meeting. The total outgo on account of dividend (ex-taxes) will be Rs. 1,694 lakhs.

## TRANSFER TO RESERVE

The Company proposes to retain the entire amount of Rs 5,874 lakhs in the statement of profit & loss account.

## OPERATIONS

### *Sponge Iron*

During the year (FY'17) the kilns produced 390,000 MT (100% of rated capacity) which is higher by 8.2% as compared to 360,446 MT of DRI production during the previous year (FY'16). During the year, daily production level was 1,247 TPD and average operating days were 313 days. Debottlenecking of Kiln 1, procurement of excellent quality of raw materials and process improvements have resulted in the enhanced production during the year.

The Company continues to enjoy uninterrupted supply of iron ore requirement from Tata Steel. During the year, the Company sourced 95% of iron ore from Tata Steel.

Based on the experience gained in the past from using imported coal of superior quality having a positive impact on the quality of sponge iron, the Company sourced 96% of coal of different grades from South Africa.

The sale of sponge iron has been 392,782 MT which is higher by 7.4% as against the sale of 365,815 MT during previous year. Increase in the dispatch was consequent to the higher production. As a part of customer engagement initiative, the Company dispatched sponge iron through containerized rakes during the year, which has also helped in enhancing efficiency and controlling cost.

### *Power*

In FY'17, the total generation of power was 185.47 million Kwh vis-a-vis to 162.83 million Kwh during the last year, an increase of 13%. The power export was 132.49 million Kwh as compared to 113.59 million Kwh during FY'16, an increase by 16.6%.

## MARKET

Even though the market conditions for steel and sponge iron were volatile during the year, the Company could maintain profitability due to record sponge iron dispatches of 3,92,782 MT, positive cash flow and focus on segments for higher net realization. The demand for steel and sponge iron recovered during the later part of the year. During the second half of the financial year, real estate segment recovered partly and there was an increased spending in infrastructure areas , which led to sustained demand and increase in price on month to month basis.

Further, the intention of Government to increase funding in infrastructure, affordable housing, smart cities etc will generate positive demand for steel and sponge iron. The Government has also supported the steel industry in curtailing cheap imports and supporting usage of locally made steel.

The above factors will have a positive impact for both sponge iron and steel industry during FY'18.

## UPDATE ON RADHIKAPUR COAL BLOCK

The Radhikapur (East) Coal Block stands de-allocated and re-allotment has not happened yet. The Ministry of Coal ("MoC") vide its letter dated December 28, 2015, has reiterated its decision for encashment of the Bank Guarantee of Rs. 32.50 cr. The Bank

Guarantee has since expired. The Company has filed a writ petition before Hon`ble High Court of Delhi challenging the decision of MoC. Pending finalisation of the matter, the Bank Guarantee amount continues to be disclosed as Contingent Liability as at the end of the year.

During pendency of the aforesaid matters in Hon'ble High Court of Delhi, the Hon'ble Supreme Court of India vide its order dated September 24, 2014 has cancelled allocation of 214 coal blocks including the Radhikapur (East) Coal Block which was allotted to the Company on February 7, 2006. The expenditure incurred on the Radhikapur (East) Coal Block as on March 31, 2017 aggregates to Rs. 18,040.96 lakhs (March 31, 2016: Rs. 18,040.96 lakhs).

Pursuant to the judgment of Hon'ble Supreme Court of India, the Government of India has promulgated Coal Mines (Special Provision) Rules, 2014 ("Rules") for allocation of the coal mines through auction and matters related thereto. In terms of the said Rules, the successful bidder will be called upon to pay to the prior allocattee the expenses incurred by the prior allocatee towards land and mine infrastructure. Pursuant to MoC's directive seeking the details of expenses vide letter dated December 26, 2014, the Company has furnished the required statement of expenses on January 5, 2015. Based on the Rules and necessary legal opinion obtained by the Company, no provision is considered necessary.

## SUBSIDIARY COMPANY

Your Company has a wholly owned subsidiary i.e. "TSIL Energy Limited". There is no associate or joint venture company as defined under the Companies Act, 2013.

Pursuant to provisions of Section 129(3) of the Companies Act, 2013, a statement containing salient features of the financial statements of TSIL Energy Limited in **Form AOC-1** is annexed as **Annexure A**.

Pursuant to provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts of TSIL Energy Limited are available on the website of the Company.

## INTERNAL PROCESS & FINANCIAL CONTROL

Improvement in the business processes and systems across all functions is a continuous process, in line with the Tata Business Excellence Model that the Company has adopted. The company continues to maintain Integrated Management System (IMS) comprising of Quality Management System (ISO: 9001). Environment Management System (ISO: 14001) and Occupational Health, Safety & Accountability Management System (ISO: 18001).

The Company has an internal control system commensurate with the size, scale and complexity of its operations. The scope of authority of the Internal Audit function is defined in the Internal Audit Charter. The Company's internal controls are tested for adequacy and effectiveness by the Internal Auditor and Statutory Auditors on a regular basis.

## LISTING FEES

The Annual Listing Fee for the financial year 2016-17 had been paid to those Stock Exchanges where the Company's shares are listed.

## CORPORATE SUSTAIN ABILITY

As a member of Tata Group and as a responsible corporate citizen the Company continues to undertake steps towards welfare of society around it, community initiatives, periphery development, environment protection and improvement in harmony with the normal business and contributing to exchequer through various taxes/duties etc. At the same time, the Company continued its focus on employees' health and safety, skill development and superior living conditions. The Company has taken a serious note of threat of global warming and climate change. Through a specific study, the Company has measured carbon foot print of its operations and is taking steps to reduce the Green House Gas emissions. Corporate sustainability is aligned with Triple Bottom Line approach by complying with -

- the UN Global Compact by addressing its ten principles
- Guidelines of Tata Council for Community Initiatives (TCC)

The concept of inclusive growth through Affirmative Action (AA) has been adopted by the Company in the past. Further efforts have been made by the Company during the year to strengthen the actions.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the year, the Company has spent Rs. 219.21 lakhs (previous year Rs. 277.49 lakhs) on CSR Activities. An Annual Report on CSR Activities is annexed herewith as **Annexure B** in the prescribed format.

## VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The Company has a vigil mechanism by way of internal reviews and a third party helpline, escalating system of ethical concerns etc. The Company also has a "Whistle Blower Policy", which is available on the website of the Company, namely www.tatasponge.com.

## PREVENTION OF SEXUAL HARASSMENT AT WORK PLACES

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder.

Further, the Company has Internal Complaint Committees for various locations of the Company in compliance with the above mentioned Act and Rules. During the financial year 2016-17, one complaint was received and the same was resolved. No case remained pending at the end of the year.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014, particulars regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are annexed to this report as **Annexure C**.

## SAFETY, HEALTH & ENVIRONMENT

The Company is committed to providing a safe and healthy working environment and achieving an injury and illness free work place. In recognition of Company`s best practices in Safety, Health and Environment, the Company received the CII Excellence award in Safety, Health and Environment during the year. During the year under review, there was no lost time injury incident reported.

Over the years, the Company has been setting benchmarks in its industry vertical in reducing its carbon footprint through the 3Rs (Reduce, Reuse and Recycle), producing power from waste heat in its twin captive power plants, keeping emissions well under prescribed norms and becoming a zero - affluent discharge Company.

## PARTICULARS OF EMPLOYEES

The particulars of employees are given in **Annexure D** to this Report as required under Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

## DIRECTOR(S)

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Company's Articles of Association, Mrs. Meena Lall (Non-Executive Director), retires by rotation at the forthcoming Annual General Meeting and, being eligible offers herself for re-appointment.

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 16(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the year under review, Mr. Digambar Pandurang Deshpande superannuated from the services of the Company with effect from October 31, 2016. The Board of Directors place on record their appreciation towards Mr. Deshpande's contribution during his tenure as Director of the Company.

The Board in its meeting held on October 21, 2016, has appointed Mr. Sanjay Kumar Pattnaik as Managing Director with effect from November 01, 2016. Necessary resolutions together with the explanatory statement have been included in the Notice of Thirty-Fourth Annual General Meeting as the above appointment/re-appointment are subject to the approval of the shareholders.

## DIRECTORS' RESPONSIBILITY STATEMENT

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the Internal, Statutory, Cost and Secretarial Auditors and external consultant(s) including audit of internal financial controls over financial reporting by the statutory auditors, reviews performed by the management and the relevant Board Committees, including the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year 2016-17.

Accordingly, pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors, to the best of their knowledge and ability, confirm that:

(i) in the preparation of annual financial statements, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

(ii) the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2016-17 and of the profit of the company for that period;

(iii) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the directors have prepared the annual accounts on a going concern basis;

(v) the directors had laid down proper internal financial controls and such internal financial controls are adequate and were operating effectively; and

(vi) the directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## BOARD EVALUATION

The Board had carried out an annual performance evaluation of its own performance and that of its Committees and individual directors. The manner in which the evaluation was carried out has been explained in the Corporate Governance Report.

## INDEPENDENT DIRECTORS' MEETING

During the year under review, the Independent Directors met on March 22, 2017, inter alia, to:

a) Review the performance of Non Independent Directors, and the Board of Directors as a whole;

b) Review the performance of the Chairman of the Company, taking into account the views of the Executive and Non-Executive Directors;

c) Assess the quality, content and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at this meeting.

The observations made by the Independent Directors have been adopted and put into force.

## APPOINTMENT AND REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

The Board has, on the recommendation of the Nomination and Remuneration Committee, framed a policy for selection, appointment and remuneration of Directors, Senior Management Personnel and Key Managerial Personnel ("KMP"). This Policy is described in the Corporate Governance Report.

## KEY MANAGERIAL PERSONNEL

The following are the Key Managerial Personnel of the Company:

1. Mr. Sanjay Kumar Pattnaik - Managing Director
2. Mr. S. K. Mishra - Chief Financial Officer
3. Mr. Sanjay Kasture - Company Secretary

During the year, Mr. Digambar Pandurang Deshpande, superannuated as Managing Director of the Company with effect from October 31, 2016.

The Board in its meeting held on October 21, 2016 has appointed Mr. Sanjay Kumar Pattnaik as Managing Director with effect from November 01, 2016.

## BOARD MEETINGS/ BOARD COMMITTEE MEETINGS

A calendar of meetings is prepared and circulated in advance to the Directors. During the year six (6) Board meetings and five (5) Audit Committee meetings were held, details of which are given in the Corporate Governance Report. The gap between the meetings was within the period prescribed under the Companies Act, 2013/ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All recommendations made by the Audit Committee were accepted by the Board during the financial year 2016-17. All other Committees have also met during the year and have helped the Board to provide direction to the management.

## PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES REFERRED TO IN SECTION 188(1) OF THE COMPANIES ACT, 2013

During the year under review, purchase of Iron ore from Tata Steel Limited, promoter of the Company, constitutes majority of the transactions entered with related parties. The transactions, being material, were approved by the shareholders during the year. All the transactions with related parties were on an arm's length basis and were in the ordinary course of business.

All related party transactions are placed before the Audit Committee and the Board for approval.

The particulars of material contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013, is given in prescribed **Form AOC - 2** as **Annexure E**.

The policy on Related Party Transactions as approved by the Board is displayed on the website of the Company, viz, www.tatasponge.com. Members' attention is also drawn on Notes to Financial Statements which sets out details of related party transactions.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review, as stipulated under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of this Annual Report.

## CORPORATE GOVERNANCE REPORT:

As per Regulation 34(3) read with Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate section on corporate governance, together with a certificate from the Company's Secretarial Auditors, forms part of this Report.

## AUDITORS

### (a) STATUTORY AUDITORS

Under Section 139 of the Companies Act, 2013 and the rules made thereunder, it is mandatory to rotate the Statutory Auditors on completion of their term of five consecutive years. The Rules also lays down the transitional period that can be served by the existing auditors depending on the number of consecutive years for which an audit firm has been functioning as auditor in the same company. The incumbent auditors, Messrs Deloitte Haskins & Sells, Chartered Accountants (Firm Registration No. 302009E) have served the Company for over 10 years before the Act was notified and will be completing the maximum number of transitional period (three years) at the ensuing Thirty Fourth Annual General Meeting.

Based on the recommendation of the Audit Committee, the Board in its meeting held on Tuesday, June 06, 2017, appointed Messrs Price Waterhouse & Co. Chartered Accountants LLP (Firm Registration No. 304026E/E-300009) ("PWC") as the Statutory Auditors of the Company. PWC will hold office for a period of five consecutive years from the conclusion of the Thirty Fourth Annual General Meeting of the Company till the conclusion of the Thirty Ninth Annual General Meeting to be held in 2022. As required under the Companies Act, 2013, a resolution seeking member's approval for the appointment of Statutory Auditor forms part of the Notice convening the Annual General Meeting.

There is no audit qualification for the year under review.

### (b) COST AUDITOR

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Rules, 2014 as amended from time to time, your Company has been carrying out cost audit every year. The Board of Directors, on the recommendation of Audit Committee, has appointed Messrs Shome & Banerjee, Cost Accountants, (Firm Registration Number: 000001) as Cost Auditor to audit the cost statements of the Company for the financial year 2017-18. As required under the Companies Act, 2013, a resolution seeking member's approval for the remuneration payable to the Cost Auditor forms part of the Notice convening the Annual General Meeting for their ratification.

### (C) SECRETARIAL AUDITOR

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Messrs S. M. Gupta & Company, a firm of Company Secretaries in Practice, to undertake the Secretarial Audit of the Company for the financial year 2017-18.

The Secretarial Audit Report for the financial year 2016-17, is annexed herewith as **Annexure - F.**

## COMMENTS ON AUDITORS`/ SECRETARIAL AUDIT REPORT

There are no qualifications, reservations or adverse remarks or disclaimers made either by the Statutory Auditors or by the

Secretarial Auditors in their report for the year under review. The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company during the year under review.

## EXTRACT OF ANNUAL RETURN

The extract of the Annual Return as provided under Section 92(3) of the Companies Act, 2013 in the prescribed **Form MGT - 9** is annexed herewith as **Annexure - G.**

## DISCLOSURES WITH RESPECT TO EMPLOYEES STOCK OPTION SCHEME

The Company does not have any Employees Stock Option Scheme.

## RISK MANAGEMENT

The Company has a Risk Management framework in place to identify, assess, monitor and mitigate various risks to the business. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The framework also defines the risk management approach across the enterprise at various levels. Risk Management forms an integral part of the Company's planning process.

A Risk Management Committee of the Board reviews the process of risk management. The details of the Committee and its terms of reference are set out in the Corporate Governance Report forming part of the Board's Report.

## PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS BY THE COMPANY

Details of loans, guarantees or investments are given in the notes to financial statements.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORY BODIES/ COURTS

During the financial year under review, no significant or material orders were passed by the Regulatory/ Statutory Authorities or the Courts which would impact the going concern status of the Company and its future operations.

## MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

During the year under review, there has been no material changes and commitments affecting the financial position of the Company.

## AWARDS

During the year, following awards were received by the Company :-

a) Conferred the Productivity Award 2016 for Significant Improved Productivity during the year 2016 by CII (Eastern Region).

b) Tata Sponge Power Plant Quality Circle Team, PRATIBHA received the NCQC Excellence Award.

c) Received the CII Excellence Award on Safety, Health & Environment 2015.

d) Tata Sponge Power Plant Quality Circle Team, PRATIBHA received the CCQC 2016 Gold Award.

## DEPOSITS

During the year, the Company has not accepted any "Deposits", as defined under Companies Act, 2013.

## ACKNOWLEDGEMENT

The Board takes this opportunity to sincerely thank all its stakeholders namely, shareholders, customers, suppliers/ contractors, bankers, employees, government agencies, local authorities, and the immediate society for their un-stinted support and co-operation during the year.

On behalf of the Board of Directors

sd/-
Kolkata **A.M. Misra**
June 06, 2017 Chairman

**ANNEXURE - A**

# Form AOC-1

[Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014]

**Statement containing salient features of the financial statement of Subsidiaries/Associate Companies/Joint Ventures**

**Part "A": Subsidiaries**

*(Rs. In Lakhs)*

| Sl. No. | Particulars | Details |
|---|---|---|
| 1. | Name of the subsidiary | TSIL Energy Limited |
| 2. | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | N.A |
| 3. | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | N.A |
| 4. | Share capital | 106 |
| 5. | Reserves & surplus | 4.76 |
| 6. | Total assets | 114.92 |
| 7. | Total Liabilities | 1.15* |
| 8. | Investments | 113.23 |
| 9. | Turnover | 5.26 |
| 10. | Profit before taxation | 3.00 |
| 11. | Provision for taxation | 0.00 |
| 12. | Profit after taxation | 3.00 |
| 13. | Proposed Dividend | NA |
| 14. | % of shareholding | 100% |

**Note: This figure pertains to Current Liabilities*

1. Names of subsidiaries which are yet to commence operations: TSIL Energy Limited
2. Names of subsidiaries which have been liquidated or sold during the year: N.A

**Part – B - Associate and Joint Ventures**

**Statement Pursuant to Section 129(3) of the Companies Act,2013 related to Associate Companies and Joint Venture**

The Company has no associate or joint venture as at March 31, 2017.

For and on behalf of the Board of Directors

| | sd/- | sd/- | sd/- | sd/- |
|---|---|---|---|---|
| Kolkata<br>June 06, 2017 | **A. M. Misra**<br>Chairman | **Sanjay Kumar Pattnaik**<br>Managing Director | **S. K. Mishra**<br>Chief Financial Officer | **Sanjay Kasture**<br>Company Secretary |

**ANNEXURE - B**

# ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY ("CSR") ACTIVITIES

**[Pursuant to clause (o) of sub-section (3) of section 134 of the Companies Act, 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]**

1. **A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:**

   Tata Sponge endeavors to conduct its business responsibly, mindful of its social accountability, respectful of applicable laws and human dignity in alignment with the core purpose of the Tata Group. The company's CSR objective is "to improve the quality of life of the communities we serve through long term value creation for all stakeholders".

   Tata Sponge's CSR thrust areas are promotion of education, healthcare, sanitation & providing drinking water, enhancement of livelihood, gender equality, environmental sustainability and rural development. Besides, the Company also undertakes programs to promote rural sports and regional culture, to conserve natural resources, develop skill, build entrepreneurship, undertake disaster relief interventions and meet other community needs.

   (The detailed CSR policy and programme can be accessed in the Company's website i.e. www.tatasponge.com, in the *investor >corporate governance* section.)

2. **Composition of the CSR Committee:**

   Mr. R. Ranganath - Non-executive, Non-independent - Chairman
   Mr. Manoj T. Thomas- Non-executive, Independent -Member
   Mr. Sanjay Kumar Pattnaik - Executive, Non-independent - Member

3. **Average net profit of the company for last three financial years:**

   The average net profit for the past three financial years is Rs. 10,935.00 lakhs.

4. **Prescribed CSR Expenditure (two percent of the amount as in item 3 above)**

   As per the prescribed CSR expenditure, two per cent of the above works out to be Rs. 218.70 lakhs

5. **Details of CSR spent during the financial year.**

   (a) Total amount spent during the financial year: Rs. 219.21 lakhs
   (b) Amount unspent, if any: NA
   (c) Manner in which the amount spent during the financial year is detailed below.

| Sl. No. | Sub No. | CSR project or activity identified | Sector in which the project is covered | Projects or programs 1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise (Rs. in Lakh) | Amount spent on the Programs Sub-heads: (I ) Direct expenditure on projects or programs (2) Overheads (Rs. in Lakh) | Cumulative expenditure upto the reporting period (Rs. in Lakh) | Amount Spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 1 | Project: | "**Swabhiman**": | | | | | | |
| | | In partnership with Govt. of Odisha, construction of about 1200 rural individual household toilets and bathrooms including water facilities in 5 villages of Birikla Panchyat over 5 years i.e. *FY'15 to FY' 19.* | Preventive health care & sanitation | Local area : Five villages in Birikala Gram Panchayat, Block-Joda, Dist-Keonjhar, Odisha | 634.00 | 45.17 | 67.17 | Implementing Agency: Gram Vikas, Bhubaneswar |
| 2 | Project: | **"Jal Dhara"** | | | | | | |
| | 2.1 | Drinking water supply to Bileipada. | Safe Drinking water | Local area: Bileipada village in Birikala GP of Joda Block, Dist-Keonjhar, Odisha | 140.00 | 74.54 | 122.22 | Direct |
| | 2.2 | Boring of Tube-wells, their Maintenance and Supply of Drinking Water | Safe Drinking water | Local Area: Birikala, Anseikala, Deojhar, Chamkpur Anseikala, Deojhar, Chamkpur and Kandara Gram Panchayat of Joda Block, Dist-Keonjhar, Odisha | 44.02 | 2.53 | 17.23 | Direct |

| Sl. No. | Sub No. | CSR project or activity identified | Sector in which the project is covered | Projects or programs 1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise (Rs. in Lakh) | Amount spent on the Programs Sub-heads: (I ) Direct expenditure on projects or programs (2) Overheads (Rs. in Lakh) | Cumulative expenditure upto the reporting period (Rs. in Lakh) | Amount Spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 3 | Project: | "**Prarambh**" | | | | | | |
| | | Build education capability of all 67 Anganwadi centers, covering 5 Gram Panchayats over a period of five years and Construction of 10 Model Anganwadi Centers | Promoting Education | Local Area: Birikala, Anseikala, Deojhar, Chamakpur and Kandara Gram Panchayat of Joda Block, Dist-Keonjhar, Odisha | 175.00 | 46.27 | 176.51 | Direct |
| 4 | Project: | "**Guru Dikashya**" | | | | | | |
| | | Bringing technology to schools- Digitised Equalizer Computer education | Promoting Education | Local Area: Seven Blocks of Keonjhar District, Odisha | 60.00 | 21.41 | 55.85 | Implementing Agency: American India Foundation Trust |
| 5 | Project: | **"Vidyarthi"** | | | | | | |
| | 5.1 | Support for construction of hostel & boundary wall of a residential girls school for Juang Tribe | Promoting Education | Local Area: Harichandanpur Block of Keonjhar District, Odisha | 8.98 | 0.00 | 8.98 | Implementing Agency: "Prakalpa", Keonjhar, Odisha |
| | 5.2 | Promoting science education amongst the school children through science exhibition, talks, books, etc. | Promoting Education | Local Area: Keonjhar district in Odisha | 45.00 | 8.88 | 22.98 | Direct |
| | 5.3 | Construction of Kitchen-cum-Dining in Pradhansahi Primary School | Promoting Education | Local Area: Pradhansahi, Anseikala GP, Joda Block of Keonjhar District. | 27.29 | 0.00 | 27.29 | Direct |
| | 5.4 | Training of teachers on interactive learning and Discovering Science | Promoting Education | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District, Odisha. | 5.00 | 0.00 | 1.14 | Direct |
| | 5.5 | Construction, Repair, renovation of school buildings and Infrastructure support | Promoting Education | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District, Odisha. | 40.00 | 0.00 | 29.43 | Direct |
| | 5.6 | Construction of six toilet blocks in Schools | Preventive health care & sanitation | Local area: Four Schools in Birikala, Anseikala and Deojhar Gram Panchayat, Block-Joda, Dist-Keonjhar, Odisha | 8.98 | 0.00 | 8.46 | Direct |
| | 5.7 | Installation of tube wells with base platforms and drainage facilities in five schools and Anganwadi centers | Safe Drinking water | Local Area: Birikala, Anseikala, Deojhar, Chamakpur and Kandara Gram Panchayat of Joda Block, Dist-Keonjhar, Odisha | 11.62 | 0.00 | 11.58 | Direct |
| 6 | Project: | **"Prochhahan"** | | | | | | |
| | | Promoting higher studies - Scholarship for poor & meritorious students | Promoting Education | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District, Odisha. One sponsorship in Foundation of Academic Excellence & Access (FAEA), New Delhi | 12.50 | 2.45 | 6.36 | Direct |

| Sl. No. | Sub No. | CSR project or activity identified | Sector in which the project is covered | Projects or programs 1) Local area or other (2) Specify the State and district where projects or programs was undertaken | Amount outlay (budget) project or programs wise (Rs. in Lakh) | Amount spent on the Programs Sub-heads: (I ) Direct expenditure on projects or programs (2) Overheads (Rs. in Lakh) | Cumulative expenditure upto the reporting period (Rs. in Lakh) | Amount Spent: Direct or through implementing agency |
|---|---|---|---|---|---|---|---|---|
| 7 | Project: | "**Krida**": | | | | | | |
| | | Coaching of both outdoor & indoor sports like; Football, Cricket, carom, etc. and support of spots materials, prizes, coach fee and other support items. | Promote Rural Sports | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District, Odisha. | 6.50 | 1.49 | 2.86 | Direct |
| 8 | Project: | "**Ama Sanskriti**": | | | | | | |
| | | Promotion of Tribal Culture, Renovation of Cultural centers etc. | Protection of Culture | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District, Odisha. | 11.50 | 1.96 | 6.41 | Direct |
| 9 | Project: | "**Sakshyam**": | | | | | | |
| | | Provide on the job training with stipend to 10 ST/SC ITI Trade Apprentices and SHG Entrepreneurship development | Livelihood Enhancement | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District, Odisha | 21.00 | 3.97 | 15.23 | Direct |
| **10** | Project: | **"Prakriti":** | | | | | | |
| | 10.1 | Plantation and afforestation. | Environmental Sustainability | Local Area: Anseikala, Birikala, Chamakpur, Kandara, Deojhar GP in Joda Block of Keonjhar District and Chendipada of Angul district of Odisha | 50.00 | 9.96 | 33.30 | Direct |
| | 10.2 | Reclamation of land | Environmental Sustainability | Local Area: Joda Block, Keonjhar District | 35.00 | 0.00 | 15.01 | Direct |
| | 10.3 | Renovation of water ponds | Environmental Sustainability | Local Area: Chamakpur and Birikala GPs in Joda Block, Dist-Keonjhar, Odisha. | 12.71 | 0.00 | 12.41 | Direct |
| 11 | | Repairing of Roads | Rural Development Project | Local Area: Joda Block, Keonjhar District | 39.75 | 0.00 | 39.57 | Direct |
| 12 | Project: | "**Touching the lives**" | | | | | | |
| | 12.1 | "**Jagruti**": | | | | | | |
| | | Swachh Bharat Abhiyan, School enrollment & Child labour eradication Campaign, Environment protection, HIV/AIDS prevention, Road safety, TVW, Tata Sustainability Month Prog; Immunization drive, etc. | Promoting Education | Local area: Birikala Deojhar, Anseikala, Kandara & Chamakpur Gram Panchayat, Block-Joda, Dist-Keonjhar, Odisha | 17.60 | 0.58 | 12.17 | Direct |
| | 12.2 | Infrastructure facilities for patient and attendants | Preventive healthcare & sanitation | CHC at Bausebpur in Kandara GP of Joda Block, Keonjhar Dist, Odisha. | 31.99 | 0.00 | 31.99 | Direct |
| | | | | **Total Prog. Exp.** | **1,438.44** | **219.21** | **724.15** | |

***Note:** The Projects/ Programmes/ Schemes outlays are tentative and based on five - seven years' requirement i.e. from 2014-15 onwards.

Details of implementing agency:

**i.** **America India Foundation Trust (AIFT) an International non-government organization,** with Head Office at New Delhi for bringing technology to education in Science, Mathematics and Geography for improving quality education in 36 Computer Aided Learning (CAL) and 14 Non CALSchools in Keonjhar District of Odisha.

**ii.** **Gram Vikas,** a national level non-government organization, with the administrative office at Bhubaneswar, is a NGO works very closely with Government, Corporate and Communities on the issue of water and sanitation. Gram Vikas is engaged by TSIL for implementing project Swabhiman that comprises of toilet, bathroom and water connectivity to 1200 families living in5 surrounding villages of the company.

**iii.** **Prakalpa,** a state level organization, having its office at Keonjhar is a NGO working on promoting education of schedule tribe students in interior pockets of Keonjhar district and other parts in Odisha. It also works on Maternal-Child Health, Livelihood, Human Rights, etc.

**6. In case the company has failed to spend two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board:**

NA

**7. Responsibility statement of the CSR Committee of the Board:**

The implementation and monitoring of Corporate Social Responsibility (CSR) Policy is in compliance with CSR objectives and Policy of the Company.

| | sd/- | sd/- |
|---|---|---|
| Kolkata | **R. Ranganath** | **Sanjay Kumar Pattnaik** |
| June 06, 2017 | Chairman - CSR Committee | Managing Director |

**ANNEXURE - C**

# PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014

## A) CONSERVATION OF ENERGY :

The Company strives to conserve energy and make efforts on an ongoing basis to improve energy efficiency. The Company has formed an "Energy Team" to identify the potential energy saving opportunities in the areas of thermal and electrical energy through mapping of energy consumption pattern. The Company has implemented many projects to reduce its Specific Energy Consumption (SEC). In the process, the Company has also surpassed the SEC reduction target set by Bureau of Energy Efficiency (BEE) for PAT Cycle-1 which fetched 19,404 Energy Saving Certificates.

The steps taken to improve energy efficiency and reduce specific energy consumption in the plant are as follows:

a) Reduction of specific coal consumption in DRI Production:
- Optimization of operation processes;
- Constant use of char (Waste) and
- Use of additives to reduce High Speed Diesel (HSD) Consumption

b) Reduction in power consumption and enhanced export of power:
- Distributed 9W LED lamps to employees under UJALA scheme of Government of India (GOI) and organized a camp of Energy Efficiency Services Limited (EESL) at Company's premises for use in township;
- Procurement and use of only 5 Star rated BEE labelled electrical gadgets (Air conditioners, Ceiling Fan etc.); and
- Use of energy efficient street light fittings

## B) TECHNOLOGY ABSORPTION :

i) Efforts in brief made towards technology absorption: Nil

ii) Benefits derived like product improvement, cost reduction, product development, import substitution etc.: Not applicable

iii) In case of Imported technology(Imported during the last three years reckoned from the beginning of the financial year) following information may be furnished:

| | | |
|---|---|---|
| a) | Technology imported | : Nil |
| b) | Year of import | : Not applicable. |
| c) | Has technology been fully absorbed | : Not applicable. |
| d) | If not fully absorbed, areas where this has not taken place, reasons therefore and the plan of action | : Not applicable. |

iv) Expenditure incurred on Research and Development : Nil

## C) FOREIGN EXCHANGE EARNING AND OUTGO :

The details of foreign exchange earnings and outgo are as follows:

| | |
|---|---|
| Earnings | : Nil |
| Outgo | : Rs. 1,48,29,90,550/- |

On behalf of the Board of Directors

sd/-

**A.M. Misra**
Chairman

Kolkata
June 06, 2017

**ANNEXURE - D**

## PARTICULARS UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER

### Statement pursuant to Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

1. **The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year:**

| Sl. No. | Name of the Director | Category | Ratio of remuneration of each director to the median remuneration of employees |
|---|---|---|---|
| 1. | Mr. A. M. Misra | Chairman | 49.27 |
| 2. | Mr. D. K. Banerjee | Non-executive & Independent | 55.76 |
| 3. | Mr. P. C. Parakh | Non-executive & Independent | 51.09 |
| 4. | Mr. Manoj T. Thomas | Non-executive & Independent | 55.73 |
| 5. | Dr. Omkar Nath Mohanty | Non-executive & Independent | 61.32 |
| 6. | Mr. Krishnava S. Dutt | Non-executive & Independent | 101.37 |
| 7. | Mr. R. Ranganath[1] | Non-executive & Non-Independent | NA |
| 8. | Mrs. Meena Lall[1] | Non-executive & Non-Independent | NA |
| 9. | Mr. Sanjay Kumar Pattnaik[2] | Managing Director (Executive and Non-Independent) | NA |

2. **The percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary:**

| Sl. No. | Name of the Director | Category | % increase in remuneration in the financial year |
|---|---|---|---|
| 1. | Mr. A. M. Misra | Chairman | 41.07 |
| 2. | Mr. D. K. Banerjee | Non-executive & Independent | 14.67 |
| 3. | Mr. P. C. Parakh | Non-executive & Independent | 33.46 |
| 4. | Mr. Manoj T. Thomas | Non-executive & Independent | 26.30 |
| 5. | Dr. Omkar Nath Mohanty | Non-executive & Independent | 72.04 |
| 6. | Mr. Krishnava S. Dutt | Non-executive & Independent | 58.11 |
| 7. | Mr. R. Ranganath[1] | Non-executive & Non-Independent | NA |
| 8. | Mrs. Meena Lall[1] | Non-executive & Non-Independent | NA |
| 9. | Mr. Sanjay Kumar Pattnaik[2] | Managing Director (Executive and Non-Independent) *(with effect from November 01, 2016)* | NA |
| 10. | Mr. S. K. Mishra | Chief Financial Officer | 23.30 |
| 11. | Mr. Sanjay Kasture[3] | Company Secretary | NA |
| 12. | Mr. Digambar Pandurang Deshpande[4] | Managing Director *(upto October 31, 2016)* | NA |

*Note:*

[1] The Directors have waived sitting fees for meetings attended on or after June 30, 2016 and commission entitlement from FY'2016-17 and onwards.

[2] Mr. Sanjay Kumar Pattnaik was appointed as Managing Director of the Company w.e.f. November 01, 2016.

[3] Mr. Sanjay Kasture was appointed as a Company Secretary with effect from January 01, 2016.

[4] Mr. Digambar Pandurang Deshpande retired as Managing Director of the Company on October 31, 2016.

3. **The percentage increase in the median remuneration of employees in the financial year:** 19.21%
4. **The number of permanent employees on the rolls of Company:** 413
5. **Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:**

   During the year, the total increase is approximately 11.72%.

   Increase in the managerial remuneration for the year was 4.81%.
6. **Affirmation that the remuneration is as per the remuneration policy of the Company:**

   The Company affirms that the remuneration is as per the remuneration policy of the Company.

## Particulars of employees drawing remuneration in excess of the limits set out in Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

| Sl. No. | Name of the Employee | Designation | Age | Gross Remuneration (FY 2016-17) (in lakhs)# | Qualification | Experience (in no. of years) | Last Employment held | Commencement of Employment | Percentage of equity shares held by the employee |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Mr. Sanjay Kumar Pattnaik | Managing Director* | 57 | 151.02 | B. E (Mining), Advanced Management Programme (CEDEP/ INSEAD), France | 34 | Tata Sponge Iron Ltd. as Executive Director | November 01, 2016 | NIL |
| 2. | Mr. Digambar Pandurang Deshpande | Ex-Managing Director** | 60 | 265.15 | B.Tech (Checmical Engg.), IIT Mumbai PGDBM, XLRI, Jamshedpur | 38 | Tata Metaliks Limited as Executive Director | April 01, 2013 | NIL |

**Managing Director with effect from November 01, 2016*

***Managing Director upto October 31, 2016*

\# Mr. Sanjay Kumar Pattnaik has drawn Rs. 56.11 lakhs (excluding perquisite and commission) as remuneration for the period April 01, 2016 to October 31, 2016, as Executive Director of the Company.

Note:

1. The nature of employment of the above managerial personnel is contractual.
2. Other than above, no employee of the Company, employed throughout the financial year, was in receipt of remuneration in excess of Rs. 1,02,00,000. Further, no employee of the Company, employed for a part of the financial year, was in receipt of remuneration in excess of Rs. 8,50,000 per month.
3. None of the above employees is a relative of any Director of the Company.

On behalf of the Board of Directors

sd/-

Kolkata
June 06, 2017

**A.M. Misra**
Chairman

ANNEXURE - E

# Form No. AOC -2

[Pursuant to Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

**Form for disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in section 188 (1) of the Companies Act, 2013 including certain arm`s length transactions under third proviso thereto:**

**1. Details of contracts or arrangements or transactions not at arm`s length basis.**

Tata Sponge has not entered into any contract/ arrangement or transaction with its related parties which is not at arm`s length during the financial year 2016-17.

**2. Details of material contracts or arrangements or transactions at arm`s length basis:**

| Sl. No. | Particulars | | |
|---|---|---|---|
| 1. | Name of the related party and nature of the relationship | Tata Steel Limited, Holding Company | Tata International Singapore PTE Ltd, Group Company |
| 2. | Nature of contract / arrangement / transactions | Purchase of Iron Ore | Import of Coal |
| 3. | Duration of contract / arrangement / transactions | Long term arrangements | Long term arrangements |
| 4. | Salient terms of the Contract / arrangement / transactions including the value, if any: | The Company purchases the iron ore on the latest auction price of Odisha Mining Corporation (OMC) for Barbil sector. In the absence of auction price of Barbil sector, Gandhmardhan sector auction price is considered as base/ indicative price. | The Company procures coal on the basis of AP14 Index. Freight & insurance are at prevailing market conditions. |
| 5. | Date(s) of approval by Board, if any | Not applicable, since all contracts were entered into in the ordinary course of business and at arm`s length basis | Not applicable, since all contracts were entered into in the ordinary course of business and at arm`s length basis |
| 6. | Amount paid as advances, if any | Nil | Nil |

On behalf of the Board of Directors

sd/-

**A.M. Misra**
Chairman

Kolkata
June 06, 2017

**ANNEXURE - F**

# Form No. MR-3

## SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED – 31.03.2017

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,
The Members,
**TATA SPONGE IRON LIMITED**
P.O Joda, Keonjhar
Odisha - 758 034

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **TATA SPONGE IRON LIMITED**(hereinafter called the company). Secretarial Audit was conducted in accordance with the Guidance Note issued by the Institute of Company Secretaries of India (A statutory body constituted under the Company Secretaries Act, 1980) and in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

The Company's Management is responsible for preparation and maintenance of secretarial records and for devising proper systems to ensure compliance with the provisions of applicable laws and regulations.

Our responsibility is to express an opinion on the secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.

We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and read with the Statutory Auditors' Report on Financial Statements and Compliance of the conditions of Corporate Governance and also the information provided by the Company, its officers; agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion and to the best of our information, knowledge and belief and according to the explanations given to us, the company has, during the audit period covering the financial year ended on 31.03.2017generallycomplied with the applicable statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **TATA SPONGE IRON LIMITED** for the financial year ended on 31.03.2017 according to the applicable provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 (`SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act; 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment (FDI), Overseas Direct Investment (ODI)and External Commercial Borrowings (ECB) to the extent applicable to the company:- **As reported to us, there were no FDI, ODI and ECB transactions in the company during the year under review.**
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act) to the extent applicable to the company:-
   a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
   b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
   c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;**No instances were reported during the year.**
   d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;As replaced by the SEBI(Share Based Employee Benefits) Regulations, 2014; **Not Applicable During the year.**
   e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;**Not applicable during the year.**
   f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - **The Company has duly appointed a SEBI authorized Category I Registrar and Share Transfer Agent as required under Law**.
   g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;**Not applicable during the year.**
   h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.**No buy back was done during the year**
6. The following other laws specifically applicable to the Company to the extent applicable to it –
   a) The Factories Act, 1948.
   b) Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

c) The Water (Prevention and Control of Pollution) Act, 1974.

d) The Air (Prevention and Control of Pollution) Act, 1981.

e) The Mines and Minerals (Development and Regulation) Act, 1957.

f) The Industrial Disputes Act, 1947.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by the Institute of Company Secretaries of India;

ii. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

We further report that as far as we have been able to ascertain -

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and the changes in the composition of Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

2. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

3. Decisions at the Board Meeting were taken unanimously.

4. Based on the compliance mechanism established by the Company and on the basis of the certificates placed before the Board and taken on record by the Directors at their meetings, we are of the opinion that the company has adequate systems and processes commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines and the Company has complied with the applicable laws, as reported to us.

We further report that, as informed to us, the company has had the following specific events during the year under review:

On the matter of de-allocated Radhikapur (East) Coal Block, the Ministry of Coal ("MoC") vide its letter dated December 28, 2015, had reiterated its decision for encashment of the Bank Guarantee of 32.50 cr. The Bank Guarantee had expired. The Company had filed a Writ Petition before Hon`ble High Court of Delhi challenging the decision of the Ministry of Coal ("MoC"). Pending finalisation of the matter the Bank Guarantee amount continues to be disclosed as Contingent Liability as at the end of the year. We have been informed that there is no material change in the status.

It is stated that the compliance of all the applicable provisions of the Companies Act, 2013 and other laws is the responsibility of the management. We have relied on the representation made by the company and its Officers for systems and mechanism set-up by the company for compliances under applicable laws. Our examination, on a test-check basis, was limited to procedures followed by the Company for ensuring the compliance with the said provisions. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted its affairs. We further state that this is neither an audit nor an expression of opinion on the financial activities / statements of the Company. Moreover, we have not covered any matter related to any other law which may be applicable to the Company except the aforementioned corporate laws of the Union of India.

Place: Kolkata
Date: 26th April, 2017

**(S.M.Gupta)**
Partner

Encl: Annexure '1' forming an integral part of this Report

**S.M.Gupta & Co.**
Company Secretaries
Firm Registration No:P1993WB046600
Membership No. FCS No.: 896
C P No.:2053

**"Annexure - 1"**

To,
The Members,
**TATA SPONGE IRON LIMITED**
P.O Joda, Keonjhar
Odisha - 758 034

Our Report of even date is to be read alongwith this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on such secretarial records based on our audit.
2. We have followed the audit practices and processes as we considered appropriate to obtain reasonable assurance on the correctness and completeness of the secretarial records. Our verification was conducted on a test basis to ensure that all entries have been made as per statutory requirements. We believe that the processes and practices we followed for this purpose provided a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained Management representation with respect to compliance of laws, rules and regulations and of significant events during the year.
5. The compliance of the provisions of corporate and other applicable laws, rules and regulations is the responsibility of the management. Our examination was limited to the verification of secretarial records on test basis to the extent applicable to the Company.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place:Kolkata
Date:26.04.2017

**(S.M.Gupta)**
Partner
**S.M.Gupta & Co.**
Company Secretaries
Firm Registration No:P1993WB046600
Membership No. FCS No.: 896
C P No.:2053

# FORM NO. MGT - 9

## EXTRACT OF ANNUAL RETURN

**As on March 31, 2017**

**[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

### I. REGISTRATION AND OTHER DETAILS

| | | |
|---|---|---|
| i | CIN | L27102OR1982PLC001091 |
| ii | Registration Date | July 31, 1982 |
| iii | Name of the Company | Tata Sponge Iron Limited |
| iv | Category / Sub-Category of the Company | Public listed Company having share capital |
| v | Address of the Registered office and contact details | Post - Joda, Dist - Keonjhar,<br>Odisha - 758 034<br>Tel No. 06767 - 278122<br>Fax No. 06767 - 278159<br>E-mail : investorcell@tatasponge.com<br>Website : www.tatasponge.com |
| vi | Whether listed company Yes / No | Yes |
| vii | Name, Address and Contact details of Registrar and Transfer Agent, if any | TSR Darashaw Limited<br>6-10 Haji Moosa Patrawala Industrial House<br>20, Dr.E. Moses Road<br>Near Famous Studio<br>Mahalaxmi<br>Mumbai - 400 011<br>Tel No. 022 66568484<br>Fax No. 022 66568494<br>E-mail : csg-unit@tsrdarashaw.com<br>Website : www.tsrdarashaw.com |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated.

| Sl. No. | Name and Description of main products / services | NIC Code of the Product/ service | % to total turnover of the company |
|---|---|---|---|
| 1 | Sponge Iron | 72031000 | 91.59% |

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

| Sl. No. | Name and address of the Company | Address | CIN/GLN | Holding/ Subsidiary/ Associate | % of shares held | Applicable Section |
|---|---|---|---|---|---|---|
| 1 | Tata Steel Limited | Bombay House, 24 - Homi Mody Street, Fort, Mumbai - 400001 | L27100MH1907PLC000260 | Holding | 54.5% | 2(46) |
| 2 | TSIL Energy Limited | Tata Sponge Administrative Building, Bileipada, P.O. - Baneikala, Joda, Odisha - 758038 | U40109OR2012PLC016232 | Subsidiary | 100% | 2(87)(ii) |

## IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

| Category of Shareholders | No. of Shares held at the beginning of the year (as on April 01, 2016) | | | | No. of Shares held at the end of the year (as on March 31, 2017) | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|
| | Demat | Physical | Total | % of total Shares | Demat | Physical | Total | % of total Shares | |
| **A. Promoter** | | | | | | | | | |
| **1. Indian** | | | | | | | | | |
| **a) Individual/HUF** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **b) Central Govt.** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **c) State Govt.** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **d) Bodies Corporate** | 8393554 | 0 | 8393554 | 54.50 | 8393554 | 0 | 8393554 | 54.50 | 0 |
| **e) Banks / FI** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **f) Any Other…** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-Total (A)(1)** | **8393554** | **0** | **8393554** | **54.50** | **8393554** | **0** | **8393554** | **54.50** | **0** |
| **(2) Foreign** | | | | | | | | | |
| **a) NRIs-Individuals** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **b) Other - Individuals** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **c) Bodies Corporate** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **d) Banks / FI** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **e) Any Other….** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Sub-Total (A)(2)** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Shareholding of Promoters (A) = (A)(1)+(A)(2)** | **8393554** | **0** | **8393554** | **54.50** | **8393554** | **0** | **8393554** | **54.50** | **0** |
| **B. Public Shareholding** | | | | | | | | | |
| **(1) Institutions** | | | | | | | | | |
| **a) Mutual Funds/UTI** | 181140 | 3500 | 184640 | 1.20 | 8479 | 3500 | 11979 | 0.08 | -1.12 |
| **b) Banks / FI** | 50669 | 5750 | 56419 | 0.37 | 14404 | 5750 | 20154 | 0.13 | -0.24 |
| **c) Central Govt.** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **d) State Govt.** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **e) Venture Capital Funds** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **f) Insurance Companies** | 100000 | 0 | 100000 | 0.65 | 100000 | 0 | 100000 | 0.65 | - |
| **g) FIIs** | 122181 | 0 | 122181 | 0.79 | 0 | 0 | 0 | 0 | -0.79 |
| **h) Foreign Venture Capital Funds** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **i) Others (specify)** | | | | | | | | | |
| **Foreign Portfolio Investors (Corp.)** | 132366 | 0 | 132366 | 0.86 | 920399 | 0 | 920399 | 5.98 | 5.12 |
| **Sub-Total (B)(1)** | **586356** | **9250** | **595606** | **3.87** | **1043282** | **9250** | **1052532** | **6.83** | **2.97** |
| **(2) Non-Institutions** | | | | | | | | | |
| **a) Bodies Corporate** | | | | | | | | | |
| **i) Indian** | 730857 | 9450 | 740307 | 4.81 | 730675 | 9,350 | 740025 | 4.81 | 0.00 |
| **ii) Overseas** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **b) Individuals** | | | | | | | | | |
| **i) Individual Shareholders holding nominal share capital up to Rs.1 lakh** | 4119581 | 879057 | 4998638 | 32.46 | 3672378 | 855207 | 4527585 | 29.40 | -3.06 |
| **ii) Individual Shareholders holding nominal share capitalin excess of Rs.1 lakh** | 665495 | 0 | 665495 | 4.32 | 682404 | 0 | 682404 | 4.43 | 0.11 |
| **c) Others(specify)** | | | | | | | | | |
| **Trust** | 6400 | 0 | 6400 | 0.04 | 3900 | 0 | 3900 | 0.03 | -0.02 |
| **Sub-Total (B)(2)** | **5522333** | **888507** | **6410840** | **41.63** | **5089357** | **864557** | **5953914** | **38.66** | **-2.97** |
| **Total Public Shareholding (B) = (B)(1)+(B)(2)** | **6108689** | **897757** | **7006446** | **45.50** | **6132639** | **873807** | **7006446** | **45.50** | **0** |
| **C. Shares held by Custodian for GDRs & ADRs** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Grand Total (A+B+C)** | **14502243** | **897757** | **15400000** | **100.00** | **14526193** | **873807** | **15400000** | **100.00** | **0** |

**(ii) Shareholding of Promoters**

| Sl. No | Shareholders' Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | % of shares of the Company | % of Shares Pledged/ encumbered to total shares | No. of shares | % of shares of the Company | % of Shares Pledged/ encumbered to total shares | % change in shareholding during the year |
| 1 | Tata Steel Limited | 8393554 | 54.50 | 0 | 8393554 | 54.50 | 0 | 0 |
| | **Total** | **8393554** | **54.50** | **0** | **8393554** | **54.50** | **0** | **0** |

**(iii) Change in Promoters' Shareholding (please specify, if there is no change)**

There was no change in the Promoters' Shareholding during the financial year ended March 31, 2017. The shareholding of promoters is same as mentioned above in the shareholding pattern.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

| Sl. No. | Name of Shareholders | Shareholding at the beginning of the year | | Shareholding at the end of the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| 1 | HSBC Global Investment Funds - Asia Ex Japan Equity Smaller Companies | 0 | 0 | 4,59,306 | 2.98 |
| 2 | Goldman Sachs Singapore Pte. | 36,601 | 0.24 | 2,16,307 | 1.40 |
| 3 | Sanjeev Vinodchandra Parekh | 1,97,456 | 1.28 | 1,97,456 | 1.28 |
| 4 | General Insurance Corporation of India | 1,00,000 | 0.65 | 1,00,000 | 0.65 |
| 5 | Ajai Hari Dalmia | 1,31,483 | 0.85 | 95,783 | 0.62 |
| 6 | Jigar Lalchand Shah | 59,454 | 0.39 | 78,427 | 0.51 |
| 7 | Errol Fernandes | 0 | 0 | 73,000 | 0.47 |
| 8 | Edelweiss Custodial Services Limited | 0 | 0 | 56,292 | 0.37 |
| 9 | Angel Broking Private Limited | 33,924 | 0.22 | 54,186 | 0.35 |
| 10 | Morgan Stanley Mauritius Company Limited | 0 | 0 | 42,984 | 0.28 |
| 11 | Emerging Markets Core Equity Portfolio (The Portfolio) of DFA Investment Dimensions Group Inc. (DFAIDG) | 40,502 | 0.26 | 40,502 | 0.26 |
| 12 | Gurvinder Kaur Minhas | 37,661 | 0.24 | 37,661 | 0.24 |
| 13 | Swiss Finance Corporation (Mauritius) Limited | 9,321 | 0.06 | 31,262 | 0.20 |
| 14 | Karvy Stock Broking Limited | 45,051 | 0.29 | 24,161 | 0.16 |
| 15 | ICICI Prudential Business Cycle Fund Series 1 | 1,77,358 | 1.15 | 6,276 | 0.04 |
| 16 | Edelweiss Securities Limited | 83,943 | 0.55 | 0 | 0 |
| 17 | Merrill Lynch Capital Markets Espana, S.A., S.V | 12,760 | 0.08 | 0 | 0 |

**(v) Shareholding of Directors and Key Managerial Personnel**

| Sl. No. | Name of Directors / Key Managerial Personnel | Shareholding at the beginning of the year | | Cumulative Shareholding during the year | |
|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the company | No. of shares | % of total shares of the company |
| | **Directors**[1] | | | | |
| | **Key Managerial Personnel**[3] | | | | |
| 1 | Mr. S. K. Mishra (CFO) | 50 | Refer Note 2 below | 50 | Refer Note 2 below |

Note

[1] None of the Directors of the Company held shares of the Company during the year.

2 - This is less than 0.01% of the total shares of the Company.

[3] Mr. Sanjay Kasture, Company Secretary held no shares of the Company during the year.

## V. INDEBTEDNESS

There were no Loans (Secured and Unsecured) and Deposits existing during the financial year ended March 31, 2017.

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Rs. in Lakh)

| Sl. No. | Particulars of Remuneration | Mr. D. P. Deshpande Ex-Managing Director (up to October 31, 2016) | Mr. S. K. Pattnaik* Managing Director (with effect from November 01, 2016) | Total Amount |
|---|---|---|---|---|
| 1 | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 64.89 | 88.27 | 153.16 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 21.26 | 3.24 | 24.50 |
| | (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | - | - | - |
| 2 | Stock Option | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | | | |
| | ● As % of Profit | - | - | - |
| | ● Others, Specify | 34.50 | 49.00 | 83.50 |
| 5 | Others (Retirals) | 144.50 | 10.51 | 155.01 |
| | **Total** | **265.15** | **151.02** | **416.17** |

* Mr. Sanjay Kumar Pattnaik has drawn Rs. 56.11 lakhs (excluding perquisite and commission) as remuneration for the period April 01, 2016 to October 31, 2016, as Executive Director of the Company.

B. **Remuneration to other Directors:**

(Rs. in Lakh)

| Sl. No. | Name | Commission | Sitting Fees | Total Amount |
|---|---|---|---|---|
| **I** | **Independent Directors** | | | |
| 1 | Mr. D. K. Banerjee | 5.82 | 3.20 | 9.02 |
| 2 | Mr. P. C. Parakh | 6.95 | 2.90 | 9.85 |
| 3 | Mr. Manoj T. Thomas | 6.13 | 2.90 | 9.03 |
| 4 | Dr. Omkar Nath Mohanty | 5.11 | 3.10 | 8.21 |
| 5 | Mr. Krishnava S. Dutt | 3.11 | 1.85 | 4.96 |
| | **Total (I)** | **27.12** | **13.95** | **41.07** |
| **II** | **Non-Executive Directors** | | | |
| 1 | Mr. A. M. Misra | 7.71 | 2.50 | 10.21 |
| 2 | Mr. R. Ranganath (Refer note) | - | 0.45 | 0.45 |
| 3 | Mrs. Meena Lall (Refer note) | - | 0.25 | 0.25 |
| | **Total (II)** | **7.71** | **3.20** | **10.91** |
| | **Grand Total (I+II)** | **34.83** | **17.15** | **51.98** |

Note : The Directors have waived sitting fees for meetings attended on or after June 30, 2016 and commission entitlement from FY'2016-17 and onwards.

C. **Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

(Rs. in Lakh)

| Sl. No. | Particulars of Remuneration | Key Managerial Personnel | | Total Amount |
|---|---|---|---|---|
| | | Mr. S.K. Mishra Chief Financial Officer | Mr. Sanjay Kasture Company Secretary | |
| 1 | Gross Salary | | | |
| | (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1951 | 23.00 | 12.41 | 35.41 |
| | (b) Value of perquisites under Section 17(2) of the Income Tax Act, 1951 | 6.75 | 2.69 | 9.44 |
| | (c) Profit in lieu of salary under Section 17(3) of the Income Tax Act, 1951 | - | - | - |
| 2 | Stock Options | - | - | - |
| 3 | Sweat Equity | - | - | - |
| 4 | Commission | | | |
| | ● As % of Profit | - | - | - |
| | ● Others, Specify | 16.50 | 5.00 | 21.50 |
| 5 | Others (Retirals) | 4.46 | 0.73 | 5.19 |
| | **Total** | **50.71** | **20.83** | **71.54** |

VII. **PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties/ punishments/compounding of offences for the financial year ended March 31, 2017.

sd/- sd/-

Kolkata
June 06, 2017

**Sanjay Kumar Pattnaik**
Managing Director

**Sanjay Kasture**
Company Secretary

# DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted Tata Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non- Executive Directors. Both these Codes are available on the Company's website, www.tatasponge.com.

I confirm that the Company has in respect of the financial year ended March 31, 2017, received from the senior management personnel of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For **TATA SPONGE IRON LIMITED**

sd/-

**Sanjay Kumar Pattnaik**
Managing Director

Kolkata
June 06, 2017

# MANAGEMENT DISCUSSION & ANALYSIS

## GLOBAL ECONOMIC INSIGHT

The world economy is gaining its stability and moving towards a path of encouraging growth, after recovering from a sustained period of sluggishness. Supported by buoyant financial markets, along with improvement in manufacturing and trade sectors, the global economy is expected to grow from 3.1% in 2016 to 3.5% in FY 17 [source: IMF].

The performances of advanced economies had been promising in the second half of 2016. US-based firms are anticipating a growth in their future demand. The US economy recorded a lower rate of unemployment as the newly elected President has vouched for an expansion of domestic investments and production within the country. Domestic demand also increased in the UK following Brexit. Eurozone witnessed an increased domestic demand after sustaining low growth and deflationary tendencies for some time because of geopolitical uncertainties.

If these trends continue, the world economy is expected to gain back its momentum in the medium term. However, the growing trend towards protectionism could prove detrimental to global trade.

Today, however, the major players of the world economy are the developing countries and their emerging markets. These countries account for 75% of global growth; almost twice than the share they had two decades ago. Though the growth patterns in these economies are varied, there is a general sense of cautious optimism all over the world.

The picture of emerging markets and developing economies (EMDEs) remained diverse throughout 2016-17.

- China witnessed a stronger than expected growth, backed by constant policy stimulus and consolidation after a sustained period of break-neck speed
- Latin American countries like Brazil and Argentina, and Turkey witnessed weaker economic activities, as there was sharp fall in their tourism revenues
- Economic activities were better than expected in Russia

Global growth pattern (%)

| | 2015 | 2016 | 2017 (P) | 2018 (P) |
|---|---|---|---|---|
| World Output | 3.2 | 3.1 | 3.4 | 3.6 |
| Advanced Economies | 2.1 | 1.7 | 2.0 | 2.0 |
| United States | 2.6 | 1.6 | 2.3 | 2.5 |
| Euro Area | 2.0 | 1.7 | 1.7 | 1.6 |
| Japan | 1.2 | 1.0 | 1.2 | 0.6 |
| United Kingdom | 2.2 | 1.8 | 2.0 | 1.5 |
| Other Advanced Economies* | 2.0 | 2.2 | 2.3 | 2.4 |
| Emerging and Developing Economies | 4.1 | 4.1 | 4.5 | 4.8 |
| China | 6.9 | 6.7 | 6.6 | 6.2 |
| Sub-Saharan Africa | 3.4 | 1.4 | 2.6 | 3.5 |

P: Projections *(Excludes the G7 - Canada, France, Germany, Italy, Japan, United Kingdom, United States and euro area countries) (Source: International Monetary Fund)

## INDIAN ECONOMIC REVIEW

In FY 17, India's GDP showed promising growth of 7.1%, which was aided by encouraging macroeconomic stability. The country recently emerged as the sixth-largest manufacturing country in the world. While this growth is being driven by the emerging urban clusters, the rural economy is also showing improvements after almost four years. The overall environment will help India gain momentum.

(%)

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|
| India's GDP Growth | 6.9 | 7.3 | 7.6 | 7.1 |

**Factors driving growth**

**Uplifting infrastructure:** The Indian government is endeavouring to create world-class infrastructure in the country. It is planning to invest Rs 25 trillion (US$ 376.53 billion) in infrastructure over the next three years. Rs 8 trillion (US$ 120.49 billion) will be used to develop 27 industrial clusters, while Rs 5 trillion (US$ 75.30 billion) will be used for building roads, railways and port connectivity.

**Changing rural demand:** India's rural sector is slowly undergoing a transformation. Consumption patterns of people are slowly changing, facilitated by improved networking. People in villages are seeking information proactively from multiple sources, which also include social media.

A sum of Rs 3,960 billion has been allocated to rural India in 2017-18 by the Union Budget. The intention of the Government is to electrify every village in the country by 2018 and by 2019, every village should have road connectivity.

Higher agricultural credit, increased allocation for irrigation projects, a crop insurance scheme for farmers and enhanced allocations for MGNREGA in the Union Budget will also help boost rural income. The implementation of the Seventh pay Commission will also bolster the demand across semi-urban and rural India.

**Policy reforms:** 2016-17 remained significant for the country because of several policy reforms implemented by the Government of India. The reforms include the creation of Monetary Policy Committee (MPC), Insolvency and Bankruptcy Code (IBC), redesigning of the FRBM framework, the passage of the Goods and Services Tax (GST) Act, and finally, the demonetisation of high-denomination notes to move towards a less-cash formal economy.

The GST is being seen as a crucial reform, as it is anticipated to bring greater transparency in the country's indirect tax structure. On the other hand, despite causing some temporary hardship, demonetisation is expected to yield long-term benefits for the country. It would bring formalisation and digitalisation of the economy.

**Outlook**

India is expected to grow sustainably in days to come, owing to macro-economic stability, increase in domestic demand, a growing customer base comprising the youth and of course, government impetus towards reforms.

In Box

| Benefits of GST | Benefits of a cashless economy |
|---|---|
| ● Provides a uniform tax framework for indirect taxes | ● A thrust towards digitization |
| ● Unifies fragmented Indian market under uniform taxation | ● Recapitalisation of banks, with declining interest rates on loans |
| ● Enhances ease of doing business with transparent taxation | ● Greater transparency and disclosure |
| ● Removes cascading effects of taxes | ● Higher collections by tax and other local authorities |
| ● Saves Government's cost in tax collection | ● Enhanced in tax compliance |
| ● Diminishes raw material costs and thus, decreases prices of associated goods | ● Prominence in formalisation of the economy |
| ● Reduces corruption with unified taxation | |

## INDUSTRY STRUCTURE AND DEVELOPMENTS

Sponge iron is a source of iron that is relatively uniform in composition and virtually free from tramp elements. It is used increasingly in electric arcs and induction furnaces to dilute the contaminants present in the scrap. It has an associated energy value in the form of combined carbon, which has a tendency to increase the efficiency of the furnace. Sponge iron is also termed as DRI (Direct Reduced Iron). There is an added benefit of captive DRI production facility. It allows reducing energy consumption by 16 to 20% when hot DRI is delivered to the furnace.

The sponge iron industry operates at capacity utilisation levels of 60-70%, depending on its demand. The sponge iron plants or the mini steel mills are relatively easy to close and easy to restart, depending on the market requirement and margin attractiveness. Taking its advantage, the industry operates mainly on a profitability scenario. It is estimated that about 1,247 IF units are working with a capacity of 36.8 million tonnes. Both induction furnaces and sponge iron plants have gone for backward and forward integration, setting up mini integrated plant modules. Iron ore miners are also in the business of both sponge iron and steel making, and they have a cost advantage over others.

The government of India has recently started imposing regulations on the industry by announcing quality control order, stricter monitoring of electricity consumed, and pollution control norms. There are many induction furnaces which are entering into 'growing big' schemes by fully integrating the plants with pellet -DRI-MBF-IF-wire rod mill-pipe mill-ferro alloy-power plant configuration. They are planning to be present in as many segments as possible in the steel and allied value chain.

### OPPORTUNITIES AND THREATS

Any increase in steel consumption will be first captured by the small steel plants. Their growth conditions are sustainable due to low investments and operating costs. It is estimated that induction furnaces will operate at 70-75% capacity utilisation levels from the present 60%. This increase in capacity utilisation will further increase the demand for metallic, considerably.

The only threat to this industry would be the plummeting demand for steel, which is unlikely to happen under the present circumstances. The secondary steel industry will have to adjust its commercial transactions under the GST regime and move towards further standard accounting norms.

### SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

In accordance with the Accounting Standard 17 issued by the Companies (Accounting Standards), Rules, 2006 including any further amendments thereof, the Company has two reportable business segments — manufacturing of sponge iron and generation of power. During the year, the kilns produced 3,90,000 MT (100% of installed capacity) of sponge iron which is higher by 8.2% as compared to 360,446 MT produced in FY16. The sale of sponge iron has been 3,92,782 MT, which is higher by 7.4% as against the sale of 3,65,815 MT during the previous year.

In FY17, the total generation of power has been 185.47 million Kwh vis-a-vis 162.83 million Kwh during the last year, which is an increase of 13%. The export was 132.49 million Kwh as compared to 113.59 million KWH during FY'16, an increase of 16.6%.

### OUTLOOK

The Government of India has initiated favourable measures for restricting imports. This initiative has provided necessary support for the steel industry in maintaining prices. The Government has also announced investments in infrastructure and housing projects, which will help in sustaining the steel demand.

### OPERATIONAL & FINANCIAL PERFORMANCE

a) The Operational and Financial performance of the Company (stand-alone) during FY 2016-17, has been summarised in the table below followed by explanatory remarks for significant changes in FY 2016-17, compared to previous year.

**Operational Performance**

| Particulars | FY 2016-17 MT | Capacity Utilisation | FY 2015-16 MT | Capacity Utilisation | Change* MT | Change % |
|---|---|---|---|---|---|---|
| **Manufacture of Sponge Iron** | | | | | | |
| Production | 390000 | 100% | 360446 | 92% | 29554 | 8 |
| Sale | 392782 | | 365815 | | 26967 | 7 |
| **Conversion, trading of Sponge Iron** | | | | | | |
| Production | - | | 21978 | | (21978) | (100) |
| Sale | - | | 21978 | | (21978) | (100) |
| **Electrical Energy** | **FY 2016-17 Million Kwh** | **Capacity Utilisation** | **FY 2015-16 Million Kwh** | **Capacity Utilisation** | **Change* Million Kwh** | **Change %** |
| Generation | 185 | 81% | 163 | 71% | 22 | 13 |
| Sale | 132 | | 113 | | 19 | 17 |

**Financial Performance** (Rs in Lakh)

| Particulars | FY 2016-17 | FY 2015-16 | Change | Change % | Reason |
|---|---|---|---|---|---|
| Total income | 65,218 | 67,071 | (1,853) | (3) | |
| Consumption of raw material | 36,968 | 40,613 | (3,645) | (9) | 1 |
| Employee cost | 4,631 | 3,398 | 1,233 | (36) | 2 |
| Other expenses | 7,641 | 8,865 | (1224) | (14) | 3 |
| Depreciation and amortisation expenses | 1,276 | 1,289 | (13) | (1) | |
| Finance cost | 244 | 538 | (294) | 55 | |
| Profit before tax | 8,347 | 4,335 | 4,012 | 93 | 4 |
| Profit after tax | 5,874 | 3,189 | 2,685 | 84 | |
| Earnings per share (Rs.) | 38.14 | 20.71 | 17.43 | 84 | |
| Reserves & Surplus | 84,945 | 81,060 | 3,885 | 5 | |
| Current Liabilities | 14,908 | 13,279 | 1,629 | (12) | |
| Net Fixed Assets | 16,034 | 17,295 | (1,261) | (7) | |
| Current Assets | 67,036 | 60,876 | 6,160 | 10 | |

Figures within bracket denote adverse change.

1. Consumption of raw material is lower during the year mainly due to fall in landed cost of raw material.
2. Employee cost increased by Rs.12 cr. mainly due to retiral benefit provision of Managing Director(s) retired in past and re-measurement loss in retiral benefits and bonus payment in excess of provision for FY'16.
3. Other expenses in the current year decreased due to one time water charge for Rs.10 crore booked last year ,expenses relating to trading Rs.8 cr and change in inventory Rs.10 cr.
4. Higher profit before tax during FY'17 is mainly due to drop in raw material landed price.

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company had 413 employees as on March 31, 2017, vis-a-vis 424 on March 31, 2016. The Human Resource Department of the Company focuses on improving the work culture, employee engagement, effectiveness and efficiency. Various employee engagement interventions carried out in the year has resulted in better performance. Several training programmes, task forces, job rotations were carried out to develop capability, improve employee skills and enhance productivity to realise the Company's goals. Reward and recognition practices have helped in creating a positive work environment.

On the safety front, the Company is focused on ensuring the safety of all its employees. No Loss Time Injury was reported during the year.

The Company has maintained healthy and cordial industrial relations during the year. The workers' union has been an equal partner in maintaining industrial harmony in the Company. Regular interactions are held between the management and the union. During the year, a long-term wage agreement was signed between the Management and Union which will be in operation for five years.

As a part of contract Workforce Management, skilled development programmes have been organised, well-being has been improved and contract workforce has been included in the Reward & Recognition (R&R) process of the Company.

## RISK MANAGEMENT

The Company has a Board level Risk Management Committee, which reviews the risk assessment and mitigation method. The committee identifies inherent risks in its operations and records residual risks after taking specific risk mitigation measures. The Company has identified and categorised risks in the areas of operations, finance, marketing, regulatory compliances and corporate matter. The Internal Auditor expresses his opinion on the level of residual risks during the audit of a particular area and reports to the Audit Committee. Wherever possible and necessary, appropriate insurance cover is taken for financial risk mitigation. The economic slowdown has adversely affected the demand-supply equation in the sponge iron industry. The price of sponge iron is sensitive to the demand-supply position of steel scrap in the country and the viability of steel manufacturers in the secondary sector.

On the financial front, the Company has little exposure to exchange rate fluctuation risks for short periods between finalising import cargo and paying for it on receipt. Credit policy of the company is primarily based on the customer profile. Except for the supply chain disruptions, the Management does not perceive any significant technological, environmental and/or financial risks for the Company in the near future.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Audit Department which conducts audit in various functional areas as per audit programme approved by the Audit Committee. Audit planning and executions are oriented towards a review of internal controls and risks in the functional areas of the Company. The Internal Audit Department reports its findings and observations to the Audit Committee which met five times during the year to review the audit issues and implement corrective actions.

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorised, recorded and reported properly, applicable statutes, the Tata Code of Conduct and Corporate policies are duly complied with. Apart from this, the Company has laid down a list of all internal financial controls which were evaluated by the Auditors of the Company.

The Statutory Auditors also provides assurance on the adequacy of the internal control systems in the Company.

# REPORT ON CORPORATE GOVERNANCE

## 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Tata Sponge Iron Limited (TSIL) is committed to good corporate governance in order to enhance shareholders' value and promote national interest. Corporate Governance at Tata Sponge translates into being fair and civic-minded, fulfilling its duties to the entire spectrum of stakeholders.

The prime objective of practicing good corporate governance at Tata Sponge is to promote an inclusive growth by protecting the interests and enhancing the trust of shareholders, customers, suppliers, financiers, employees, government agencies and the society. In order to achieve this objective, Tata Sponge follows the principles of transparency, disclosure, fairness, independent supervision, healthy competition, provision of equal opportunity in employment, political non-alignment, promotion of health, safety and welfare, production of quality products and services, compliance with all relevant laws, rules and regulations, improvement in quality of life and meeting social responsibility. Adoption of Tata Business Excellence Model, Tata Code of Conduct, Code of Affirmative Action etc. have only strengthened the Tata Sponge's philosophy of good corporate governance.

## 2. BOARD OF DIRECTORS

**Size and composition of the Board**

The Company's policy is to maintain an optimum combination of Executive Directors and Non - Executive Directors. The Board comprises of nine Directors, out of which five are Independent, three are Non - Executive and one Executive. Therefore, majority of Board comprises of Independent Directors. The Chairman of the Board is a Non-Executive Director.

None of the Directors on the Board holds directorships in more than ten public companies. Further, none of them is a Member of more than ten committees or Chairman of more than five Committees across all public companies in which he/ she is a director. The necessary disclosures regarding Committee positions have been made by the Directors.

None of the Directors are related to each other.

**Memberships of other Boards / Board Committees**

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, the number of Directorships and Committee Memberships held by them in other companies are given below in Table - 1:

**Table - 1**

| Sl. No | Name of the Director | Director. Identification No (DIN) | Status/ Category | Attendance at Board Meetings | Attendance at the last AGM held on July 26, 2016 | No of Directorship in other public companies | | No of committee positions held in other public companies@ | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Chairman | Member | Chairman | Member |
| 1 | Mr. A.M. Misra | 01477289 | Chairman/ Promoter's (Tata Steel) nominee, Non-executive & Non-independent | 6 | Yes | 1 | - | - | - |
| 2 | Mr. D.K. Banerjee | 00028123 | Non-executive & Independent | 4 | Yes | - | 9 | 4 | 5 |
| 3 | Mr. P. C. Parakh | 01305775 | Non-executive & Independent | 6 | Yes | - | 0 | - | - |
| 4 | Mr. Manoj T. Thomas | 03614981 | Non-executive & Independent | 6 | Yes | - | 1 | - | - |
| 5 | Dr. Omkar Nath Mohanty | 03058576 | Non-executive & Independent | 6 | Yes | - | 1 | - | - |
| 6 | Mr. Krishnava Dutt | 02792753 | Non-executive & Independent | 5 | Yes | _ | 7 | 2 | 4 |
| 7 | Mr. R. Ranganath | 06725337 | Non-executive & Not Independent | 5 | Yes | - | 2 | 1 | 1 |
| 8 | Mrs Meena Lall | 05133322 | Non-executive & Not Independent | 5 | Yes | - | - | - | - |
| 9 | Mr.Sanjay Kumar Pattnaik (wef November 01, 2016) | 00256832 | Executive & Not Independent | 6 | Yes | - | 3 | - | - |
| 10 | Mr. D.P. Deshpande (superannuated as Managing Director with effect from October 31, 2016) | 02526471 | Executive & Not Independent | 3 | Yes | - | 1 | - | - |

@ Represents Chairmanships/ Memberships of Audit Committee and Stakeholders' Relationship Committee of Public Limited (Indian) Companies.

| | | |
|---|---|---|
| No of Board Meetings held during the year | = | 6 |
| Dates on which held | = | 25-04-2016, 25-07-2016, 21-10-2016, 15-11-2016, 24-01-2017, 22-03-2017 |

None of the Directors held any shares in the Company as on March 31, 2017.

The information as required under Regulation 17(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, is being made available periodically to the Board. The Board periodically reviews the compliance status of the Company.

Details of Directors seeking appointment/ re-appointment in Thirty-fourth ($34^{th}$) Annual General Meeting are given with the Notice to the Annual General Meeting.

The company has adopted the Tata Code of Conduct for Directors, Senior Management Personnel and other executives of the company. The Company has received confirmation from the Managing Director as well as the senior management personnel regarding compliance of the Code during the year under review. The Company has also adopted the Code of Conduct for the Non-Executive Directors of the company. The Company has received confirmations from the Non-Executive Directors regarding compliance of the Code for the period ended March 31, 2017. Both the Codes are posted on the website of the Company i.e. www.tatasponge.com.

**Familiarisation programme for Independent Directors**

As per Regulation 25(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the Company has laid down a detailed policy/ programme for familiarisation of Independent Directors. During the year, the Board was regularly apprised with the operations of the Company by the Management. Detailed action taken reports are regularly being provided to the Board on the actionable points discussed at the Board and Committee Meetings. Visits to the Plant are also organized for the Directors.

The Directors of the Company are also regularly updated on any information which has a direct impact on the Company as well as regulatory changes.

Details of the Familiarisation Policy may be accessed on the website of the Company, viz, www.tatasponge.com.

## 3. BOARD COMMITTEES

The Company has in place the following committees as on March 31, 2017:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Stakeholders' Relationship Committee;
4. Corporate Social Responsibility Committee;
5. Risk Management Committee and
6. Ethics and Compliance Committee;
7. Committee of Board

Minutes of proceedings of Committee meetings are circulated to the Directors and placed before the Board Meeting for noting thereat.

### 3.1. AUDIT COMMITTEE

The Audit Committee provides an insight to the Board on the effectiveness of accounting, auditing and reporting practices of the Company. The purpose of the Committee is to oversee the accounting and financial reporting process of the Company as well as the appointment, independence, performance and remuneration of statutory auditors, cost auditors, internal auditors and secretarial auditors. The Committee also provides a reassurance to the Board on the adequate and timely disclosures as well as compliance with all the provisions applicable to related party transactions, investments, loans and guarantees etc. The role of the Audit Committee is as follows:

(i) recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

(ii) review and monitor the auditor's independence, performance and effectiveness of audit process;

(iii) examination of the financial statement and the auditors' report thereon;

(iv) approval or any subsequent modification of transactions of the Company with related parties;

(v) scrutiny of inter-corporate loans and investments, if any;

(vi) valuation of undertakings or assets of the company, wherever necessary;

(vii) evaluation of internal financial controls and risk management systems and

(viii) monitoring the end use of funds raised through public offers and related matters.

The scope of the Audit Committee has been in compliance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013.

The Chairman of the Audit Committee, Mr. P. C. Parakh, was present at the Thirty-third Annual General Meeting held on July 26, 2016.

The composition of the Audit Committee and the details of meetings attended by the Directors during FY 2016-17, are given below in Table - 2.

**Table - 2**

| Sl. No. | Name of the Director | Status | Category | No. of meetings attended |
|---|---|---|---|---|
| 1 | Mr. P. C. Parakh | Chairman | Non-executive & Independent | 5 |
| 2 | Mr. D. K. Banerjee | Member | Non-executive & Independent | 5 |
| 3 | Dr. O. N. Mohanty | Member | Non-executive & Independent | 5 |
| 4 | Mr. R. Ranganath | Member | Non-executive & Non-independent | 4 |

| | | |
|---|---|---|
| No. of Audit Committee meetings held during the year | = | 5 |
| Dates on which held | = | 25-04-2016, 25-07-2016, 21-10-2016, 24-01-2017, 22-03-2017 |

Audit Committee meetings are attended by the Managing Director, Chief Financial Officer and Head (Internal Audit). The Statutory Auditors are invited to each meeting. The Company Secretary acts as the Secretary of the Audit Committee.

The necessary quorum was present at the meetings.

## 3.2. NOMINATION AND REMUNERATION COMMITTEE

The primary objective of the Nomination and Remuneration Committee of the Company is to periodically review the size and composition of the Board, formulate the criteria determining qualifications, positive attributes and independence of a Director, recommend candidates to the Board and establish and review Board and senior executive succession plans. The Committee's role also includes evaluation of Board Performance, reviewing and making recommendations to the Board on the remuneration of the Managing Director and KMPs, the total level of remuneration of Non-Executive Directors as well as individual remuneration of the Non-Executive Directors and the Chairman. The Committee also undertakes the functions as specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The composition of the Nomination and Remuneration Committee and the details of meetings attended by the Directors are given below in Table - 3.

**Table - 3**

| Sl. No. | Name of the Director | Status | Category | No. of meetings attended |
|---|---|---|---|---|
| 1 | Mr. Manoj T. Thomas | Chairman | Non-executive & Independent | 3 |
| 2 | Mr. D.K. Banerjee | Member | Non-executive & Independent | 3 |
| 3 | Mr. A.M. Misra | Member | Non-executive & Non-independent | 3 |

| | | |
|---|---|---|
| No. of Nomination and Remuneration Committee meetings held during the year | = | 3 |
| Dates on which held | = | 25-04-2016, 25-07-2016, 21-10-2016 |

The chairman of the Nomination and Remuneration Committee, Mr. Manoj T. Thomas, was present at the Thirty-third Annual General Meeting held on July 26, 2016.

The necessary quorum was present at the meetings.

**Remuneration to Directors**

The details of remuneration paid to all the directors and other disclosures required to be made under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is furnished below :-

**Details of Remuneration for the year ended March 31, 2017:**

**Table-4**

**NON-EXECUTIVE DIRECTORS** **Rs. In lakh**

| Sl. No. | Name of the Director | Sitting Fees (Gross) | Perquisities & Allowances | Commission (Gross) | Total (Gross) |
|---|---|---|---|---|---|
| 1 | Mr. A. M. Misra | 2.50 | - | 7.71 | 10.21 |
| 2 | Mr. R. Ranganath* | 0.45 | - | - | 0.45 |
| 3 | Mrs. Meena Lall* | 0.25 | - | - | 0.25 |
| 4 | Mr. D. K. Banerjee | 3.20 | - | 5.82 | 9.02 |
| 5 | Mr. P. C. Parakh | 2.90 | - | 6.95 | 9.85 |
| 6 | Mr. Manoj T. Thomas | 2.90 | - | 6.13 | 9.03 |
| 7 | Dr. Omkar Nath Mohanty | 3.10 | - | 5.11 | 8.21 |
| 8 | Mr. Krishnava S. Dutt | 1.85 | - | 3.11 | 4.96 |

* Waived sitting fees for meeting(s) attended on or after 30 June, 2016 and commission entitlement from FY’2016-17 onwards.

**EXECUTIVE DIRECTORS** **Rs. In lakh**

| Sl. No. | Name of the Director | Salary | Perquisities & Allowances | Commission (Gross) | Others (Retirals) | Total (Gross) |
|---|---|---|---|---|---|---|
| 1 | Mr. Sanjay Kumar Pattnaik (Managing Director with effect from November 01, 2016) | 88.27 | 3.24 | 49.00 | 10.51 | 151.02 |
| 2 | Mr. D. P. Deshpande (superannuated as Managing Director with effect from October 31, 2016) | 64.89 | 21.26 | 34.50 | 144.50 | 265.15 |

Mr. Sanjay Kumar Pattnaik has drawn Rs. 56.11 lakhs (excluding perquisite and commission) as remuneration for the period April 01, 2016 to October 31, 2016, as Executive Director of the Company.

**Board Evaluation**

Pursuant to the provisions of the Companies Act, 2013 and in compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgement, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Key Managerial Personnel. The Directors expressed their satisfaction with the evaluation process.

**Appointment and remuneration policy for Directors, Key Managerial Personnel and Senior Management Personnel**

The Nomination and Remuneration Committee (“NRC”) has adopted a policy which, inter alia, deals with the manner of selection of Board of Directors, Managing Director/ Executive Director, other Key Managerial Personnel and their remuneration.

**1. Criteria of selection of Non-Executive Directors**

a) The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management

b) In case of appointment of Independent Directors, the NRC shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its functions and duties effectively.

c) The NRC shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.

d) The NRC shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

(i) qualification, expertise and experience of the Directors in their respective fields;

(ii) personal, professional or business standing;

(iii) diversity of the Board.

e) In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

**Remuneration to Non-Executive Directors**

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, reimbursement of expenses for participation in the Board/ Committee meetings and commission as detailed hereunder:

i) A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board or Committee of the Board attended by him, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016;

ii) A Non-Executive Director will also be entitled to receive commission on an annual basis, of such sum as may be approved by the Board on the recommendation of the NRC;

iii) The NRC may recommend a higher commission for the Chairman of the Board of Directors, taking into consideration their overall responsibility;

iv) In determining the quantum of commission payable to the Directors, the NRC shall make its recommendation after taking into consideration the overall performance of the Company and the onerous responsibilities required to be shouldered by the Director.

v) The NRC may recommend to the Board, for the payment of additional commission to those Directors who are Chairman of the Audit Committee and the NRC of the Board subject to a ceiling on the total commission payable as may be decided;

vi) The total commission payable to the Directors shall not exceed 1% of the net profit of the Company;

vii) The commission shall be payable on pro-rata basis to those Directors who occupy office for part of the year.

viii) The Independent Directors of the Company shall not be entitled to participate in the Stock Option Scheme of the Company, if any, introduced by the Company.

**2. Criteria for selection and appointment of the Managing Director (MD)/ Executive Director (ED)**

For the purpose of selection of the MD/ ED, the NRC shall identify persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board. The Committee will also ensure that the incumbent fulfils such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

**Remuneration policy for the Managing Director (MD)/ Executive Director (ED)**

i) At the time of appointment or re-appointment, the MD/ ED shall be paid such remuneration as may be mutually agreed between the Company (which includes the NRC and the Board of Directors) and the MD/ ED within the overall limits prescribed under the Companies Act, 2013.

ii) The remuneration shall be subject to the approval of the Members of the Company in the Annual General Meeting.

iii) The remuneration of the MD/ ED is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retiral benefits. The variable component comprises commission.

iv) In determining the remuneration (including the annual increment and performance bonus) the NRC shall ensure/ consider the following:

(a) the relationship of remuneration and performance benchmarks is clear;

(b) balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;

(c) responsibility required to be shouldered by the MD/ ED, the industry benchmarks and the current trends;

(d) the Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the KRAs / KPIs.

**Remuneration Policy for the Key Managerial Personnel / Senior Management Employees**

I. In determining the remuneration of the Senior Management Employees (i.e. KMPs and Executive Committee Members) the NRC shall ensure / consider the following:

i. the relationship of remuneration and performance benchmark is clear;

ii. the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;

iii. the remuneration is divided into two components viz. fixed component comprising salaries, perquisites and retirement benefits and a variable component comprising performance bonus;

iv. the remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individual's performance vis-à-vis KRAs / KPIs, industry benchmark and current compensation trends in the market.

II. The Managing Director will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned hereinabove, whilst recommending the annual increment and performance incentive to the NRC for its review and approval.

## 3.3. STAKEHOLDERS' RELATIONSHIP COMMITTEE

The Company has constituted Stakeholders' Relationship Committee in compliance with the provisions of Section 178 of the Companies Act, 2013, for review of various information/ data pertaining to the stakeholders' and redressal/resolution of stakeholders' grievances.

The composition of the Stakeholders' Relationship Committee and the details of meetings attended by the Directors during FY 2016-17 are given below in Table - 5.

**Table - 5**

| Sl. No. | Name of the Director | Status | Category | No. of meeting(s) attended |
|---|---|---|---|---|
| 1 | Mr. Krishnava S. Dutt | Chairman | Non-executive & Independent | 1 |
| 2 | Mr. P. C. Parakh | Member | Non-executive & Independent | 1 |
| 3 | Mr. Sanjay Kumar Pattnaik (with effect from November 01, 2016) | Member | Executive & Non-independent | 0 |
| 4 | Mr. D. P. Deshpande (superannuated as Managing Director with effect from October 31, 2016) | Member | Executive & Non-independent | 1 |

| | | |
|---|---|---|
| No. of Stakeholders' Relationship Committee meetings held during the year | = | 1 |
| Date on which held | = | 20-10-2016 |

The Committee was reconstituted on October 21, 2016, wherein Mr. Sanjay Kumar Pattnaik was appointed as a member of Stakeholders' Relationship Committee, w.e.f. November 01, 2016.

The chairman of the Stakeholders' Relationship Committee, Mr. Krishnava S. Dutt, was present at the Thirty-third Annual General Meeting held on July 26, 2016.

The necessary quorum was present at the meeting.

| | | |
|---|---|---|
| Name, designation and address of Compliance officer | : | Mr. Sanjay Kasture<br>Company Secretary<br>P.O. - Joda, Dist. - Keonjhar, Odisha - 758 034<br>Phone- (06767) - 278122<br>Fax- (06767) - 278159<br>E-mail: skasture@tatasponge.com |

**Report on number of shareholder complaints received and resolved by the Company during the year ended March 31, 2017**

| | |
|---|---|
| No. of complaints pending as on April 01, 2016 | 1 |
| No. of complaints identified and reported during FY 2016-17 | 7 |
| No. of Complaints disposed of during the year ended March 31, 2017 | 8 |
| No. of pending complaints as on March 31, 2017 | 0 |

**Nature of Shareholder Complaints**

| Sl. No. | Nature of Complaints | Number of Complaints |
|---|---|---|
| 1 | Non-receipt of dividend | 4 |
| 2 | Transfer of securities | 2 |
| 3 | Dematerialisation of Shares | 1 |
| | **Total** | **7** |

## 3.4 CORPORATE SOCIAL RESPONSIBILITY ("CSR") COMMITTEE

The purpose of Corporate Social Responsibility (CSR) Committee of the Company is to formulate and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company, recommend the amount of expenditure to be incurred on the activities and monitor the CSR Policy of the Company from time to time. The Committee also encourages the employees to voluntarily participate in the CSR initiatives undertaken by the Company.

The CSR Policy of the Company is available at the website of the Company, viz., www.tatasponge.com

The composition of the Committee and meetings attended during FY 2016-17 are as given below in Table - 6

**Table - 6**

| Sl. No. | Name of the Director | Status | Category | No. of meetings attended |
|---|---|---|---|---|
| 1 | Mr. R. Ranganath | Chairman | Non-executive & Non-independent | 3 |
| 2 | Mr. Manoj T. Thomas | Member | Non-executive & Independent | 3 |
| 3 | Mr. Sanjay Kumar Pattnaik | Member | Executive & Non-independent | 3 |
| 4 | Mr. D. P. Deshpande (superannuated as Managing Director with effect from October 31, 2016) | Member | Executive & Non-independent | 1 |

| | | |
|---|---|---|
| No. of Corporate Social Responsibility Committee of Board meetings held during the year | = | 3 |
| Dates on which held | = | 04-10-2016, 24-01-2017, 22-03-2017 |

The Chairman of the CSR Committee, Mr. R. Ranganath, was present at the Thirty-third Annual General Meeting held on July 26, 2016.

The necessary quorum was present at the meetings.

### 3.5. ETHICS AND COMPLIANCE COMMITTEE

In accordance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended (the Regulations), the Board of Directors of the company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The Code is based on the principle that Directors and Employees of the company owe a fiduciary duty to, among others, the shareholders of the company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The Code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the company to enable them to take informed investment decisions with regard to the company's securities. The Company Secretary is the Compliance Officer under the above mentioned Code.

The composition of the Ethics and Compliance Committee and the details of meetings attended by the Directors are given below in Table - 7.

**Table - 7**

| Sl. No. | Name of the Director | Status | Category | No. of meeting(s) attended |
|---|---|---|---|---|
| 1 | Mrs. Meena Lall | Chairperson | Non-executive & Non-independent | 1 |
| 2 | Mr. Krishnava s. Dutt | Member | Non-executive & Independent | 1 |

| | | |
|---|---|---|
| No. of Ethics and Compliance Committee meetings held during the year | = | 1 |
| Date on which held | = | 11-01-2017 |

### 3.6. COMMITTEE OF BOARD

The Committee of Board was constituted by the Board of Directors of the Company for advising/ recommending to the Board on strategic and other important business issues.

The composition of the Committee of Board and the details of meetings attended by the Directors are given below in Table - 8.

**Table - 8**

| Sl. No. | Name of the Director | Status | Category | No. of meeting(s) attended |
|---|---|---|---|---|
| 1 | Mr. A. M. Misra | Chairman | Non-executive & Non-independent | 2 |
| 2 | Mr. D. K. Banerjee | Member | Non-executive & Independent | 2 |
| 3 | Dr. O. N. Mohanty | Member | Non-executive & Independent | 2 |
| 4 | Mr. R. Ranganath | Member | Non-executive & Non-independent | 2 |
| 5 | Mr. Sanjay Kumar Pattnaik | Member | Executive & Non-independent | 2 |
| 6 | Mr. D. P. Deshpande (superannuated as Managing Director with effect from October 31, 2016) | Member | Executive & Non-independent | 2 |

| | | |
|---|---|---|
| No. of Committee of Board meetings held during the year | = | 2 |
| Date on which held | = | 22-07-2016, 26-09-2016 |

### 3.7. RISK MANAGEMENT COMMITTEE

The Company has constituted a Risk Management Committee for framing, identifying, assessing and mitigating the probable risks to the Company. The objective of the Committee is as follows:

(i) to inform the Board members at least once a year about the risk assessment and minimization procedures;

(ii) to monitor and review the risk management plan; and

(iii) to perform other relevant functions in this connection.

The Committee also functions as required under the relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board had reconstituted the Risk Management Committee at its meeting held on March 22, 2017.

The composition of the Committee and meeting attended during FY 2016-17 are as given below in Table - 9

**Table – 9**

| Sl. No. | Name of the Director | Status | Category | No. of meeting(s) attended |
|---|---|---|---|---|
| 1 | Mrs. Meena Lall | Chairperson | Non - Executive & Non-independent | 1 |
| 2 | Mr. Sanjay Kumar Pattnaik | Member | Executive & Non-independent | 1 |

| | | |
|---|---|---|
| No. of Risk Management Committee meeting held during the year | = | 1 |
| Date on which held | = | 31-03-2017 |

### 4. SUBSIDIARY COMPANY

The Company has a wholly owned subsidiary namely, "TSIL Energy Limited", which was incorporated on November 20, 2012, with an authorised share capital of Rs. 10,00,00,000. The subscribed/ paid up capital of this subsidiary was Rs.1,06,00,600 as on March 31, 2017. Four Board meetings of this company were held during the year ended March 31, 2017.

TSIL Energy Limited is not a "Material Subsidiary" as defined under the Companies Act, 2013. However, the Company has laid down a policy for determining material subsidiaries. This policy is displayed on the website of the Company, viz. www.tatasponge.com.

### 5. GENERAL BODY MEETINGS

a) The details of last three Annual General Meetings of the Company are furnished below:

**Table - 10**

| Year | Location | Date | Time |
|---|---|---|---|
| 2015-2016 | 'Lake View' (Officers' Recreation Centre), TSIL Township, Joda | 26-07-2016 | 10: 00 a.m. |
| 2014-2015 | 'Lake View' (Officers' Recreation Centre), TSIL Township, Joda | 21-08-2015 | 10 : 00 a.m. |
| 2013-2014 | 'Lake View' (Officers' Recreation Centre), TSIL Township, Joda | 15-07-2014 | 10 : 30 a.m. |

b) No Extra-Ordinary General Meeting of the shareholders was held during the year.

c) None of the resolutions proposed for the ensuing Annual General meeting need to be passed by Postal Ballot.

d) Procedure for postal ballot: Wherever necessary postal ballot is conducted according to the provisions of the Companies Act, 2013 and the Rules made thereunder.

e) Special Resolutions passed in previous three Annual General Meetings:

- At the Annual General Meeting held on July 26, 2016, no special resolution was passed.
- At the Annual General Meeting held on August 21, 2015, special resolutions were passed for approval of (i) Material Related Party Transactions, (ii) Creation of Charge on the movable and immovable properties of the Company, both present and future, in respect of borrowings and (iii) Remuneration or Commission to Non-Executive Directors.
- At the Annual General Meeting held on July 15, 2014, no special resolution was passed.

f) Facilities for Ballot, E-voting and Physical vote was extended to the shareholders to exercise their voting rights on all resolutions proposed at the last Annual General Meeting held on July 26, 2016. Ms. Manjari Sinha, Practicing Company Secretary (ACS No. 26617, CP No.9724) of Jamshedpur was appointed as Scrutinizer.

g) The Company proposes to extend the facility for Ballot, E-voting and Physical vote to the shareholders to exercise their voting rights on all resolutions that would come for consideration of the shareholders in the Annual General Meeting to be held in the current year (2017). The procedure for Ballot, E-Voting and Physical Vote with respect to the ensuing Annual General Meeting will be the same as followed in the past.

### 6. MEANS OF COMMUNICATION

**(i) Quarterly Results –**

The quarterly and annual financial results are normally published in Business Standard (All editions) and the 'Sambad' (Oriya daily) and also posted on the website of the Company (www.tatasponge.com). The website also displays official news releases.

**(ii) Presentation to Institutional Investors or to Analysts –**

The presentations made to the Anaysts/Investors during financial year 2016-17 are available on the website (www.tatasponge.com) of the Company.

**(iii) Company's Corporate Website –**

The Company's website (www.tatasponge.com) is a comprehensive reference on the company's management, vision, mission, policies, corporate governance, corporate social responsibility, investor relations, operations, financials, news, etc. The website also displays other official releases of the Company.

## 7. GENERAL SHAREHOLDER INFORMATION

| | | |
|---|---|---|
| 7.1 | 34th Annual General Meeting | Day/Date : Friday, August 04, 2017<br>Time : 10.00 a.m<br>Venue : Lake View - Officers' Recreation Centre, TSIL Township, Joda, Dist – Keonjhar Odisha, Pin code – 758 034. |
| 7.2 | Financial year | 2016-17 (April to March) |
| 7.3 | Financial calendar | Approval of quarterly results: April, July, October and January. Annual General Meeting in July/August. |
| 7.4 | Date of book closure | From July 29, 2017 to August 04, 2017, both days inclusive. |
| | Record date of payment of dividend | July 28, 2017 |
| 7.5 | Dividend payment date | The dividend warrants will be posted on or after August 07, 2017. |
| 7.6 | Listing on Stock Exchanges | 1] BSE Ltd.<br>Phiroze Jeejeebhoy Towers<br>Dalal Street<br>Mumbai - 400 001. |
| | | 2] National Stock Exchange of India Ltd.<br>Exchange Plaza (5th Floor)<br>Plot No. C/1, G. Block<br>Bandra-Kurla Complex, Bandra (E)<br>Mumbai – 400 051. |
| 7.7 | Stock Code- Equity Share | |
| | ISIN CODE | INE 674A01014 (Electronic form) |
| | BSE CODE | 13010 (Physical form)<br>513010 (Demat form) |
| | NSE SCRIP CODE | TATASPONGE |
| 7.8 | Correspondence Address | P.O. Joda - 758 034<br>Dist – Keonjhar, Odisha<br>Phone : 06767 284236<br>Fax : 06767 278159/278129<br>E-mail : investorcell@tatasponge.com |
| 7.9 | Exclusive e-mail address for redressal of investor complaints | investorcell@tatasponge.com |

This is to confirm that the Company has made the payment of Listing Fee till the year 2017-2018 to both the Stock Exchanges namely, BSE Limited and National Stock Exchange of India Limited.

7.10 **Market price data: Monthly High/ Low prices per share during 2016-17:**

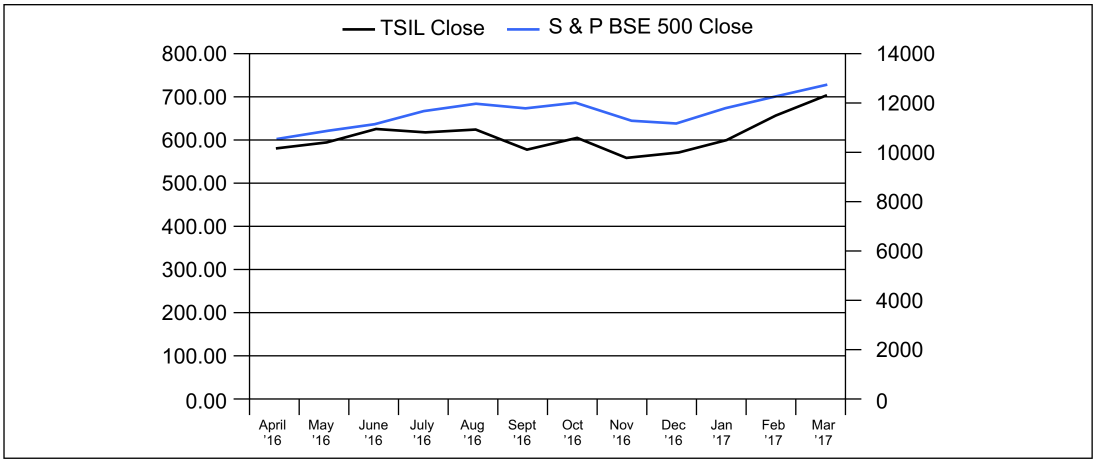
**Table - 11**

| **Months** | **BSE Ltd.** | | **National Stock Exchange of India Ltd.** | |
|---|---|---|---|---|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| | | Monthly | | |
| April, 2016 | 589.00 | 466.50 | 588.70 | 465.20 |
| May, 2016 | 656.90 | 539.00 | 656.60 | 538.00 |
| June, 2016 | 678.00 | 541.25 | 678.25 | 540.05 |
| July, 2016 | 684.90 | 602.25 | 685.00 | 601.35 |
| August, 2016 | 652.00 | 561.00 | 651.70 | 560.00 |
| September, 2016 | 634.00 | 546.35 | 633.70 | 540.00 |
| October, 2016 | 677.40 | 575.00 | 677.90 | 576.80 |
| November, 2016 | 612.80 | 474.95 | 613.90 | 486.20 |
| December, 2016 | 609.00 | 521.20 | 609.00 | 515.50 |
| January, 2017 | 642.00 | 558.05 | 642.40 | 558.00 |
| February, 2017 | 658.00 | 591.55 | 658.00 | 591.05 |
| March, 2017 | 721.90 | 655.00 | 722.90 | 658.40 |

7.11 **Stock performance**

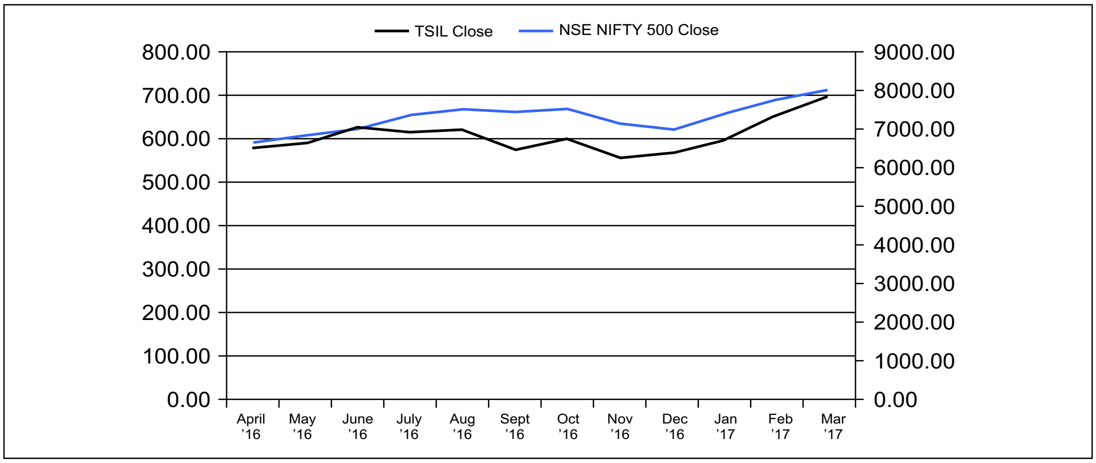
**TSIL vs. BSE 500**

**Table – 12**




**TSIL vs. NSE Nifty 500**

**Table – 13**




7.12 **Registrars & Share Transfer Agents :**

**REGISTERED OFFICE** :

M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
6-10, Haji Moosa Patrawala Industrial House
20, Dr. E. Moses Road, Near Famous Studio
Mahalaxmi, Mumbai - 400 011.

Phone : 022 - 66568484
Fax : 022 – 66568494 / 66568496
Website : www.tsrdarashaw.com
e-mail : csg-unit@tsrdarashaw.com

**BRANCH OFFICES** :

For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches/agencies of TSR Darashaw Limited :

1) **Bangalore**

M/s. TSR Darashaw Limited
(formerly Tata Share Registry Limited)
503, Barton Centre (5th Floor)
84, Mahatma Gandhi Road
Bangalore – 560 001.

Phone : 080 - 25320321
Fax : 080 – 25580019
e-mail : tsrlbang@tsrdarashaw.com

2) **Jamshedpur**

| | | |
|---|---|---|
| M/s. TSR Darashaw Limited<br>(formerly Tata Share Registry Limited)<br>Bungalow No.1, 'E' Road<br>Northern Town, Bistupur<br>Jamshedpur – 831 001. | Phone<br>Fax<br>e-mail | : 0657 – 2426616<br>: 0657 – 2426937<br>: tsrljsr@tsrdarashaw.com |

3) **Kolkata**

| | | |
|---|---|---|
| M/s. TSR Darashaw Limited<br>(formerly Tata Share Registry Limited)<br>Tata Centre, 1st Floor<br>43, Jawaharlal Nehru Road<br>Kolkata – 700 071. | Phone<br>Fax<br>e-mail | : 033 - 22883087<br>: 033 – 22883062<br>: tsrlcal@tsrdarashaw.com |

4) **New Delhi**

| | | |
|---|---|---|
| M/s. TSR Darashaw Limited<br>(formerly Tata Share Registry Limited)<br>Plot No. 2/42, Sant Vihar<br>Ansari Road, Daryaganj<br>New Delhi – 110 002. | Phone<br>Fax<br>e-mail | : 011 - 23271805<br>: 011 - 23271802<br>: tsrldel@tsrdarashaw.com |

5) **Ahmedabad**

| | | |
|---|---|---|
| M/s.Shah Consultancy Services . Ltd.<br>Agents : TSR Darashaw Pvt. Limited<br>Sumatinath Complex<br>Pritamnagar, Akhada Road, Ellisbridge<br>Ahmedabad –380 006. | Phone<br>Fax<br>e-mail | : 079 – 26576038<br>: 079 - 26576038<br>: shahconsultancy8154@gmail.com |

**Note :** **Name of the Registrars & Share Transfer Agents has been changed from Tata Share Registry Limited to TSR Darashaw Limited w.e.f. 12-01-2006, from TSR Darashaw Limited to TSR Darashaw Private Limited w.e.f. 6-11-2012. and subsequently from TSR Darashaw Private Limited to TSR Darashaw Limited w.e.f. 10th November, 2014.**

7.13 **Share Transfer System:**

The Company has retained M/s. TSR Darashaw Limited (formerly Tata Share Registry Ltd.) of Mumbai to carry out the transfer related activities. Authorised personnel are approving the transfer on periodical basis. All valid transfers are affected within stipulated days. Share certificates received at Registered Office are also sent to Registrars and Share Transfer Agents for doing the needful. In case of electronic transfers, the bye laws of Depositories are complied with.

7.14 **Distribution of shareholding as on March 31, 2017**

**Table - 14**

| Shareholding of nominal value of | | | Shareholders | | Share Amount | |
|---|---|---|---|---|---|---|
| Rs. | | Rs. | Number | % to total | In Rs. | % to total |
| | (1) | | (2) | (3) | (4) | (5) |
| 1 | – | 100 | 5,723 | 15.93 | 355,170 | 0.23 |
| 101 | – | 500 | 13,683 | 38.10 | 5,136,560 | 3.34 |
| 501 | – | 1,000 | 7,775 | 21.65 | 7,279,790 | 4.73 |
| 1,001 | – | 5,000 | 7.375 | 20.53 | 17,540,850 | 11.39 |
| 5,001 | – | 10,000 | 755 | 2.10 | 5,979,790 | 3.88 |
| 10,001 | – | 20,000 | 319 | 0.89 | 4,773,120 | 3.10 |
| 20,001 | – | 30,000 | 101 | 0.28 | 2,553,200 | 1.66 |
| 30,001 | – | 40,000 | 41 | 0.11 | 1,495,090 | 0.97 |
| 40,001 | – | 50,000 | 42 | 0.12 | 1,967,530 | 1.28 |
| 50,001 | – | 1,00,000 | 54 | 0.15 | 3,714,600 | 2.41 |
| 1,00,001 | and | above | 48 | 0.13 | 103,204,300 | 67.02 |
| | **Total** | | **35,916** | **100.00** | **154,000,000** | **100.00** |

7.15 **Categories of shareholders as on March 31, 2017:**

**Table - 15**

| Sl. No. | Category | No. of shares held | Percentage of shareholding |
|---|---|---|---|
| 1 | Promoters | | |
| | (i) Tata Steel Limited (formerly known as The Tata Iron & Steel Company Ltd.) | 7,854,000 | 51.00 |
| | (ii) Tata Steel Limited (formerly known as The Tata Iron & Steel Company Ltd.) | 539,554 | 3.50 |
| | **Total** | **8,393,554** | **54.50** |
| 2 | Mutual Funds and UTI | 11,979 | 0.08 |
| 3 | Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-government Institutions) | 120,154 | 0.78 |
| 4 | Private Corporate Bodies | 740,025 | 4.81 |
| 5 | Indian Public | 5,053,909 | 32.82 |
| 6 | NRIs/OCBs/FIIs | 1,076,479 | 6.99 |
| 7 | Directors & Relatives | 0 | 0 |
| 8 | Trusts | 3,900 | 0.03 |
| | TOTAL | **15,400,000** | **100.00** |

7.16 **Top Ten Shareholders across all categories as on March 31, 2017:**

**Table - 16**

| Sl.No. | Name of the Shareholder | No. of shares held | % of holding |
|---|---|---|---|
| 1 | Tata Steel Limited | 8,393,554 | 54.50 |
| 2 | HSBC Global Investment Funds - Asia Ex Japan Equity Smaller Companies | 459,306 | 2.98 |
| 3 | Goldman Sachs (Singapore) Pte | 216,307 | 1.40 |
| 4 | Sanjeev Vinodchandra Parekh | 197456 | 1.28 |
| 5 | General Insurance Corporation of India | 100,000 | 0.65 |
| 6 | Ajai Hari Dalmia | 95,783 | 0.62 |
| 7 | Jigar Lalchand Shah | 78,427 | 0.51 |
| 8 | Errol Fernandes | 73,000 | 0.47 |
| 9 | Edelweiss Custodial Services Limited | 56,292 | 0.37 |
| 10 | Angel Broking Private Limited | 54,186 | 0.35 |

7.17 **Dematerialisation of Shares**

As per SEBI's direction the Company had signed tripartite agreements with both the Depositories (NSDL & CDSL) and Registrars and Transfer Agents in March, 2000. Accordingly, dematerialisation facility for the shares of the Company is available and it is in the interest of all the shareholders to convert their physical holdings into electronic holdings by dematerialisation.

As on March 31, 2017, 1,45,26,193 shares were held in dematerialised form which constitute approx. 94.33% of total number of subscribed shares.

7.18 **Liquidity**

Since Company's shares are listed on BSE Limited and National Stock Exchange of India Limited and are compulsorily traded in dematerialised form, these shares enjoy enough liquidity in the market.

7.19 **Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity** : Not applicable

7.20 **Plant and Registered Office**

P.O. Joda, Dist – Keonjhar, Odisha – 758 034.
Phone – 06767-284236, Fax - 06767-278159/278129
e-mail : investorcell@tatasponge.com, Website: www.tatasponge.com
CIN: L271020R1982PLC001091

**8. GREEN INITIATIVE:**

The Company supports the 'Green Initiative' undertaken by the Ministry of Corporate Affairs, Government of India, enabling electronic delivery of documents including the Annual Report, Quarterly and Half-yearly results, to shareholders at their e-mail address previously registered with the DPs and RTAs.

Shareholders who hold shares in physical form are requested to register their e-mail addresses with RTA, by sending a letter, duly signed by the first/sole holder quoting details of Folio No. Those holding shares in demat form can register their e-mail address with their concerned DPs.

**9. OTHER DISCLOSURES**

**(a) Details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the Audit Committee.**

The Company has adequate vigil mechanism in place.

The Company has a Whistle Blower Policy that provides a formal mechanism for all employees of the Company to approach the Ethics Counsellor/ Chairman of the Audit Committee of the Company and make protective disclosures about the unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct. The Whistle Blower Policy is an extension of the Tata Code of Conduct, which requires every employee of the company to promptly report to the Management any actual or possible violation of the Code or an event he becomes aware of that could affect the business or reputation of the Company. The disclosures reported are addressed in the manner and within the time frames prescribed in the policy. Under the policy, each employee has an assured access to the Ethics Counsellor/Chairman of the Audit Committee. The Whistle Blower Policy is displayed on the website of the Company, viz, www.tatasponge.com

**(b) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements**

The Company has complied with all applicable mandatory requirements as specified in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Though the constitution of Risk Management Committee is not mandatory for the Company, it has voluntarily constituted the same.

**(c) Web link where policy for determining 'material' subsidiaries is disclosed**

The web link is provided under “Corporate Governance” in “Investors” Section of the Company's website “www.tatasponge.com”

**(d) Web link where policy on dealing with Related Party transactions**

The web link is provided under “Corporate Governance” in “Investors” Section of the Company's website “www.tatasponge.com

**(e) Disclosure on commodity price risks and commodity hedging activities** – *Not applicable*

**9. Non-compliance of any requirement of corporate governance report of sub-paras mentioned above with reasons thereof shall be disclosed**

There was no non-compliance of any of the provisions applicable to the Company.

**10. The Corporate Governance report shall also disclose the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted**

Following discretionary requirements as specified in Part E of Schedule II has been adopted by the Company:

- ***The Company has moved towards a regime of financial statements with unmodified audit opinion.***
- ***The Company has separate posts of chairperson and Managing Director***
- ***The internal auditor is free to report directly to the audit committee.***

11. The disclosures of the compliance with corporate governance requirements specified in Regulations 17 to 27 and clause (b) to clause (i) of sub-regulation (2) of Regulation 46 shall be made in the section of corporate governance of the annual report – *Complied wherever applicable.*

**12. Materially significant related party transactions that may have potential conflict with the interests of the company at large:** None.

**13. Disclosure by key managerial personnel about related party transactions**

The Board has received disclosures from key managerial personnel relating to financial and commercial transactions where they and/or their relatives have personal interest. There were no materially significant related party transactions, which have potential conflict with the interest of the company at large. The related party transactions have been disclosed in the notes to Balance Sheet and Statement of Profit and Loss for the year ended March 31, 2017.

The Company has laid down a policy for dealing with Related Party Transactions. This policy is displayed on the website of the Company, vi., www.tatasponge.com

### 14. Disclosure of Accounting Treatment

The applicable Accounting Standards as issued by the Institute of Chartered Accountants of India and notified by the Central Government under Companies (Accounting Standards) Amendment Rules, 2016 as amended from time to time, have been followed in preparation of the financial statements of the Company.

### 15. Board Disclosures – Risk Management

The procedures for risk assessment and minimisation have been disclosed elsewhere in the annexure to the Directors' Report.

### 16. Proceeds from public issues, rights issues, preferential issues etc.

The Company has not made any capital issues during the financial year.

### 17. Matters related to Capital Markets

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the company by any Stock Exchange or SEBI or any statutory authority, on any matter relating to capital markets, during the last three years except as follows:

There was a delay in filing the Corporate Governance Report for the quarter ended September 30, 2015 with BSE Limited, for which the BSE Limited imposed a fine of Rs. 65,265/- and the same was paid on March 31, 2016 by the Company.

### 18. Management Discussion & Analysis Report

The Management Discussion & Analysis Report is a part of this Annual Report.

### 19. CEO/CFO Certification

The Managing Director and the Chief Financial Officer of the Company have given a certificate to the Board of Directors as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, for the year ended March 31, 2017.

### 20. Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carried out Share Capital Reconciliation audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held in electronic mode with NSDL and CDSL.

For and on behalf of the Board of Directors

Place : Kolkata
Dated : June 06, 2017

**(Sanjay Kumar Pattnaik)**
Managing Director

# CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the members of Tata Sponge Iron Limited

(1) We have examined the compliance of conditions of corporate governance by Tata Sponge Iron Limited for the year ended March 31, 2017 as stipulated in Regulation 17 to 27 and 34(3) read with Schedule - V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(2) The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Corporate Governance Certificate issued by the Institute of Company Secretaries of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

(3) In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations to the extent applicable to it.

(4) We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Kolkata
Date : June 06, 2017

**S. M. GUPTA**
*Partner*
**S. M. GUPTA & CO.**
COMPANY SECRETARIES
Firm Registration No. : P1993WB046600
Membership No.: FCS - 896
C.P. Number : 2053

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF TATA SPONGE IRON LIMITED

### Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **TATA SPONGE IRON LIMITED** ("the Company"), which comprise the standalone Balance Sheet as at 31 March, 2017, and the standalone Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the standalone financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March, 2017, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.

e) On the basis of the written representations received from the directors as on 31 March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "ANNEXURE A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements; (Refer notes 31, 32, 34, 35 and 42 to the standalone Ind AS financial statements).

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. (Refer note 45 to the standalone Ind AS financial statements).

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company except a sum of Rs. 4.08 lacs, which is held in abeyance due to pending legal cases. (Refer note 46 to the standalone Ind AS financial statements).

iv. The Company has provided requisite disclosures in the Standalone Ind AS financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8 November, 2016 to 30 December, 2016. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the books of account maintained by the Company and as produced to us by the management. (Refer note 12(iii) to the standalone Ind AS financial statements.

2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order/CARO 2016") issued by the Central Government in terms of Section 143(11) of the Act, we give in "ANNEXURE B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

**Alka Chadha**
Partner
(Membership No. 93474)

Place : Mumbai
Date : 26 April, 2017

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT

**(Referred to in paragraph 1(f)under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

## Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of **TATA SPONGE IRON LIMITED** (“the Company”) as of 31 March, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

**Alka Chadha**
Partner
(Membership No. 93474)

Place : Mumbai
Date : 26 April, 2017

## ANNEXURE “B” TO THE INDEPENDENT AUDITORS' REPORT

**(Referred to in paragraph 2 under “Report on Other Legal and Regulatory Requirements' section of our report of even date)**

(i) In respect of fixed assets (property, plant and equipment):

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.

(ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.

(iii) The Company has not granted any loans, secured or unsecured, to companies, firm, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 186 of the Companies Act, 2013 in respect of making investments. However, the Company has not granted any loans or provided any guarantees and securities.

(v) According to the information and explanations given to us, the Company has not accepted any deposit from the public. The Company does not have any unclaimed deposits and accordingly the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 are not applicable to the Company.

(vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other material statutory dues in arrears as at 31 March, 2017 for a period of more than six months from the date they became payable except for sales tax of Rs. 513.83 lacs which is outstanding for more than six months.[See Note 35(b)]

(c) Details of dues of Income-tax, Sales Tax, Customs Duty, and Value Added Tax which have not been deposited as on 31 March, 2017on account of disputes are given below:

| Name of statute | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount unpaid (Rs./ lacs) |
|---|---|---|---|---|
| Income-Tax Act, 1961 | Income-tax | Commissioner of Income-tax (Appeals) | 2014-15 | 220.41 |
| | | **Total** | | **220.41^** |
| Central Sales Tax Act, 1957 | Central Sales Tax | High Court of Orissa | 2005-06 | 66.71 |
| | | Deputy Commissioner of Commercial Taxes | 1987-88<br>1992-93<br>1993-94<br>1994-95 | 6.02 |
| | | **Total** | | **72.73#** |

| Name of statute | Nature of dues | Forum where dispute is pending | Period to which the amount relates | Amount unpaid (Rs./ lacs) |
|---|---|---|---|---|
| Odisha Sales Tax Act, 1947 | Sales Tax | Sales Tax Tribunal | 1992-93<br>2000-01 | 2.45 |
| | | Deputy Commissioner of Commercial Taxes | 1987-88<br>1989-90<br>1990-91<br>1998-99 | 6.10 |
| | | **Total** | | **8.55*** |
| Customs Act, 1962 | Customs duty | Customs, Excise and Service Tax Appellate Tribunal | 2012-13 | 3,311.05 |
| | | **Total** | | **3,311.05**** |
| Odisha Value Added Tax Act, 2004 | Value Added Tax | Commissioner of Commercial Tax | 2005-06 | 7.14 |
| | | Additional Commissioner of Sales Tax | 2006-07 | 129.89 |
| | | **Total** | | **137.03^^** |

^ Net of Rs. 1,261.51 lacs paid under protest

# Net of Rs. 359.57 lacs paid under protest

* Net of Rs. 65.28 lacs paid under protest

** Net of Rs. 1,087.95 lacs paid under protest

^^ Net of Rs. 43.90 lacs paid under protest

There are no dues of Service Tax and Excise Duty as on 31 March, 2017 on account of disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government nor has it issued any debentures. Hence reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause (ix) of the CARO 2016 is not applicable.

(x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary or associate company as applicable or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

**Alka Chadha**
Partner
(Membership No. 93474)

Place : Mumbai
Date : 26 April, 2017

# **BALANCE SHEET** AS AT 31 MARCH, 2017

Rs. in lacs

| | Notes | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| **(1) Non-current assets** | | | | |
| (a) Property, plant and equipment | 04 | 15,079.72 | 15,813.32 | 14,005.36 |
| (b) Capital work-in-progress | 04 | 563.48 | 923.26 | 2,003.88 |
| (c) Other intangible assets | 05 | 390.95 | 558.43 | 726.52 |
| (d) Financial assets | | | | |
| (i) Investments | | | | |
| a) Investment in subsidiaries | 06 | 106.01 | 106.01 | 106.01 |
| b) Other Investments | 07 A | 80.00 | 80.00 | 80.00 |
| (ii) Other financial assets | 08 | 1,039.82 | 24.11 | 26.09 |
| (e) Non current tax assets | 20 A | 2,812.63 | 2,798.05 | 2,598.05 |
| (f) Other non-current assets | 09 | 17,471.43 | 17,560.29 | 16,973.49 |
| **Total non-current assets** | | 37,544.04 | 37,863.47 | 36,519.40 |
| **(2) Current assets** | | | | |
| (a) Inventories | 10 | 4,907.66 | 3,236.22 | 10,844.88 |
| (b) Financial assets | | | | |
| (i) Other investments | 07 B | 26,142.10 | 28,350.07 | 20,613.98 |
| (ii) Trade receivables | 11 | 3,576.67 | 2,943.05 | 888.11 |
| (iii) Cash and cash equivalents | 12 (i) | 30,466.39 | 25,005.51 | 24,972.61 |
| (iv) Bank balances other than cash and cash equivalents | 12 (ii) | 207.57 | 199.23 | 178.52 |
| (v) Other financial assets | 08 | 1,001.08 | 751.73 | 1,265.88 |
| (c) Other current assets | 09 | 734.49 | 390.44 | 2,006.45 |
| **Total current assets** | | 67,035.96 | 60,876.25 | 60,770.43 |
| **Total assets** | | 1,04,580.00 | 98,739.72 | 97,289.83 |
| **Equity and liabilities** | | | | |
| **(1) Equity** | | | | |
| (a) Equity share capital | 13 | 1,540.00 | 1,540.00 | 1,540.00 |
| (b) Other equity | 14 | 84,944.50 | 81,060.12 | 79,830.70 |
| **Total equity** | | 86,484.50 | 82,600.12 | 81,370.70 |
| **(2) Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| (a) Provisions | 15 | 1,281.39 | 686.59 | 528.00 |
| (b) Deferred tax liabilities (Net) | 16 | 1,905.71 | 2,173.53 | 2,303.96 |
| **Total non-current liabilities** | | 3,187.10 | 2,860.12 | 2,831.96 |
| **Current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Trade payables | 17 | 5,252.46 | 4,069.32 | 4,689.87 |
| (ii) Other financial liabilities | 19 | 335.01 | 711.77 | 571.12 |
| (b) Provisions | 15 | 4,779.72 | 4,966.97 | 4,420.26 |
| (c) Current tax liabilities (Net) | 20 | 3,234.86 | 2,394.70 | 2,220.79 |
| (d) Other current liabilities | 18 | 1,306.35 | 1,136.72 | 1,185.13 |
| **Total current liabilities** | | 14,908.40 | 13,279.48 | 13,087.17 |
| **Total liabilities** | | 18,095.50 | 16,139.60 | 15,919.13 |
| **Total equity and liabilities** | | 1,04,580.00 | 98,739.72 | 97,289.83 |

See accompanying notes to the Financial Statements 1-47

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra** - *Chairman*
**Sanjay Kumar Pattnaik** - *Managing Director*
**S. K. Mishra** - *Chief Financial Officer*
**Sanjay Kasture** - *Company Secretary*
Kolkata, 26 April, 2017

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2017

Rs. in lacs

| | | Notes | Year Ended 31 March, 2017 | Year Ended 31 March, 2016 |
|---|---|---|---|---|
| I | Revenue from operations | 21 | 61,516.07 | 63,304.18 |
| II | Other income | 22 | 3,702.03 | 3,766.48 |
| III | **Total income (I + II)** | | 65,218.10 | 67,070.66 |
| IV | **Expenses:** | | | |
| | Cost of materials consumed | 23 | 36,968.26 | 40,613.17 |
| | Purchases of traded sponge iron | | - | 780.12 |
| | Changes in inventories of finished goods and stock in trade | 24 | 324.91 | 1,300.21 |
| | Excise duty on sale of goods | | 5,785.30 | 5,951.28 |
| | Employee benefits expense | 25 | 4,630.97 | 3,398.10 |
| | Finance costs | 26 | 244.40 | 538.36 |
| | Depreciation and amortisation expense | 27 | 1,276.31 | 1,289.30 |
| | Other expenses | 28 | 7,640.67 | 8,865.38 |
| | **Total expenses (IV)** | | 56,870.82 | 62,735.92 |
| V | **Profit before tax (III - IV)** | | 8,347.28 | 4,334.74 |
| VI | **Tax expense:** | | | |
| | (1) Current tax | 28.2 | 2,669.00 | 1,220.00 |
| | (2) Deferred tax | 16 | (195.76) | (74.28) |
| | **Total tax expense VI** | | 2,473.24 | 1,145.72 |
| VII | **Profit for the year (V - VI)** | | 5,874.04 | 3,189.02 |
| VIII | **Other comprehensive income** | | | |
| (A) | (i) Items that will not be reclassified to profit or loss | | | |
| | (a) Remeasurements of the defined benefit plans | 40 | (208.21) | (162.24) |
| | (b) Income tax relating to items that will not be reclassified to profit or loss | | 72.06 | 56.15 |
| | **Total other comprehensive income (VIII)** | | (136.15) | (106.09) |
| IX | **Total comprehensive income for the year (VII+VIII)** | | | |
| | (Comprising profit and other comprehensive income for the year) | | 5,737.89 | 3,082.93 |
| X | **Earnings per equity share (face value of Rs. 10/- each):** | 30 | | |
| | (1) Basic (in Rs.) | | 38.14 | 20.71 |
| | (2) Diluted (in Rs.) | | 38.14 | 20.71 |

See accompanying notes to the Financial Statements 1-47

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra -** *Chairman*
**Sanjay Kumar Pattnaik -** *Managing Director*
**S. K. Mishra -** *Chief Financial Officer*
**Sanjay Kasture -** *Company Secretary*

Kolkata, 26 April, 2017

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2017

| A) Equity share capital | | Rs. in lacs |
|---|---|---|
| (a) | **Balance as at 1 April, 2015** (15,400,000 equity shares of Rs. 10 each) | 1,540.00 |
| | Changes in equity share capital during the year | - |
| | **Balance as at 31 March, 2016** (15,400,000 equity shares of Rs. 10 each) | 1,540.00 |
| | Changes in equity share capital during the year | - |
| | **Balance as at 31 March, 2017** (15,400,000 equity shares of Rs. 10 each) | 1,540.00 |

**B) Other equity** — Rs. in lacs

| | Reserves and surplus | | Items of other comprehensive income | | |
|---|---|---|---|---|---|
| **Particulars** | **General reserves** | **Retained earnings** | **Equity instrument through other comprehensive income** | **Other items of other comprehensive income** | **Total** |
| **Balance as at 1 April, 2015** | 75,880.00 | 3,950.70 | - | - | 79,830.70 |
| Profit for the year | - | 3,189.02 | - | - | 3,189.02 |
| Remeasurement gains / (losses) on defined benefit plans | - | - | - | (162.24) | (162.24) |
| Tax impact on other comprehensive income (OCI) | - | - | - | 56.15 | 56.15 |
| Dividend paid during the year | - | (1,540.00) | - | - | (1,540.00) |
| Tax on dividend | - | (313.51) | - | - | (313.51) |
| Transfer to general reserve | 1,120.00 | (1,120.00) | - | - | - |
| **Balance as at 31 March, 2016** | 77,000.00 | 4,166.21 | - | (106.09) | 81,060.12 |
| Profit for the year | - | **5,874.04** | - | - | **5,874.04** |
| Remeasurement gains / (losses) on defined benefit plans | - | - | - | **(208.21)** | **(208.21)** |
| Tax impact on other comprehensive income (OCI) | - | - | - | **72.06** | **72.06** |
| Dividend paid during the year | - | **(1,540.00)** | - | - | **(1,540.00)** |
| Tax on dividend | - | **(313.51)** | - | - | **(313.51)** |
| **Balance as at 31 March, 2017** | **77,000.00** | **8,186.74** | **-** | **(242.24)** | **84,944.50** |

See accompanying notes to the Financial Statements 1-47

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra -** *Chairman*
**Sanjay Kumar Pattnaik -** *Managing Director*
**S. K. Mishra -** *Chief Financial Officer*
**Sanjay Kasture -** *Company Secretary*

Kolkata, 26 April, 2017

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

Rs. In lacs

| | Note | Year Ended 31 March, 2017 | Year Ended 31 March, 2016 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| **Profit for the year** | | 5,874.04 | 3,189.02 |
| *Adjustments for:* | | | |
| Tax expenses recognised in profit or loss | | 2,473.24 | 1,145.72 |
| Depreciation and amortisation expense | | 1,276.31 | 1,289.30 |
| Dividend from current investments | | (1,290.51) | (1,456.17) |
| Dividend received from equity investments | | (70.00) | (80.00) |
| Net gain on sale of current investments | | (3.81) | (0.21) |
| Net loss on disposal of property, plant and equiptment | | 6.96 | 35.83 |
| Interest income recognised in profit or loss | | (2,168.16) | (2,073.97) |
| Finance costs recognised in profit or loss | | 244.40 | 538.36 |
| Liabilities / provisions no longer required written back | | (27.39) | (14.93) |
| Operating profit / (loss) before working capital changes | | 6,315.08 | 2,572.95 |
| *Changes in working capital:* | | | |
| Adjustment for (increase) / decrease in operating assets | | | |
| Inventories | | (1,671.44) | 7,608.66 |
| Trade receivables | | (633.62) | (2,054.94) |
| Other current assets | | (344.04) | 1,616.47 |
| Other financial assets | | (249.35) | 514.15 |
| Other non-current assets | | (927.32) | (686.10) |
| Adjustment for increase / (decrease) in operating liabilities | | | |
| Trade payables | | 1,183.14 | (620.55) |
| Other financial liabilities | | (393.54) | 99.23 |
| Other-current liabilities | | 556.70 | (97.16) |
| Provisions - current | | (639.86) | (153.82) |
| Provisions - non-current | | 594.80 | 158.59 |
| **Cash generated from / (used in) operations** | | 3,790.55 | 8,957.48 |
| Income taxes paid | | (1,843.42) | (1,250.61) |
| **Net cash generated by operating activities** | | 1,947.13 | 7,706.87 |
| **B. Cash flows from investing activities** | | | |
| Payments for purchase of property, plant and equipment (including capital advances) | | (388.07) | (1,722.23) |
| Proceeds from disposal of property, plant and equipment | | 6.50 | 6.86 |
| Payments to acquire current investments | | (65,862.53) | (1,02,765.17) |
| Proceeds from disposal of current investments | | 68,074.30 | 95,029.29 |
| Interest received | | 2,168.16 | 2,073.97 |
| Dividend received from equity investments | | 70.00 | 80.00 |
| Dividend received from current investments | | 1,290.51 | 1,456.17 |
| **Net cash generated / (used) in investing activities** | | 5,358.87 | (5,841.11) |
| **C. Cash flows from financing activities:** | | | |
| Interest paid | | - | (0.06) |
| Dividend paid (excluding unpaid dividend) | | (1,531.61) | (1,519.29) |
| Tax on dividend paid | | (313.51) | (313.51) |
| **Net cash generated / (used) in financing activities** | | (1,845.12) | (1,832.86) |
| **Net increase or (decrease) in cash or cash equivalents** | | 5,460.88 | 32.90 |
| **Cash and cash equivalents at beginning of the year** (Refer note 1) | 12 | 25,005.51 | 24,972.61 |
| **Cash and cash equivalents at the end of the year** (Refer note 1) | 12 | 30,466.39 | 25,005.51 |

Notes: 1 Includes cash on hand, balance in current accounts and demand deposit accounts with banks as disclosed in Note 12.
2 Figures in brackets represent outflows.

See accompanying notes to the Financial Statements 1-47

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra** - *Chairman*
**Sanjay Kumar Pattnaik** - *Managing Director*
**S. K. Mishra** - *Chief Financial Officer*
**Sanjay Kasture** - *Company Secretary*
Kolkata, 26 April, 2017

# NOTES TO THE FINANCIAL STATEMENTS

## 01. Corporate information

TATA SPONGE IRON LIMITED ('TSIL' or 'the Company') is a public limited Company incorporated in India with its registered office at Joda, Odisha, India.

The Company has a presence across the entire value chain in manufacture of sponge iron and generation of power from waste heat.

The functional and presentation currency of the Company is Indian Rupee ("INR") which is the currency of the primary economic environment in which the Company operates. All financial information presented in Indian rupees has been rounded to the nearest lakhs except share and per share data.

The Company's operations predominantly relate to manufacture of sponge iron and generation of power.

The Company is a subsidiary of Tata Steel Limited. The equity shares of the Company are listed on two of the stock exchanges in India i.e. NSE and BSE.

## 02. Significant accounting policies

### a) Statement of compliance

The financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 read with section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India.

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Upto the year ended 31 March, 2016, the Company prepared its financial statements in accordance with the requirements of Indian GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Company's first Ind AS financial statements. The date of transition to Ind AS is 1 April, 2015. Refer note 2 (c) for the details of the first-time adoption exemptions availed by the Company.

### b) Basis of preparation and presentation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### c) First-time adoption of Indian Accounting Standards-mandatory exceptions, optional exemptions

#### i) Overall principles

The Company has prepared the opening balance sheet as per Ind AS as at 1 April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising the items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required by Ind AS, and applying Ind AS in measurement of recognised assets and liabilities. However, this principle is subject to certain exceptions and certain optional exemptions availed by the Company as detailed below.

#### ii) Derecognition of financial assets and financial liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities prospectively for transaction occurring on or after 1 April, 2015 (the transition date).

**iii) Impairment of financial assets**

The Company has applied the impairment requirement of Ind AS 109 "Financial Instruments" retrospectively; however, as permitted by Ind AS 101 "First-time Adoption of Indian Accounting Standards", it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date. Further, the Company has not undertaken an exhaustive search for information when determining, at the date of transition to Ind ASs, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101 "First Time Adoption of Indian Accounting Standards".

**iv) Deemed cost for property, plant and equipment and intangible assets**

The Company has elected to continue with the carrying value of all its property, plant and equipment and intangible assets recognised as on 1 April, 2015 (transition date) measured as per previous GAAP and use that carrying value as its deemed cost as of the transition date.

**v) Deemed cost for equity investments in subsidiary**

The Company has elected to continue with the carrying value of its equity investments in subsidiary as of 1 April, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

**vi) Determining whether an arrangement contains a lease**

The Company has applied Appendix C of Ind AS 17 "Leases" "Determining whether an Arrangement contains a Lease" to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.

**vii) Equity instruments at FVTOCI**

The Company has designated investment in equity shares of Jamipol Limited as at FVTOCI on the basis of fact and circumstances that existed at the transition date.

**d) Use of estimates and critical accounting judgments**

In preparation of the financial statements, the Company makes judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

Significant judgments and estimates relating to the carrying amounts of assets and liabilities including provision for employee benefits and other provisions, recoverability of deferred tax assets and commitments and contingencies are included in the following notes:

- Provision for employee benefits : Refer note 02(k), note 15 and note 40.
- Recoverability of deferred tax assets : Refer note 16.
- Provision and contingencies : Refer note 02(n), note 15, note 31, note 32, note 34, note 35 and note 42.

**e) Property, plant and equipment**

An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Company and its cost can be measured reliably. This recognition principle is applied to the costs incurred initially to acquire an item of property, plant and equipment and also to costs incurred subsequently to add to, replace part of, or service it. All other repair and maintenance costs, including regular servicing, are recognised in the Statement of Profit and Loss as incurred. When a replacement occurs, the carrying amount of the replaced part is derecognised. Where a property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Cost includes all direct costs and expenditures incurred to bring the asset to its working condition and location for its intended use. Trial run expenses (net of revenue) are capitalised. Borrowing costs during the period of construction is added to the cost of eligible property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant

## NOTES TO THE FINANCIAL STATEMENTS

and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the Statement of Profit and Loss.

**Deemed cost on transition to Ind AS**

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as of 1 April, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

**f) Intangible assets**

**Intangible assets acquired separately**

Mining geological report, railway sidings and software costs are included in the Balance Sheet as intangible assets where they are clearly linked to long term economic benefits for the Company. In this case they are measured initially at purchase cost and then amortised on a straight-line basis over their estimated useful lives. All other costs on patents, trademarks and software are expensed in the Statement of Profit and Loss as incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Deemed cost on transition to Ind AS

For transition to Ind AS, the Company has elected to continue with the carrying value of all of its intangible assets recognised as of 1 April, 2015 (transition date) measured as per previous GAAP and use that carrying value as its deemed cost as of the transition date.

**g) Depreciation and amortisation of property, plant and equipment and intangible assets**

Depreciation amount for assets is the cost of an asset, or other amount substituted for cost, less its estimates residual value.

Depreciation on tangible property, plant and equipment has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of the assets, in whose case the life of the assets has been assessed as under taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, etc.

| Category of assets | Useful life |
|---|---|
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Railway sidings | 5 years |

Intangible assets are amortised over a period of 3 to 5 years.

Assets individually costing Rs. 25,000 or less are fully depreciated in the year of purchase.

**h) Impairment of property, plant and equipment and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**i) Leases**

The Company determines whether an arrangement contains a lease by assessing whether the fulfillment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to the Company in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for either as finance or operating lease.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Company as lessee**

**Operating lease**

Rentals payable under operating leases are charged to the Statement of Profit and Loss in a straight line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the reporting period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Finance lease**

Finance leases are capitalised at the commencement of lease, at the lower of the fair value of the property or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income over the period of the lease.

**The Company as lessor**

**Operating lease**

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Company's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**Finance lease**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

**j) Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Investment in subsidiaries**

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

## NOTES TO THE FINANCIAL STATEMENTS

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

**Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognised in other comprehensive income.

**Financial assets at fair value through profit or loss (FVTPL)**

Investments in equity instruments are classified as at FVTPL, unless the Company irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

**Impairment of financial assets**

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI, lease receivables, trade receivables, other contractual rights to receive cash or other financial asset, and financial guarantees not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit -adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the Company measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the Company again measures the loss allowance based on 12-month expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

**Derecognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**Foreign exchange gains or losses**

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For foreign currency denominated financial assets measured at amortised cost and FVTPL, the exchange differences are recognised in profit or loss except for those which are designated as hedging instruments in a hedging relationship.

Changes in the carrying amount of investments in equity instruments at FVTOCI relating to changes in foreign currency rates are recognised in other comprehensive income.

For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

**Financial liabilities and equity instruments**

**Classification as debt or equity**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity

## NOTES TO THE FINANCIAL STATEMENTS

in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or (where appropriate) a shorter period, to the gross carrying amount on initial recognition.

**Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in 'Other income'.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**k) Employee Benefits**

**Short term employee benefits**

Short term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each semi-annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and
- remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

**l) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the Statement of Profit and Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

**Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**m) Inventories**

Raw materials are valued at cost or net realizable value whichever is lower. Cost comprises purchase price, freight and handling charges, non refundable taxes and duties and other directly attributable costs.

Finished products are valued at lower of cost and net realisable value.

Stores and spares are valued at cost comprising of purchase price, freight and handling charges, non refundable taxes and duties and other directly attributable cost less provision for obsolescence.

Cost of inventories are ascertained on the ""weighted average" basis.

# NOTES TO THE FINANCIAL STATEMENTS

**n) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, which is expected to result in an outflow of resources embodying economic benefits which can be reliably estimated. Each provision is based on the best estimate of the expenditure required to settle the present obligation at the balance sheet date. When appropriate, provisions are measured on a discounted basis.

Constructive obligation is an obligation that derives from an entity's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial assets.

**o) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of discounts, taking into account contractually defined terms.

**Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is when they have accepted physical delivery and control of the goods. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

**Sale of Power**

Revenue from the transfer of power is recognised based on contracts/arrangements with the power consumers.

**Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Dividend income**

Dividend income from investments is recognised when the shareholder’s rights to receive payment have been established

**Rental income**

Rental income from investment properties and subletting of properties is recognised on a straight line basis over the term of the relevant leases.

**p) Foreign currency transactions and translation**

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on translation of long term foreign currency monetary items recognised in the financial statements before the beginning of the first Ind AS financial reporting period are recognised directly in equity or added/deducted from the cost of assets as the case may be.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the Statement of Profit and Loss for the reporting period. Exchange differences arising on retranslation on non-monetary items carried at fair value are included inStatement of Profit and Loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

**q) Borrowing Costs**

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Statement of Profit and Loss in the period in which they are incurred.

**r) Earnings per equity share**

Basic earnings per equity share is computed by dividing profit or loss attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The Company did not have any potentially dilutive securities in any of the periods presented.

**s) Cash and cash equivalents**

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

**t) Cash flow statement**

Cash flows are reported using the indirect method, where by profit before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

**u) Operating cycle**

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**2A. Standards issued but not yet effective**

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows' and Ind AS 102, 'Share-based payment.' The amendments are applicable to the Company from 1 April, 2017.

**Amendment to Ind AS 7:**

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The company is evaluating the requirements of the amendment and its impact on its cash flows, which are not expected to be material.

**Amendment to Ind AS 102:**

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Company does not have any scheme of share based payments and hence the requirements of the amendment will not have any impact on thefinancial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**03 First - time Ind AS adoption reconciliations**

**(A) Effect of Ind AS adoption on the balance sheet as at 31 March, 2016 and 1 April, 2015**

Rs. in lacs

| | | As at 31 March, 2016 | | | As at 1 April, 2015 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Previous GAAP | Effect of transition to Ind AS | Ind AS | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| Assets | | | | | | | |
| (1) Non-current assets | | | | | | | |
| (a) Property, plant and equipment | | 15,813.32 | - | 15,813.32 | 14,005.36 | - | 14,005.36 |
| (b) Capital work-in-progress | | 923.26 | - | 923.26 | 2,003.88 | - | 2,003.88 |
| (c) Other intangible assets | | 558.43 | - | 558.43 | 726.52 | - | 726.52 |
| (d) Financial assets | | | | | | | |
| (i) Investments | | | | | | | |
| a) Investment in subsidiaries | | 106.01 | - | 106.01 | 106.01 | - | 106.01 |
| b) Other investments | | 80.00 | - | 80.00 | 80.00 | - | 80.00 |
| (ii) Other financial assets | | 24.11 | - | 24.11 | 26.09 | - | 26.09 |
| (e) Non current tax assets | | 2,798.05 | - | 2,798.05 | 2,598.05 | - | 2,598.05 |
| (f) Other non-current assets | | 17,560.29 | - | 17,560.29 | 16,973.49 | - | 16,973.49 |
| Total non-current assets | | 37,863.47 | - | 37,863.47 | 36,519.40 | - | 36,519.40 |
| (2) Current assets | | | | | | | |
| (a) Inventories | | 3,236.22 | - | 3,236.22 | 10,844.88 | - | 10,844.88 |
| (b) Financial assets | | | | | | | |
| (i) Other investments | | 28,350.07 | - | 28,350.07 | 20,613.98 | - | 20,613.98 |
| (ii) Trade receivables | | 2,943.05 | - | 2,943.05 | 888.11 | - | 888.11 |
| (iii) Cash and cash equivalents | | 25,005.51 | - | 25,005.51 | 24,972.61 | - | 24,972.61 |
| (iv) Bank balances other than cash and cash equivalents | | 199.23 | - | 199.23 | 178.52 | - | 178.52 |
| (v) Other financial assets | | 751.73 | - | 751.73 | 1,265.88 | - | 1,265.88 |
| (c) Other current assets | | 390.44 | - | 390.44 | 2,006.45 | - | 2,006.45 |
| Total current assets | | 60,876.25 | - | 60,876.25 | 60,770.43 | - | 60,770.43 |
| Total assets | | 98,739.72 | - | 98,739.72 | 97,289.83 | - | 97,289.83 |
| Equity and liabilities | | | | | | | |
| (1) Equity | | | | | | | |
| (a) Equity share capital | | 1,540.00 | - | 1,540.00 | 1,540.00 | - | 1,540.00 |
| (b) Other equity | b | 79,206.61 | (1,853.51) | 81,060.12 | 77,977.19 | 1,853.51 | 79,830.70 |
| Total equity | | 80,746.61 | (1,853.51) | 82,600.12 | 79,517.19 | 1,853.51 | 81,370.70 |
| (2) Liabilities | | | | | | | |
| Non-current liabilities | | | | | | | |
| (a) Provisions | | 686.59 | - | 686.59 | 528.00 | - | 528.00 |
| (b) Deferred tax liabilities (net) | | 2,173.53 | - | 2,173.53 | 2,303.96 | - | 2,303.96 |
| Total non-current liabilities | | 2,860.12 | - | 2,860.12 | 2,831.96 | - | 2,831.96 |
| Current liabilities | | | | | | | |
| (a) Financial liabilities | | | | | | | |
| (i) Trade payables | | 4,069.32 | - | 4,069.32 | 4,689.87 | - | 4,689.87 |
| (ii) Other financial liabilities | | 711.77 | - | 711.77 | 571.12 | - | 571.12 |
| (b) Provisions | b | 6,820.48 | 1,853.51 | 4,966.97 | 6,273.77 | (1,853.51) | 4,420.26 |
| (c) Current tax liabilities (net) | | 2,394.70 | - | 2,394.70 | 2,220.79 | - | 2,220.79 |
| (d) Other current liabilities | | 1,136.72 | - | 1,136.72 | 1,185.13 | - | 1,185.13 |
| Total current liabilities | | 15,132.99 | 1,853.51 | 13,279.48 | 14,940.68 | (1,853.51) | 13,087.17 |
| Total liabilities | | 17,993.11 | 1,853.51 | 16,139.60 | 17,772.64 | (1,853.51) | 15,919.13 |
| Total equity and liabilities | | 98,739.72 | - | 98,739.72 | 97,289.83 | - | 97,289.83 |

## NOTES TO THE FINANCIAL STATEMENTS

**B) Reconciliation of total equity as at 31 March, 2016 and 1 April, 2015**

**Equity reconciliations**

**Rs. in lacs**

| | **Notes** | **As at 31 March, 2016** | **As at 1 April, 2015** |
|---|---|---|---|
| Total equity (shareholders funds) under Previous GAAP | | 80,746.61 | 79,517.19 |
| Proposed dividend (including dividend tax) | b | 1,853.51 | 1,853.51 |
| **Equity under Ind AS** | | 82,600.12 | 81,370.70 |

**(C) Effect of Ind AS adoption on the Statement of Profit and Loss for the year ended 31 March, 2016.**

Rs. in lacs

| | | Notes | As at 31 March, 2016 | | |
|---|---|---|---|---|---|
| | | | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| (I) | Revenue from operations | c | 57,352.90 | 5,951.28 | 63,304.18 |
| (II) | Other income | | 3,766.48 | - | 3,766.48 |
| (III) | Total income (I + II) | | 61,119.38 | 5,951.28 | 67,070.66 |
| (IV) | Expenses: | | | | |
| | Cost of materials consumed | | 40,613.17 | - | 40,613.17 |
| | Purchases of traded sponge iron | | 780.12 | - | 780.12 |
| | Changes in inventories of finished goods and stock in trade | | 1,300.21 | - | 1,300.21 |
| | Excise duty on sale of goods | c | - | 5,951.28 | 5,951.28 |
| | Employee benefits expense | d | 3,560.34 | (162.24) | 3,398.10 |
| | Finance costs | | 538.36 | - | 538.36 |
| | Depreciation and amortisation expense | | 1,289.30 | - | 1,289.30 |
| | Other expenses | | 8,865.38 | - | 8,865.38 |
| Total expenses (IV) | | | 56,946.88 | 5,789.04 | 62,735.92 |
| (V) | Profit before tax (III - IV) | | 4,172.50 | 162.24 | 4,334.74 |
| (VI) | Tax expense: | | | | |
| | (1) Current tax | | 1,220.00 | - | 1,220.00 |
| | (2) Deferred tax | d | (130.43) | 56.15 | (74.28) |
| Total tax expense (VI) | | | 1,089.57 | 56.15 | 1,145.72 |
| (VII) | Profit for the year (V - VI) | | 3,082.93 | 106.09 | 3,189.02 |
| (VIII) | Other comprehensive income | a | | | |
| (A) (i) Items that will not be reclassified to profit or loss | | | | | |
| (a) | Remeasurement of the defined benefit plans | d | - | (162.24) | (162.24) |
| (b) | Income tax relating to items that will not be reclassified to profit or loss | d | - | 56.15 | 56.15 |
| Total other comprehensive income (VIII) | | | - | (106.09) | (106.09) |
| (IX) | Total comprehensive income for the year (VII+VIII) (Comprising profit and other comprehensive income for the year) | | 3,082.93 | - | 3,082.93 |

## NOTES TO THE FINANCIAL STATEMENTS

Rs. in lacs

**D) Reconciliation of total comprehensive income for the year ended 31 March, 2016**

| | Notes | Year ended 31 March, 2016 |
|---|---|---|
| Net profit under previous GAAP | | 3,082.93 |
| Actuarial (gain)/ loss on employee defined benefit funds recognised in Other Comprehensive Income | d | 162.24 |
| Deferred tax arising on remeasurement of the defined benefit plans | d | (56.15) |
| **Net profit for the period under Ind AS** | | **3,189.02** |
| Other comprehensive income | | |
| -Remeasurement of the defined benefit plans (net of tax) | d | (106.09) |
| **Total comprehensive income under Ind AS** | | **3,082.93** |

**E) Effect of Ind AS adoption on the Statement of Cash Flows for the year ended 31 March, 2016**

| Particulars | Year ended 31 March, 2016 | | |
|---|---|---|---|
| | Previous GAAP | Effect of transition to Ind AS | As per Ind AS Balance Sheet |
| | Rs. in lacs | Rs. in lacs | Rs. in lacs |
| Net cash flows from operating activities | 7,706.87 | - | 7,706.87 |
| Net cash flows from investing activities | (5,841.11) | - | (5,841.11) |
| Net cash flows from financing activities | (1,832.86) | - | (1,832.86) |
| **Net decrease in cash and cash equivalents** | **32.90** | **-** | **32.90** |
| Cash and cash equivalents at the beginning of the year | | | 24,972.61 |
| **Cash and cash equivalents at the end of the year** | | | **25,005.51** |

**F) Analysis of cash and cash equivalents as at 31 March, 2016 and as at 1 April, 2015 for the purposes of Statement of Cash Flows under Ind AS**

| | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|
| | Rs. in lacs | Rs. in lacs |
| ` Cash and cash equivalents for the purposes of Statement of Cash Flows as per previous GAAP | 25,005.51 | 24,972.61 |
| **Cash and cash equivalents for the purpose of Statement of Cash Flows under Ind AS** | **25,005.51** | **24,972.61** |

Notes :

a Under previous GAAP, there was no concept of other comprehensive income. Under Ind AS, specified items of income expense, gains, or losses are required to be presented in other comprehensive income.

b Under Ind AS, dividend to holders of equity instruments is recognised as a liability in the year in which the obligation to pay is established. Under previous GAAP, dividend payable was recorded as a liability in the year to which it relates. This has resulted in an increase in equity of Rs. 1,853.51 lacs as at 31 March, 2016 and 1 April, 2015.

c Under previous GAAP, revenue from sale of products was presented net of excise duty under revenue from operations, whereas, under Ind AS, revenue from sale of products includes excise duty. The corresponding excise duty expense is presented separately on the face of the Statement of Profit and Loss. The change does not affect total equity as at 1 April, 2015 and 31 March, 2016 and loss for the year ended 31 March, 2016.

d Under previous GAAP, actuarial gains and losses were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of measurement of the net defined benefit liability / asset which is recognised in other comprehensive income. Consequently, the tax effect of the same has also been recognised in other comprehensive income under Ind AS instead of profit or loss. The actuarial losses for the year ended 31 March, 2016 were Rs. 162.24 lacs and the tax effect thereon was Rs. 56.15 lacs. This change does not affect total equity, but there is an increase in profit before tax of Rs. 106.09 lacs and decrease in other comprehensive income of 106.09 lacs for the year ended 31 March, 2016.

e Previous GAAP figures have been reclassified to conform to the Ind AS presentation requirements for the purpose of this note.

## 04 Property, plant and equipment and Capital work-in-progress

Rs. in lacs

| Carrying amount of: | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| Freehold land | 229.42 | 229.42 | 229.42 |
| Freehold buildings | 2,523.48 | 2,485.66 | 2,763.97 |
| Plant and equipment | 12,131.58 | 12,927.25 | 10,874.67 |
| Furniture and fixtures | 11.49 | 13.87 | 15.09 |
| Office equipment | 111.49 | 74.04 | 31.84 |
| Vehicles | 72.26 | 83.08 | 90.37 |
| **Total** | 15,079.72 | 15,813.32 | 14,005.36 |
| Capital work-in-progress | 563.48 | 923.26 | 2,003.88 |
| **Total** | 563.48 | 923.26 | 2,003.88 |

Rs. in lacs

| | Freehold land | Freehold buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost or Deemed cost** | | | | | | | |
| Balance as at 1 April, 2015 | 229.42 | 2,763.97 | 10,874.67 | 15.09 | 31.84 | 90.37 | 14,005.36 |
| Additions during the year | - | 2.16 | 2,886.86 | 3.27 | 55.53 | 24.04 | 2,971.86 |
| Assets disposed / written off during the year | - | - | 820.55 | - | - | 24.21 | 844.76 |
| Balance as at 31 March, 2016 | 229.42 | 2,766.13 | 12,940.98 | 18.36 | 87.37 | 90.20 | 16,132.46 |
| Additions during the year | **-** | **251.14** | **41.49** | **0.03** | **65.77** | **30.26** | **388.69** |
| Assets disposed / written off during the year | **-** | **-** | **2.49** | **0.07** | **0.18** | **20.15** | **22.89** |
| **Balance as at 31 March, 2017** | **229.42** | **3,017.27** | **12,979.98** | **18.32** | **152.96** | **100.31** | **16,498.26** |

Rs. In lacs

| | Freehold land | Freehold buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| Accumulated depreciation as at 1 April, 2015 | - | - | - | - | - | - | - |
| Charge for the year | - | 280.47 | 792.70 | 4.49 | 13.33 | 30.22 | 1,121.21 |
| Depreciation on assets adjusted against retained earning during the year | - | - | - | - | - | - | - |
| Depreciation on assets disposed / written off during the year | - | - | 778.97 | - | - | 23.10 | 802.07 |
| Accumulated depreciation as at 31 March, 2016 | - | 280.47 | 13.73 | 4.49 | 13.33 | 7.12 | 319.14 |
| Charge for the year | **-** | **213.32** | **835.90** | **2.34** | **28.23** | **29.04** | **1,108.83** |
| Depreciation on assets disposed / written off during the year | **-** | **-** | **1.23** | **-** | **0.09** | **8.11** | **9.43** |
| Depreciation on assets adjusted against retained earnings during the year | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Accumulated depreciation as at 31 March, 2017** | **-** | **493.79** | **848.40** | **6.83** | **41.47** | **28.05** | **1,418.54** |

Rs. In lacs

| | Freehold land | Freehold buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| Balance as at 1 April, 2015 | 229.42 | 2,763.97 | 10,874.67 | 15.09 | 31.84 | 90.37 | 14,005.36 |
| Balance as at 31 March, 2016 | 229.42 | 2,485.66 | 12,927.25 | 13.87 | 74.04 | 83.08 | 15,813.32 |
| **Balance as at 31 March, 2017** | **229.42** | **2,523.48** | **12,131.58** | **11.49** | **111.49** | **72.26** | **15,079.72** |

**Notes**

All the above property, plant and equipment are owned by the Company.

## 05 Other intangible assets

Rs. In lacs

| Carrying amount of: | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| Mining geological report | - | - | - |
| Software costs | - | - | 0.61 |
| Railway sidings | 390.95 | 558.43 | 725.91 |
| **Total intangible assets** | 390.95 | 558.43 | 726.52 |

Rs. In lacs

| | Mining geological report | Software costs | Railway sidings | Total |
|---|---|---|---|---|
| **Deemed cost** | | | | |
| Balance as at 1 April, 2015 | - | 0.61 | 725.91 | 726.52 |
| Additions during the year | - | - | - | - |
| Assets disposed / written off during the year | - | - | - | - |
| **Balance as at 31 March, 2016** | **-** | **0.61** | **725.91** | **726.52** |
| Additions during the year | - | - | - | - |
| Assets disposed / written off during the year | - | - | - | - |
| **Balance as at 31 March, 2017** | **-** | **0.61** | **725.91** | **726.52** |

Rs. In lacs

| | Mining geological report | Software costs | Railway sidings | Total |
|---|---|---|---|---|
| **Accumulated amortisation** | | | | |
| Accumulated amortisation as at 1 April, 2015 | - | - | - | - |
| Charge for the year | - | 0.61 | 167.48 | 168.09 |
| Amortisation of assets disposed/written off during the year | - | - | - | - |
| Accumulated amortisation as at 31 March, 2016 | - | 0.61 | 167.48 | 168.09 |
| Charge for the year | - | - | **167.48** | **167.48** |
| Amortisation of assets disposed/written off during the year | - | - | - | - |
| **Accumulated amortisation as at 31 March, 2017** | **-** | **0.61** | **334.96** | **335.57** |

Rs. In lacs

| | Mining geological report | Software costs | Railway sidings | Total |
|---|---|---|---|---|
| **Carrying amount** | | | | |
| Balance as at 1 April, 2015 | - | 0.61 | 725.91 | 726.52 |
| Balance as at 31 March, 2016 | - | - | 558.43 | 558.43 |
| **Balance as at 31 March, 2017** | **-** | **-** | **390.95** | **390.95** |

## 06 Investments in subsidiaries

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---|---|---|---|---|---|
| | Quantity | Amount (Rs in lacs) | Quantity | Amount (Rs in lacs) | Quantity | Amount (Rs in lacs |
| **Unquoted Investment (all fully paid)** | | | | | | |
| **Investment in equity instruments** | | | | | | |
| TSIL ENERGY LIMITED | 10,60,060 | 106.01 | 10,60,060 | 106.01 | 10,60,060 | 106.01 |
| **Total aggregate unquoted investment** | 10,60,060 | 106.01 | 10,60,060 | 106.01 | 10,60,060 | 106.01 |
| Aggregate carrying value of unquoted investments | | 106.01 | | 106.01 | | 106.01 |

## 07 Other Investments

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---|---|---|---|---|---|
| | Quantity | Amount (Rs in lacs) | Quantity | Amount (Rs in lacs) | Quantity | Amount (Rs in lacs |
| **A) Non-current** | | | | | | |
| **Unquoted investment (all fully paid)** | | | | | | |
| **Investment in equity instruments at FVTOCI** | | | | | | |
| Jamipol Limited (Refer note) | 8,00,000 | 80.00 | 8,00,000 | 80.00 | 8,00,000 | 80.00 |
| **Total aggregate unquoted investment** | 8,00,000 | 80.00 | 8,00,000 | 80.00 | 8,00,000 | 80.00 |
| Aggregate carrying value of unquoted investment | | 80.00 | | 80.00 | | 80.00 |

Note :

The Company holds 800,000 number of equity shares of Rs. 10 each in Jamipol Limited. Since the shares of Jamipol Limited are unquoted, and there is a restriction on disinvestment of shares by the Company as this is a strategic investment, there is a wide range of possible fair value measurements. Consequently, the management of the Company has concluded that cost represents the best estimate of fair value within that range.

| **B)** | **Current** | **Quantity** | **Amount (Rs. in lacs)** | **Quantity** | **Amount (Rs. in lacs)** | **Quantity** | **Amount (Rs. in lacs)** |
|---|---|---|---|---|---|---|---|
| | **Investment in liquid mutual funds (Unquoted) at FVTPL** | | | | | | |
| 1 | L&T Liquid Fund - Daily Dividend Reinvestment Plan | - | - | - | - | 200,680.38 | 2,030.15 |
| 2 | TATA Money Market Fund - Plan A - Daily Dividend Reinvestment | **323,600.14** | **3,240.91** | 444,552.73 | 4,452.27 | 263,656.78 | 2,640.57 |
| 3 | JM High Liquidity Fund - Daily Dividend Option (39) | - | - | - | - | 17,476,757.87 | 1,822.86 |
| 4 | Invesco Liquid Fund - Daily Dividend | - | - | - | - | 195,978.53 | 1,961.99 |
| 5 | HDFC Liquid Fund- Regular Plan - Daily Dividend* | **297,600.51** | **3,034.99** | 386,643.69 | 3,943.07 | 21,513,427.21 | 2,193.98 |
| 6 | IDFC Cash Fund - Regular Plan - Daily Dividend | **363,308.59** | **3,637.02** | - | - | 252,168.98 | 2,522.85 |
| 7 | Reliance Liquid Fund - Treasury Plan - Daily Dividend Option | **298,066.21** | **4,556.65** | 292,550.00 | 4,472.33 | 215,007.14 | 3,286.90 |
| 8 | Franklin India TMA - Super IP - Growth - Daily Dividend Reinvestment | - | - | - | - | 293,748.39 | 2,939.59 |
| 9 | Kotak Floater Short Term - Daily Dividend | - | - | - | - | 99,362.26 | 1,215.01 |
| 10 | SBI Premier Liquid Fund - Regular Plan - Daily Dividend | **49,943.31** | **501.06** | 224,910.86 | 2,256.42 | 7.67 | 0.08 |
| 11 | Axis Liquid - Regular Daily Dividend | **376,475.16** | **3,767.16** | 444,015.03 | 4,441.75 | - | - |
| 12 | ICICI Prudential Liquid - Regular Daily Dividend | **2,482,909.11** | **2,485.37** | 4,319,534.40 | 4,322.28 | - | - |
| 13 | UTI - Money Market Fund - Institutional Plan - Daily Dividend Reinvestment | - | - | 444,690.17 | 4,461.95 | - | - |
| 14 | BSL Cash Plus - Daily Dividend | **3,189,383.37** | **3,195.61** | - | - | - | - |
| 15 | DSP Blackrock Liquidity Fund-Inst-DDR | **172,194.08** | **1,723.33** | - | - | - | - |
| | **Total current investments** | | **26,142.10** | | 28,350.07 | | 20,613.98 |
| | Aggregate carrying value of unquoted investments | | **26,142.10** | | 28,350.07 | | 20,613.98 |

*Face value changed from Rs. 10 to Rs. 1,000.

## 08 Other financial assets

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Non-current | Current | Non-current | Current |
| (a) Security deposits | 4.46 | 271.06 | 4.46 | 240.39 | 8.51 | 220.16 |
| (i) Considered doubtful | - | 22.57 | - | 22.57 | - | 22.57 |
| Less: Provision for doubtful deposits | - | (22.57) | - | (22.57) | - | (22.57) |
| (b) Interest accrued on deposits, loans and advances | 1.20 | 721.17 | - | 502.43 | - | 1,038.75 |
| (c) Other loans and advances | | | | | | |
| Loans to employees | 15.25 | 8.85 | 17.60 | 8.91 | 15.53 | 6.97 |
| (d) Deposit with banks and others with maturity period more than 12 months (Above deposits includes of Rs. 1.97 lacs as at 31 March, 2017 (Rs. 2.05 lacs as at 31 March, 2016 and Rs. 2.05 lacs as at 1 April' 2015) pledged with government authorities) | 1,018.91 | - | 2.05 | - | 2.05 | - |
| | 1,039.82 | 1,001.08 | 24.11 | 751.73 | 26.09 | 1,265.88 |

## 09 Other assets

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Non-current | Current | Non-current | Current |
| (a) Capital advances | 16,824.26 | - | 16,824.26 | - | 16,925.07 | - |
| (b) Advances to related parties (Refer note 36(b)) | - | 20.00 | - | 1.86 | - | 71.86 |
| (c) Other loans and advances | | | | | | |
| (i) Advances with public bodies | 608.71 | 149.86 | 608.71 | 92.73 | - | 1,050.49 |
| (ii) Other advances and prepayments | 11.66 | 564.16 | 5.07 | 295.38 | 9.60 | 883.63 |
| (iii) Employee benefits assets | | | | | | |
| - Retiring gratuities | - | - | 44.73 | - | - | - |
| - Compensated absences | - | - | 50.25 | - | 11.08 | - |
| (iv) Prepaid lease payments | | | | | | |
| - Prepaid lease payments cost | 42.42 | 0.47 | 42.42 | 0.47 | 42.42 | 0.47 |
| Less: Prepaid lease payments amortisation | (15.62) | - | (15.15) | - | (14.68) | - |
| | 17,471.43 | 734.49 | 17,560.29 | 390.44 | 16,973.49 | 2,006.45 |

## 10 Inventories (lower of cost and net realisable value)

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| (a) Raw materials | 3,854.26 | 1,835.48 | 7,955.32 |
| (b) Finished goods | 218.11 | 543.02 | 1,843.23 |
| (c) Stores and spares | 835.29 | 857.72 | 1,046.33 |
| **Total inventories** | 4,907.66 | 3,236.22 | 10,844.88 |

**Note:**

a) The Loss on obsolescence relating to stores and spare recognised as an expense for the year ended 31 March, 2017 is Rs.50.63 lacs (for the year ended 31 March, 2016: Rs.57.97 lacs).

b) The cost of inventories relating to iron ore recognised as expenses during the year ended 31 March, 2017 includes Rs. Nil (during the year ended 31 March, 2016 Rs. 1,110.96 lacs) in respect of write - down of inventory to net realisable value.

c) Mode of valuation has been stated in note 2 m.

## 11 Trade receivables

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| **Current** | | | |
| a) Unsecured, considered good, unless otherwise stated | 3,576.67 | 2,943.05 | 888.11 |
| **Total trade receivables** | **3,576.67** | **2,943.05** | **888.11** |

**Note:**

a) Of the trade receivables balance as at the year end, the Company's largest customers who represent more than 5% of the total balance of trade receivables are as follows:

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| **Trade receivable -Sale of Sponge** | | | |
| Meenakshi Enterprises | 314.41 | 458.67 | - |
| Sponge Sales (India) Private Limited | 454.72 | - | - |
| Lhaki Steels & Rolling Private Limited | 1,870.88 | 1,055.70 | - |
| Shri Badrinarayan Alloys & Steels | - | 595.28 | 506.54 |
| Brahmaputra Metallics Limited | - | 344.26 | - |
| **Trade receivable -Sale of power** | | | |
| Tata Steel Limited | 401.06 | 437.74 | 342.69 |
| | 3,041.07 | 2,891.65 | 849.23 |

There are no other customers, other than mentioned above, who represents more than 5% of the total balance of the trade receivables.

b) The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 "Financial instruments" requires expected credit losses to be measured through a loss allowance. The Company has used a practical expedient and adjusted for forward looking information to compute expected credit losses. Based on historical credit loss experience for the Company and considering forward looking information, there is no expected credit loss allowance on trade receivables.

c) Age of receivables:

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| Within the credit period | 3,216.84 | 2,942.18 | 884.63 |
| 1-30 days past due | 356.18 | - | - |
| 31-60 days past due | - | - | - |
| 61-90 days past due | - | - | - |
| More than 90 days past due | 3.65 | 0.87 | 3.48 |
| | 3,576.67 | 2,943.05 | 888.11 |

## 12 (i) Cash and cash equivalents

Rs. In lacs

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| (a) | Balances with scheduled banks | | | |
| | (1) In current accounts | 229.69 | 341.08 | 30.06 |
| | (2) In demand deposit accounts | 30,235.31 | 24,663.26 | 24,941.11 |
| (b) | Cash on hand | 1.39 | 1.17 | 1.44 |
| | **Total Cash and cash equivalents as per Statement of Cash Flows** | 30,466.39 | 25,005.51 | 24,972.61 |

## 12 (ii) Bank balances other than cash and cash equivalents

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| In current accounts (see note below) | 207.57 | 199.23 | 178.52 |
| | 30,673.96 | 25,204.74 | 25,151.13 |
| Note: Includes earmarked balances in unpaid dividend accounts | 207.57 | 199.23 | 178.52 |

## 12 (iii) Disclosure of specified Bank notes (SBNs)

'The details of Specified Bank Notes (SBNs) or other denomination notes, as defined in the MCA notification G.S.R. 308(E) dated 30 March, 2017, held and transacted during the period from 8 November, 2016 to 30 December, 2016 is provided in the table below:

| **Particulars** | **SBN's (Rs.)** | **Other denomination notes (Rs.)** | **Total (Rs.)** |
|---|---|---|---|
| **Closing Cash in hands as on 8 November, 2016** | 1,22,500.00 | 37,607.50 | 1,60,107.50 |
| Add: Permitted receipts | - | 6,71,872.00 | 6,71,872.00 |
| Less: Permitted payments | - | (5,27,434.50) | (5,27,434.50) |
| Less: Amount deposited in Banks | (1,22,500.00) | - | (1,22,500.00) |
| **Closing Cash in hand as on 30 December, 2016** | **-** | **1,82,045.00** | **1,82,045.00** |

* For the purposes of this note, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8 November, 2016.

## 13 Equity share capital

Rs. In lacs

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| **(a)** | **Authorised Share Capital:** | | | |
| | **25,000,000** Equity shares of Rs. 10 each | 2,500.00 | 2,500.00 | 2,500.00 |
| | (As at 31 March, 2016: 25,000,000 equity shares of Rs. 10 each) | | | |
| | (As at 1 April, 2015: 25,000,000 equity shares of Rs. 10 each) | | | |
| | | 2,500.00 | 2,500.00 | 2,500.00 |
| **(b)** | **Issued, subscribed and fully paid up :** | | | |
| | **15,400,000** fully paid Equity shares of Rs. 10 each | 1,540.00 | 1,540.00 | 1,540.00 |
| | (As at 31 March, 2016: 15,400,000 fully paid equity shares of Rs. 10 each) | | | |
| | (As at 1 April, 2015: 15,400,000 fully paid equity shares of Rs. 10 each) | | | |
| | | 1,540.00 | 1,540.00 | 1,540.00 |

**(c) Fully paid equity shares**

| | No. of equity shares | Amount Rs. in lacs |
|---|---|---|
| **Balance as at 01 April, 2015 (15,400,000 fully paid equity shares of Rs. 10 each)** | 1,54,00,000 | 1,540.00 |
| Changes in equity share capital during the year | - | - |
| **Balance as at 31 March, 2016 (15,400,000 fully paid equity shares of Rs. 10 each)** | 1,54,00,000 | 1,540.00 |
| Changes in equity share capital during the year | - | - |
| **Balance as at 31 March, 2017 (15,400,000 fully paid equity shares of Rs. 10 each)** | 1,54,00,000 | 1,540.00 |

**(d) Shares held by holding company**

| | **As at 31 March, 2017** | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---|---|---|---|---|---|
| **Fully paid equity shares** | **No. of equity shares** | **%** | No. of equity shares | % | No. of equity shares | % |
| Tata Steel Limited (Holding Company) | **83,93,554** | **54.50%** | 83,93,554 | 54.50% | 83,93,554 | 54.50% |
| | **83,93,554** | **54.50%** | 83,93,554 | 54.50% | 83,93,554 | 54.50% |

**(e) Details of shareholders holding more than 5% of outstanding shares**

| | **As at 31 March, 2017** | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---|---|---|---|---|---|
| **Fully paid equity shares** | **No. of equity shares** | **%** | No. of equity shares | % | No. of equity shares | % |
| Tata Steel Limited (Holding Company) | **83,93,554** | **54.50%** | 83,93,554 | 54.50% | 83,93,554 | 54.50% |

**(f) Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

## 14 Other equity

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| General reserve | **77,000.00** | 77,000.00 | 75,880.00 |
| Retained earnings | **8,186.74** | 4,166.21 | 3,950.70 |
| Reserve for equity instrument through other comprehensive income | **-** | - | - |
| Other items of other comprehensive income | **(242.24)** | (106.09) | - |
| **Total** | **84,944.50** | 81,060.12 | 79,830.70 |

Rs. In lacs

| | Reserves and surplus | | Items of other comprehensive income | | |
|---|---|---|---|---|---|
| **Particulars** | **General reserve** | **Retained earnings** | **Equity instrument through other comprehensive income** | **Other items of other comprehensive income** | **Total** |
| **Balance as at 01 April, 2015** | 75,880.00 | 3,950.70 | - | - | 79,830.70 |
| Profit for the year | - | 3,189.02 | - | - | 3,189.02 |
| Remeasurement gains/(losses) on defined benefit plants | - | - | - | (162.24) | (162.24) |
| Tax impact on other comprehensive income (OCI) | - | - | - | 56.15 | 56.15 |
| Dividend paid during the year | - | (1,540.00) | - | - | (1,540.00) |
| Tax on dividend | - | (313.51) | - | - | (313.51) |
| Transfer to/ from general reserve | 1,120.00 | (1,120.00) | - | - | - |
| **Balance as at 31 March, 2016** | 77,000.00 | 4,166.21 | - | (106.09) | 81,060.12 |
| Profit for the year | | **5,874.04** | - | - | 5,874.04 |
| Remeasurement gains/(losses) on defined benefit plants | | - | - | **(208.21)** | (208.21) |
| Tax impact on other comprehensive income (OCI) | | - | - | **72.06** | 72.06 |
| Dividend paid during the year | | **(1,540.00)** | - | - | (1,540.00) |
| Tax on dividend | | **(313.51)** | - | - | (313.51) |
| **Balance as at 31 March, 2017** | **77,000.00** | **8,186.74** | - | **(242.24)** | **84,944.50** |

Note:

` (1) In respect of the year ended 31 March, 2017, the Board of Directors in their meeting dated 26 April, 2017 have proposed a final dividend of Rs. 11 per equity share to be paid on fully paid equity shares. This equity dividend is subject to approval by shareholders at the annual general meeting.

(2) The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety.

## 15 Provisions

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Non current | Current | Non current | Current | Non current | Current |
| (a) Provision for employee benefits | | | | | | |
| (1) Post-employment defined benefits | | | | | | |
| (i) Pension obligations [Refer note 40(c)] | 1,208.07 | 68.94 | 638.77 | 49.21 | 479.14 | 40.79 |
| (ii) Post retirement medical benefits [Refer note 40(c)] | 73.32 | 7.70 | 47.82 | 5.77 | 48.86 | 5.78 |
| (b) Other provisions | | | | | | |
| i) Provision for VAT, entry tax and sales tax | - | 2,512.77 | - | 2,723.99 | - | 2,509.39 |
| ii) Provision for cross subsidy surcharge payable | - | 601.00 | - | 601.00 | - | 601.00 |
| iii) Provision for interest on income tax | - | 1,589.31 | - | 1,587.00 | - | 1,263.30 |
| **Total provisions** | 1,281.39 | 4,779.72 | 686.59 | 4,966.97 | 528.00 | 4,420.26 |

## 16 Deferred tax liabilities (net)

The following is the analysis presented in the balance sheet:

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| Deferred tax liabilities | 3,257.06 | 3,390.02 | 3,430.16 |
| Deferred tax assets | (1,351.35) | (1,216.49) | (1,126.20) |
| Deferred tax liabilities (net) | 1,905.71 | 2,173.53 | 2,303.96 |

Rs. in lacs

| | Deferred tax liability/(asset) as at 01 April, 2015 | Recognised in profit or loss | Recognised in other comprehensive income | Deferred tax liability/(asset) as at 31 March, 2016 | Recognised in profit or loss | Recognised in other comprehensive income | Deferred tax liability/(asset) as at 31 March, 2017 |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | | |
| (i) Property, plant and equipment | 3,430.16 | (40.14) | - | 3,390.02 | **(132.96)** | **-** | 3,257.06 |
| | 3,430.16 | (40.14) | - | 3,390.02 | **(132.96)** | **-** | 3,257.06 |
| **Deferred tax assets** | | | | | | | |
| (i) Provision for compensated absences | (127.30) | (11.75) | - | (139.05) | **(14.15)** | **-** | (153.20) |
| (ii) Remeasurement gain/loss arising from defined benefit plans | - | 56.15 | (56.15) | - | **-** | **(72.06)** | (72.06) |
| (iii) Other provisions | (998.90) | (78.54) | - | (1,077.44) | **(48.65)** | **-** | (1,126.09) |
| | (1,126.20) | (34.14) | (56.15) | (1,216.49) | **(62.80)** | **(72.06)** | (1,351.35) |
| **Deferred tax liabilities (net)** | 2,303.96 | (74.28) | (56.15) | 2,173.53 | **(195.76)** | **(72.06)** | 1,905.71 |

`

**Note**

1. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.
2. There are no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised.

## 17 Trade payables

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| **Current** | | | |
| (i) Total outstanding dues of micro enterprises and small enterprises (Refer note below) | 16.35 | - | - |
| (ii) Total outstanding dues of trade payables other than micro enterprises and small enterprises | | | |
| (a) Trade payables for supplies and services | 4,270.59 | 3,280.44 | 3,855.93 |
| (b) Others | | | |
| - Trade payables for accrued wages and salaries | 965.52 | 788.88 | 833.94 |
| **Total Trade Payables** | 5,252.46 | 4,069.32 | 4,689.87 |

**Note:**

**Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

The amount due to the Micro and Small Enterprise as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of the information available with the Company, which has been relied upon by the auditors. The disclosure relating to the Micro and Small Enterprise are as under:

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| (a) (i) The principal amount remaining unpaid to supplier as at end of the year | 16.35 | - | - |
| (ii) Interest due thereon | - | - | - |
| (b) Interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 and the amount of payment made to the supplier beyond the appointed day | - | - | - |
| (c) Interest due and payable for the period of delay in making payment other than the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006 | - | - | - |
| (d) Interest accrued and remaining unpaid | - | - | - |
| (e) Further interest remaining due and payable even in the succeeding years for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | - | - | - |

The average credit period is upto 30 days for the Company.

## 18 Other current liabilities

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| (a) Advances from customers | 666.11 | 528.20 | 551.89 |
| (b) Other payables | | | |
| (i) Employee recoveries and employer contributions | 59.97 | 56.88 | 55.31 |
| (ii) Statutory dues (Excise duty, service tax, sales tax, TDS, etc.) | 580.27 | 551.64 | 577.93 |
| **Total other current liabilities** | 1,306.35 | 1,136.72 | 1,185.13 |

## 19 Other financial liabilities

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| (a) Creditors for capital supplies and services | 71.05 | 430.21 | 362.01 |
| (b) Other credit balances | 56.34 | 82.33 | 30.59 |
| (c) Unpaid dividends | 207.62 | 199.23 | 178.52 |
| **Total Other financial liabilities** | 335.01 | 711.77 | 571.12 |

## 20 Current tax liabilities (Net)

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| Provision for tax (net of advance tax) | 3,234.86 | 2,394.70 | 2,220.79 |
| **Total current tax liabilities** | 3,234.86 | 2,394.70 | 2,220.79 |

## 20 A: Non current tax assets

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| Advance tax (net of provision) | 2,812.63 | 2,798.05 | 2,598.05 |
| **Total non current tax assets** | 2,812.63 | 2,798.05 | 2,598.05 |

## 21 Revenue from operations

Rs. In lacs

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| (a) | Sale of sponge iron (including excise duty Rs. 5,785.30 lacs for the year ended 31 March, 2017; Rs.5,951.28 lacs for the year ended 31 March, 2016 ) | 56,344.27 | 57,553.92 |
| (b) | Sale of traded sponge iron | - | 793.16 |
| (c) | Sale of power | 5,003.08 | 4,783.02 |
| (d) | Other operating revenue | | |
| | -Sale of iron ore fines, coal fines, char and paving etc. | 168.72 | 174.08 |
| **Gross revenue from operations** | | 61,516.07 | 63,304.18 |

## 22 Other income

Rs. in lacs

| | | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|---|
| (a) | Interest income earned on financial assets that are not designated as at fair value through profit and loss | | | |
| | (i) | Bank deposits (at amortised cost) | 1,877.04 | 1,774.34 |
| | (ii) | Other financial assets carried at amortised cost | 291.12 | 299.63 |
| (b) | Dividend income | | | |
| | (i) | From equity investments (Refer note) (All dividends from equity investments designated as at FVTOCI) | 70.00 | 80.00 |
| | (ii) | From current investments | 1,290.51 | 1,456.17 |
| (c) | Liabilities / Provisions no longer required written back | | 27.39 | 14.93 |
| (d) | Net gain on sale of current investments | | 3.81 | 0.21 |
| (f) | Net gain on foreign currency transactions | | 9.34 | - |
| (e) | Other non-operating income | | 132.82 | 141.20 |
| **Total other income** | | | 3,702.03 | 3,766.48 |

All dividends from equity investments designated as at FVTOCI recognised for both the years relate to investments held at the end of the reporting period.

## 23 Cost of materials consumed

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Opening stock | 1,835.48 | 7,955.32 |
| Add: Purchases of materials | 38,987.04 | 34,493.33 |
| | 40,822.52 | 42,448.65 |
| Less: Closing stock | 3,854.26 | 1,835.48 |
| Total cost of materials consumed | 36,968.26 | 40,613.17 |
| **Cost of materials consumed comprises** | | |
| (a) Iron ore | 14,492.13 | 20,851.71 |
| (b) Iron ore pellet | - | 114.95 |
| (c) Coal | 22,170.13 | 19,353.54 |
| (d) Dolomite | 306.00 | 292.97 |
| **Total cost of materials consumed** | 36,968.26 | 40,613.17 |

## 24 Changes in inventories of finished goods

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Finished goods | | |
| Opening stock | 543.02 | 1,843.23 |
| Less: Closing stock | 218.11 | 543.02 |
| **Net (increase) / decrease in finished goods** | 324.91 | 1,300.21 |

## 25 Employee benefits expense

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| (a) Salaries and wages | 3,929.29 | 2,772.99 |
| (b) Contribution to provident and other funds | 386.07 | 359.36 |
| (c) Staff welfare expenses | 315.61 | 265.75 |
| **Total employee benefits expense** | 4,630.97 | 3,398.10 |

## 26 Finance costs

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| (a) Interest expenses | | |
| Interest on statutory dues | 244.40 | 538.36 |
| **Total finance costs** | 244.40 | 538.36 |

Rs. In lacs

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| **27** | **Depreciation and amortisation expense** | | |
| (a) | Depreciation of property, plant and equipment (Refer note 04) | 1,108.83 | 1,121.21 |
| (b) | Amortisation of intangible assets (Refer note 05) | 167.48 | 168.09 |
| | **Total depreciation and amortisation expenses** | 1,276.31 | 1,289.30 |

## 28 Other expenses

Rs. In lacs

| | | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|---|
| (a) | Consumption of stores and spare parts | | 990.45 | 395.16 |
| (b) | Fuel oil consumed | | 88.42 | 90.14 |
| (c) | Purchase of power | | 15.88 | 16.31 |
| (d) | Rent (Refer note 43) | | 76.49 | 80.85 |
| (e) | Repairs to buildings | | 400.78 | 281.78 |
| (f) | Repairs to machinery | | 1,695.77 | 1,676.61 |
| (g) | Insurance | | 29.36 | 43.60 |
| (h) | Rates and taxes | | 521.67 | 357.39 |
| (i) | Freight and handling charges | | 670.68 | 613.79 |
| (j) | Conversion charges | | - | 1,374.15 |
| (k) | Commission, discounts and rebates | | 44.11 | 44.74 |
| (l) | Packing and forwarding | | 467.28 | 529.71 |
| (m) | Excise duty on change in finished goods | | (29.49) | (148.80) |
| (n) | Other expenses | | | |
| | (1) | Net loss on foreign currency transactions | - | 89.42 |
| | (2) | VAT, entry tax and excise duty demand | 4.87 | 1.95 |
| | (3) | Legal and other professional costs (Refer note 28.1) | 657.75 | 384.23 |
| | (4) | Advertisement, promotion and selling expenses | 40.33 | 31.89 |
| | (5) | Travelling expenses | 123.80 | 107.34 |
| | (6) | Loss on disposal of property plant and equipment | 6.96 | 35.83 |
| | (7) | Corporate social responsibility expenses (Refer note 44) | 219.21 | 277.49 |
| | (8) | Other general expenses | 1,616.35 | 2,581.80 |
| **Total other expenses** | | | 7,640.67 | 8,865.38 |

## 28.1. Payments to auditors

Rs. in lacs

| | | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|---|
| (1) | Auditors remuneration and out-of-pocket expenses | | | |
| | (i) | As auditors - statutory audit | 11.15 | 12.05 |
| | (i) | As auditors - quarterly audits | 10.92 | 10.80 |
| | (ii) | As auditors - tax audit | 2.02 | 2.01 |
| | (ii) | For other services | 5.09 | 5.00 |
| | (iii) | Auditors out-of-pocket expenses | 2.57 | 1.64 |
| (2) | Cost audit fees | | 1.52 | 1.50 |
| | | | 33.27 | 33.00 |

## 28.2. Income tax recognised in statement of profit and loss

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| **Current tax** | | |
| In respect of the current year | 2,669.00 | 1,220.00 |
| In respect of the prior years | - | - |
| Others | - | - |
| **Total (A)** | 2,669.00 | 1,220.00 |
| **Deferred tax (refer note no. 16)** | | |
| In respect of the current year | (195.76) | (74.28) |
| Deferred tax reclassified from equity to Statement of Profit and Loss | - | - |
| Adjustments to deferred tax attributable to changes in tax rates and laws | - | - |
| **Total (B)** | (195.76) | (74.28) |
| **Total Tax expenses (A+B)** | 2,473.24 | 1,145.72 |

**28.2A. The income tax expense for the year can be reconciled to the accounting profit as follows:**

Rs. in lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| **Profit before tax** | 8,347.28 | 4,334.74 |
| Income tax expense calculated at 34.608% (2015-16 : 34.608%) | 2,888.83 | 1,500.17 |
| Effect of income that is exempt from taxation | (470.85) | (531.64) |
| Effect of expenses that are not deductible in determining taxable profit | 54.83 | 119.05 |
| Effect on deferred tax balances due to the change in income tax rate | - | 41.89 |
| Others | 0.43 | 16.25 |
| **Income tax expense recognised in Statement of Profit and Loss** | 2,473.24 | 1,145.72 |

## 29 Financial Instruments

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 (j) to the Financial Statements.

**(a) Capital management:**

The objective of the Company's capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through operating cash flows generated and the Company does not have any borrowings. The Company is not subject to any externally imposed capital requirements.

**(b) Liquidity risk management:**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of Company's short-term, medium-term and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching the maturing profiles of financial assets and liabilities.

**(c) Market risk:**

Market risk is the risk that the fair value of financial instrument will fluctuate because of change in market price. Market risk comprises of two types of risks - foreign currency risk (Refer note 29k) and other price risk (Refer note 29 (d)).

The Company's activities expose it primarily to currency risk and other price risk such as equity price risk. The financial instruments affected by market risk includes : current investments and other current financial liabilities.

**(d) Price risk:**

The Company is exposed to price risks arising from fair valuation of Company's investment in mutual funds. These investments are held for short term purposes.

The carrying amount of the Company's investments designated as at fair value through profit or loss at the end of the reporting period are as follows:

| Particulars | As at 31.03.2017 Rs. In lacs | As at 31.03.2016 Rs. In lacs | As at 01.04.2015 Rs. In lacs |
|---|---|---|---|
| Investments in mutual funds | 26,142.10 | 28,350.07 | 20,613.98 |

If prices had been 100 basis points higher/lower, profit before tax for the year ended 31 March, 2017 would increase/decrease by Rs. 261.42 lacs (for the year ended 31 March, 2016: Rs. 283.51 lacs) as a result of the changes in fair value of these investments which have been designated as at FVTPL.

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**(e) Liquidity risk:**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company's principal sources of liquidity are cash and cash equivalents, liquid mutual fund investments and the cash flow that is generated from operations.

The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows. The Company generates sufficient cash flows from current operations which together with the available cash and cash equivalents and short-term investments provide liquidity both in the short-term as well as in the long-term.

The following tables detail the Company's remaining contractual maturity for its financial liabilities with agreed repayment and realisation periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and realise.

| | <1 year Rs. In lacs | 1-5 years Rs. In lacs | > 5 Years Rs. In lacs | Total Rs. In lacs |
|---|---|---|---|---|
| **As at 31 March, 2017** | | | | |
| Trade payables | 5,252.46 | - | - | 5,252.46 |
| Other financial liabilities - current | 335.01 | - | - | 335.01 |
| **As at 31 March, 2016** | | | | |
| Trade payables | 4,069.32 | - | - | 4,069.32 |
| Other financial liabilities - current | 711.77 | - | - | 711.77 |
| **As at 1 April, 2015** | | | | |
| Trade payables | 4,689.87 | - | - | 4,689.87 |
| Other financial liabilities - current | 571.12 | - | - | 571.12 |

**(f) Financial assets and liabilities**

The carrying value of financial instruments by categories as of 31 March, 2017 is as follows: **Rs in lacs**

| | Fair value through Profit or Loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|---|---|---|---|
| **Assets:** | | | | |
| Other investments | 26,142.10 | 80.00 | - | 26,222.10 |
| Trade receivables | - | - | 3,576.67 | 3,576.67 |
| Cash and cash equivalents | - | - | 30,466.39 | 30,466.39 |
| Bank balances other than cash and cash equivalents | - | - | 207.57 | 207.57 |
| Other financial assets - non-current | - | - | 1,039.82 | 1,039.82 |
| Other financial assets - current | - | - | 1,001.08 | 1,001.08 |
| **Total** | 26,142.10 | 80.00 | 36,291.53 | 62,513.63 |
| **Investment in equity shares of subsidiaries carried at cost less impairment** | | | | 106.01 |
| **Liabilities:** | | | | |
| Trade payables | - | - | 5,252.46 | 5,252.46 |
| Other financial liabilities - current | - | - | 335.01 | 335.01 |
| **Total** | - | - | 5,587.47 | 5,587.47 |

**(g) Financial assets and liabilities**

The carrying value of financial instruments by categories as of 31 March, 2016 is as follows: **Rs in lacs**

| | Fair value through Profit or Loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|---|---|---|---|
| **Assets:** | | | | |
| Other investments | 28,350.07 | 80.00 | - | 28,430.07 |
| Trade receivables | - | - | 2,943.05 | 2,943.05 |
| Cash and cash equivalents | - | - | 25,005.51 | 25,005.51 |
| Bank balances other than cash and cash equivalents | - | - | 199.23 | 199.23 |
| Other financial assets - non-current | - | - | 24.11 | 24.11 |
| Other financial assets - current | - | - | 751.73 | 751.73 |
| **Total** | 28,350.07 | 80.00 | 28,923.63 | 57,353.70 |
| **Investment in equity shares of subsidiaries carried at cost less impairment** | | | | 106.01 |
| **Liabilities:** | | | | |
| Trade payables | - | - | 4,069.32 | 4,069.32 |
| Other financial liabilities - current | - | - | 711.77 | 711.77 |
| **Total** | - | - | 4,781.09 | 4,781.09 |

**(h) Financial assets and liabilities**

The carrying value of financial instruments by categories as of 01 April, 2015 is as follows:

**Rs in lacs**

| | Fair value through Profit or Loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|---|---|---|---|
| **Assets:** | | | | |
| Other investments | 20,613.98 | 80.00 | - | 20,693.98 |
| Trade receivables | - | - | 888.11 | 888.11 |
| Cash and cash equivalents | - | - | 24,972.61 | 24,972.61 |
| Bank balances other than cash and cash equivalents | - | - | 178.52 | 178.52 |
| Other financial assets - non-current | - | - | 26.09 | 26.09 |
| Other financial assets - current | - | - | 1,265.88 | 1,265.88 |
| **Total** | 20,613.98 | 80.00 | 27,331.21 | 48,025.19 |
| **Investment in equity shares of subsidiaries carried at cost less impairment** | | | | 106.01 |
| **Liabilities:** | | | | |
| Trade payables | - | - | 4,689.87 | 4,689.87 |
| Other financial liabilities - current | - | - | 571.12 | 571.12 |
| **Total** | - | - | 5,260.99 | 5,260.99 |

**(i) Credit risk management:**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk primarily arises from trade receivables, investments in mutual funds and balances with banks. The credit risk on bank balances is limited because the counterparties are banks with good credit ratings. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company's policies on assessing expected credit losses is detailed in notes to accounting policies [Refer note 2 (j)]. For details of exposure, default grading and expected credit loss as on the reporting year. (Refer note 11)

Apart from the customers as disclosed in note 11a, the Company does not have significant credit risk exposure to any single counterparty.

**(j) Fair value measurement:**

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on recurring basis:

The Company's investments in mutual funds and equity instruments are measured at fair value at the end of each reporting period. The following table gives information on determination of its fair value, the valuation techniques and inputs used.

| Particulars | As at 31 March, 2017 | Fair value measurement at end of the reporting year using (Rs. in lacs) | | | Valuation techniques |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **Financial assets** | | | | | |
| Investment in mutual funds | **26,142.10** | - | 26,142.10 | - | Based on the NAV report issued by the fund manager. |
| Investment in equity instruments at FVTOCI (Unquoted) | **80.00** | - | - | 80.00 | Valued using the cost approach to arrive at fair value. Since the shares of Jamipol Limited are unquoted, and there is a restriction on disinvestment of shares by the Company as this is a strategic investment, there is a wide range of possible fair value measurements. Consequently, the management of the Company has concluded that cost represents the best estimate of fair value within that range. |
| **Total financial assets** | **26,222.10** | - | 26,142.10 | 80.00 | |

| Particulars | As at 31 March, 2016 | Fair value measurement at end of the reporting year using (Rs. in lacs) | | | Valuation techniques |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **Financial assets** | | | | | |
| Investment in mutual funds | 28,350.07 | - | 28,350.07 | - | Same as above. |
| Investment in equity instruments at FVTOCI (Unquoted) | 80.00 | - | - | 80.00 | Same as above. |
| **Total financial assets** | 28,430.07 | - | 28,350.07 | 80.00 | |

| Particulars | As at 1 April, 2015 | Fair value measurement at end of the reporting year using (Rs. in lacs) | | | Valuation techniques |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **Financial assets** | | | | | |
| Investment in mutual funds | 20,613.98 | - | 20,613.98 | - | Same as above. |
| Investment in equity instruments at FVTOCI (Unquoted) | 80.00 | - | - | 80.00 | Same as above. |
| **Total financial assets** | 20,693.98 | - | 20,613.98 | 80.00 | |

**Fair value** of the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis :

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Statements approximate their fair values.

**(k) Foreign currency risk:**

Foreign exchange risk comprises of risk that may arise to the Company because of fluctuations in foreign currency exchange rates. Fluctuations in foreign currency exchange rates may have an impact on the Statement of Profit and Loss. As at the year end, the Company is not exposed to foreign exchange risk.

## 30 Earnings per share

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Net profit for the year (Rs. In lacs) | **5,874.04** | 3,189.02 |
| Weighted average number of equity shares (Nos.) | **1,54,00,000** | 1,54,00,000 |
| Nominal value per equity share (Rs.) | **10** | 10 |
| Basic and diluted earnings per share (Rs.) | **38.14** | 20.71 |

Note: The Company did not have any potentially dilutive securities in any of the period presented.

## 31 Contingent liabilities

Rs. in lacs

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| **(a)** | **Claims against the Company not acknowledged as debts;** | | | |
| (a) | Income tax | **154.04** | 237.14 | 346.15 |
| (b) | Odisha entry tax | **2,579.93** | 2,579.93 | 2,579.93 |
| (c) | Customs duty (Refer note below) | **3,818.44** | 3,818.44 | - |
| (d) | Demand from Ministry of Coal against Radhikapur coal block [Refer Note 32] | **3,250.00** | 3,250.00 | 3,250.00 |
| (e) | Demand from suppliers | **152.13** | 152.13 | 152.13 |
| | | **9,954.54** | 10,037.64 | 6,328.21 |

**Note:**

The above includes demand received from Commissioner of Customs (Preventive) aggregating to Rs. 4,381.05 lacs pertaining to the financial year 2012-13 on account of levy of additional customs duty on classification of the imported coal as bituminous coal as against Company's classification as steam coal. During the year, the Company has filed an appeal against the aforesaid order in the Customs, Excise and Service Tax Appellate Tribunal, Kolkata. The Company had paid an amount of Rs. 1,069.86 lacs and recognised the non-cenvatable portion of the duty and applicable interest as expense whereas cenvatable portion had been recognised as an advance in the year 2012-13.

**(b) Other money for which the Company is contingently liable**

Rs. in lacs

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| (i) | Renewable energy purchase obligation | **632.89** | 632.89 | 549.26 |
| (ii) | Others | **2,349.66** | 2226.46 | - |
| | | **2,982.55** | 2859.35 | 549.26 |

**32** (a) In the month of November 2012, Ministry of Coal ("MoC") issued notices to the Company for invocation of bank guarantee of Rs. 3,250.00 lacs submitted towards performance of conditions for allocation of coal block against which the Company had filed a writ petition in the Hon'ble High Court of Delhi, which directed the Company to keep the bank guarantee valid till 30 November, 2015 by which date the MoC was directed to take decision. Meanwhile, the bank guarantee expired and had not been renewed, since no communication had been received from MoC. Subsequently, MoC issued a notice dated 28 December, 2015, stating that the bank guarantee be invoked and the aforesaid amount be deposited. Consequent to MoC's notice, the Company has moved to the Hon'ble High Court of Delhi, where the matter is pending adjudication. The Company has been advised and has obtained a legal opinion that as the original allocation has been declared illegal and cancelled by the Hon'ble Supreme Court, the bank guarantee pertaining to such allocation (which is non-est and void ab initio) shall consequently be deemed to be invalid and void ab initio. Pending finalisation of the matter, the amount continues to be disclosed as a contingent liability.

(b) (i) During pendency of the aforesaid matters in Hon'ble High Court of Delhi, the Hon'ble Supreme Court of India vide its order dated 24 September, 2014 has cancelled allocation of 214 coal blocks including the Radhikapur (East) Coal Block which was allotted to the Company on 07 February, 2006. The expenditure incurred on the Radhikapur (East) Coal Block upto 31 March, 2017 aggregates to Rs. 18,040.96 lacs (31 March, 2016: Rs. 18,040.96 lacs, 1 April, 2015: Rs 18,040.96 lacs).

(ii) Pursuant to the judgment of Hon'ble Supreme Court of India, the Government of India has promulgated Coal Mines (Special Provision) Rules, 2014 (“Rules”) for allocation of the coal mines through auction and matters related thereto. In terms of the said Rules, the successful bidder will be called upon to pay to the prior allocattee the expenses incurred by the prior allocatee towards land and mine infrastructure. Pursuant to MoC's directive seeking the details of expenses vide letter dated 26 December, 2014, the Company has furnished the required statement of expenses on 5 January, 2015. Based on the Rules and necessary legal opinion obtained by the Company, no provision is considered necessary.

**33** Estimated amounts of contracts remaining to be executed on capital account and not provided for : Rs.152.49 lacs (As at 31 March, 2016: Rs. 223.05 lacs, 1 April, 2015: Rs.844.29 lacs ) [Net of advances Rs.19.06 (As at 31 March, 2016 Rs. 0.25 lacs, 1 April, 2015: Rs.109.09 lacs)].

**34 Cross subsidy surcharge payable to power distribution companies**

In 2012-13, the Company injected power to State Grid due to denial of permission for open access by Orissa Power Transmission Corporation Limited ("OPTCL") to supply power to the parent company Tata Steel Limited beyond the period of invocation of section 11 of Electricity Act, 2003 by the Government of Odisha i.e., June, 2012. As a result of which the Company could not meet the minimum stipulated criteria of 51% self-consumption of generated power as a captive power plant and the provisions of Cross Subsidy Surcharge under Electricity Act, 2003 became applicable. The Company filed a case before the Odisha Electricity Regulatory Commission ("OERC") for relief which was granted and consequently the Company has filed a case before Appellate Tribunal of Electricity ("ATE"), which is pending for adjudication. As a matter of prudence, an amount of Rs.601.00 lacs had been provided in the year ended 31 March, 2015.

**35** (a) The Company had filed a writ petition before the High Court of Orissa for sales tax exemption for a period of two years w.e.f. June 10, 1997 as a Pioneer Unit. The High Court initially ruled that the Company should pay the sales tax under dispute pending disposal of the writ petition. Accordingly, the Company paid sales tax, which had not been collected from customers, and amounts aggregating to Rs. 573.73 lacs had been charged to the Statement of Profit and Loss during the years 1997-98 to 1999-2000.

The High Court directed the Sales Tax Authorities to refund the amount after ascertaining that the said refund shall not unjustly enrich the Company. The Sales Tax Officer passed the order stating that the refund shall unjustly enrich the Company against which the Company has filed a writ petition in the High Court challenging the correctness of the assessment and the same is pending. Pending finalisation of the matter no adjustments have been made in the financial statements.

(b) As per Industrial Policy Resolution 1992 of Government of Odisha, the Company has to pay a minimum sales tax of Rs. 252.56 lacs before availing exemption from sales tax on incremental sale of Sponge Iron from Kiln 1 and 2. The Company had paid the above amount until the rate of sales tax was reduced. With reduction in rate of sales tax, the Company considered that the above limit of Rs. 252.56 lacs had to correspondingly reduce and accordingly made reduced payment. The Company however had provided the differential amount of Rs. 513.83 lacs upto the date of availing the benefit i.e., upto 31 March, 2012. The Company had started collecting sales tax on sale of sponge iron produced in those kilns w.e.f. 1 April, 2012 and depositing the same with Sales Tax Authorities after availing set off of applicable input tax credit.

## 36 Related party transaction

### (a) List of related parties and relationship

| | Name of the Related Party | Relationship |
|---|---|---|
| (i) | Tata Sons Limited | Company having significant influence |
| (ii) | Tata Steel Limited | Holding Company |
| (iii) | TSIL ENERGY LIMITED | Wholly owned Subsidiary |
| (iv) | TM International Logistics Limited | Fellow Subsidiary |
| (v) | Jamshedpur Utilities & Services Company Limited | Fellow Subsidiary |
| (vi) | Tayo Rolls Limited | Fellow Subsidiary |
| (vii) | The Tinplate Company of India Limited | Fellow Subsidiary |
| (viii) | Tata Pigments Limited | Fellow Subsidiary |
| (ix) | Tata Metaliks Limited | Fellow Subsidiary |
| (x) | Tata Steel Global Procurement Co. Pte. Limited. | Fellow Subsidiary |
| (xi) | The Indian Steel and Wire Products Limited | Fellow Subsidiary |
| (xii) | Tata International Singapore PTE Limited | Subsidiary of Tata Sons Limited |
| (xiii) | Tata International Limited | Subsidiary of Tata Sons Limited |
| (xiv) | TC Travel & Services Limited | Subsidiary of Tata Sons Limited |
| (xv) | Tata Consultancy Services Limited | Subsidiary of Tata Sons Limited |
| (xvi) | Jamipol Limited | Associate of Tata Steel Limited |
| (xvii) | Mr. Sanjay Kumar Pattnaik, Managing Director (Executive director upto 31 October, 2016 Managing Director w.e.f. 1 November, 2016) | Key Managerial Personnel |
| (xviii) | Mr. D. P. Deshpande, Former Managing Director (upto 31 October, 2016) | Key Managerial Personnel |

### (b) Related party transactions / balances

| Nature of transactions | Name of the related party | Year ended 31 March, 2017 Amount (Rs. In lacs) | Year ended 31 March, 2016 Amount (Rs. In lacs) |
|---|---|---:|---:|
| Sale of goods | Tata Steel Limited | 5,024.28 | 4,245.60 |
| | Tata Metaliks Limited | 19.12 | 28.23 |
| | Tayo Rolls Limited | - | 61.95 |
| | Tata International Limited | 4,234.12 | 3,924.56 |
| **Total** | | 9,277.52 | 8,260.34 |
| Sale of power | Tata Steel Limited | 5,003.08 | 4,783.02 |
| **Total** | | 5,003.08 | 4,783.02 |
| Purchase of goods | Tata Steel Limited | 14,252.45 | 11,043.53 |
| | Tata Pigments Limited | 1.13 | 1.02 |
| | The Indian Steel and Wire Products Limited | 5.49 | 5.20 |
| | Tata International Limited | 2,148.44 | - |
| | TATA International Singapore PTE Limited | 12,788.41 | 11,474.84 |
| **Total** | | 29,195.92 | 22,524.59 |
| Services rendered | Tata Steel Limited | - | 0.59 |
| **Total** | | - | 0.59 |
| Services received | Tata Steel Limited | 30.69 | 45.87 |
| | TM International Logistics Limited | 689.64 | 691.48 |
| | The Tinplate Company of India Limited | 0.03 | 0.05 |
| | Jamshedpur Utilities & Service Company Limited | 0.04 | - |
| | Tata Consultancy Services Limited | 35.69 | 35.54 |
| | TC Travel & Services Limited | 25.10 | 19.32 |
| | Tata Sons Limited | 159.15 | 164.04 |
| **Total** | | 940.34 | 956.30 |
| Reimbursement of expenses | TM International Logistics Limited | 605.47 | 922.98 |
| | Tata Steel Global procurement Co. PTE Limited | - | 17.81 |
| | Tata International Limited | 600.48 | 388.46 |
| | TATA International Singapore PTE Limited | 6.94 | 560.40 |
| | TC Travel & Services Limited | 28.99 | 22.79 |
| **Total** | | 1,241.88 | 1,912.44 |
| Dividend income | Jamipol Limited | 70.00 | 80.00 |
| **Total** | | 70.00 | 80.00 |
| Dividend paid | Tata Steel Limited | 839.36 | 839.36 |
| **Total** | | 839.36 | 839.36 |

| Nature of Balances | Name of the related party | As at 31 March, 2017 Amount (Rs. In lacs) | As at 31 March, 2016 Amount (Rs. In lacs) | As at 01 April, 2015 Amount (Rs. In lacs) |
|---|---|---|---|---|
| Trade receivables | Tata Steel Limited | 486.77 | 485.90 | 367.49 |
| | Tayo Rolls Limited | - | - | 8.40 |
| **Total** | | 486.77 | 485.90 | 375.89 |
| Trade payables | Tata Steel Limited | 1,391.15 | 862.45 | 1,522.23 |
| | TM International Logistics Limited | - | 22.01 | - |
| | Tata Pigments Limited | - | 1.02 | - |
| | The Indian Steel & Wire Products Limited | 1.06 | - | |
| | Tata Sons Limited | 135.77 | 132.65 | 175.37 |
| | Tata International Limited | 411.37 | - | - |
| | Tata Consultancy Services Limited | 32.57 | 32.42 | 31.63 |
| | TC Travel & Services Limited | 2.64 | - | 0.07 |
| **Total** | | 1,974.56 | 1,050.58 | 1,729.30 |
| Advances | Tata Steel Global Procurement Co. Pte .Limited | - | 1.82 | - |
| | The Tinplate Company of India Limited | 20.00 | - | 71.86 |
| | The Indian Steel & Wire Products Limited | - | 0.04 | - |
| **Total** | | 20.00 | 1.86 | 71.86 |

**(c) Compensation of key management personnel**

| Nature of transactions | Name of the related party | Year ended 31 March, 2017 Amount (Rs. In lacs) | Year ended 31 March, 2016 Amount (Rs. In lacs) |
|---|---|---|---|
| Remuneration | Mr. Sanjay Kumar Pattnaik, Managing Director | 151.02 | 126.98 |
| | Mr. D.P. Deshpande, Former Managing Director | 128.02 | 139.25 |
| Gratuity paid | Mr. D.P. Deshpande, Former Managing Director | 98.67 | - |
| Leave paid | Mr. D.P. Deshpande, Former Managing Director | 38.46 | - |

## 37 CIF Value of Imports

**Rs. In lacs**

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| (a) | Raw materials | 14,558.81 | 11,824.89 |
| (b) | Components, stores and spares | 47.26 | 28.62 |
| | | 14,606.07 | 11,853.51 |

## 38 Expenditure in Foreign Currency (on accrual basis)

**Rs. In lacs**

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Travelling expenses | 8.60 | 5.15 |
| Legal and professional cost | 195.77 | - |
| | 204.37 | 5.15 |

## 39 Consumption of Imported and Indegenous Materials

| | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|
| | % | Amount (Rs.in lacs) | % | Amount (Rs.in lacs) |
| (a) Raw materials consumed | | | | |
| Indigenous | 42.43% | 15,686.90 | 49.72% | 20,193.27 |
| Imported | 57.57% | 21,281.36 | 50.28% | 20,419.90 |
| | 100.00% | 36,968.26 | 100.00% | 40,613.17 |
| (b) Stores and spare parts | | | | |
| Indigenous | 95.23% | 943.19 | 97.27% | 876.50 |
| Imported | 4.77% | 47.26 | 2.73% | 24.58 |
| | 100.00% | 990.45 | 100.00% | 901.08 |
| Less: Transferred to repairs to machinery and building | | - | | 505.92 |
| | | 990.45 | | 395.16 |

## 40 Employee Benefits

### (a) Defined contribution plans

The Company operates defined contribution retirement benefit plans for all its qualifying employees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The Company has recognised, in the Statement of Profit and Loss for the year ended 31 March, 2017, an amount of Rs. 303.01 lacs (for the year ended 31 March, 2016: Rs. 286.07 lacs) as expenses under the following defined contribution plans. As at 31 March, 2017, contribution of Rs. 37.25 lacs (as at 31 March, 2016 Rs. 34.93 lacs) representing amount payable to the Employee Provident Fund and Rs. 8.58 lacs (as at 31 March, 2016 Rs. 8.50 lacs) representing amount payable to the superannuation fund in respect of the year ended 31 March 2017 (year ended 31 March, 2016) reporting period had not been paid to the plans. The amounts were paid subsequent to the end of respective reporting periods.

**Rs.in lacs**

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| **Contributions** | | |
| (i) Contribution to provident fund | 194.84 | 180.55 |
| (ii) Contribution to superannuation fund | 108.17 | 105.52 |
| | 303.01 | 286.07 |

### (b) Defined benefits plans and other long term employee benefits

The Company operates post retirement defined benefit plans as follows:

**Post retirement defined benefit plans**

(i) Post retirement gratuity [Funded]

(ii) Post Retirement Medical Benefits of Past Managing Directors (PRMB) [Unfunded]

(iii) Pension to Past Managing Directors [Unfunded]

**Description of Plan Characteristics and Associated Risks**

Gratuity liability arises on retirement, resignation, and death of an employee. The aforesaid liability is calculated on the basis of 15 days salary (i.e. last drawn salary plus dearness allowance) upto 30 years of service and beyond 30 years of service, the liability is calculated on the basis of one month salary for each completed year of service or part thereof in excess of 6 months. Vesting occurs upon completion of 5 years of service.

The present value of the defined benefit obligation and the related current service cost are measured using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date.

The gratuity plan typically exposes the Company to actuarial risks such as: interest rate risk, longevity risk and salary risk.

1 **Interest rate risk :** A decrease in the Indian government bond yield rate (discount rate) will increase the plan liability.

2 **Salary risk :** The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

3 **Mortality risk :** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after the employment. Indian Assured Lives Mortality (2006-08) ultimate table has been used in respect of the above. A change in mortality rate will have a bearing on the plan's liability.

4 **Investment risk :** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government Bonds Yield. If plan liability is funded and return on plan assets is below this rate, it will create a plan deficit.

In respect of the plans in India, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out as at 31 March, 2017 by Mr. Ritobrata Sarkar, Fellow, Institute of Actuaries of India. The present value of defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

(c) **Details of the Funded Gratuity and Unfunded Post Retirement Pension are as follows**

| | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|
| | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| **1 Reconciliation of opening and closing balances of obligation** | | | | |
| a. Opening defined benefit obligation | 1,533.44 | 687.98 | 1,356.52 | 519.93 |
| b. Current service cost | 86.52 | - | 77.70 | - |
| c. Interest cost | 111.51 | 50.96 | 103.00 | 38.71 |
| d. Remeasurement (gains)/losses | | | | |
| (i) Actuarial gains and losses arising from changes in demographic assumption | - | 67.41 | - | 116.32 |
| (ii) Actuarial gains and losses arising from changes in financial assumption | 73.09 | - | - | - |
| (iii) Actuarial gains and losses arising from changes in experience adjustments | 120.39 | (44.58) | 7.29 | 53.89 |
| e. Benefits paid | (189.34) | (60.74) | (55.03) | (40.87) |
| f. Past Service costs | - | 575.98 | - | - |
| g. Acquisition cost | 48.33 | - | 43.96 | - |
| **Closing defined benefit obligation** | 1,783.94 | 1,277.01 | 1,533.44 | 687.98 |

| | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|
| | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| **2 Movements in the fair value of the plan assets are as follows:** | | | | |
| a. Opening fair value of plan assets | 1,578.17 | - | 1,356.52 | - |
| b. Interest income | 114.97 | - | 107.41 | - |
| c. Remeasurement gains/(losses) | | | | |
| (i) Return on plan assets (excluding amounts included in net interest expense) | 9.38 | - | 11.38 | - |
| d. Contributions from the employer | 222.43 | - | 113.93 | 40.87 |
| e. Benefits paid | (189.34) | - | (55.03) | (40.87) |
| h. Acquisition cost | 48.33 | - | 43.96 | - |
| **Fair value of plan assets as at end of the year** | 1,783.94 | - | 1,578.17 | - |

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| **3 Reconciliation of fair value of assets and obligations** | | | | | | |
| a. Fair value of plan assets as at end of the year | 1,783.94 | - | 1,578.17 | - | 1,356.52 | - |
| b. Present value of obligation as at the end of the year | 1,783.94 | 1,277.01 | 1,533.44 | 687.98 | 1,356.52 | 519.93 |
| c. Amount recognised in the balance sheet | | | | | | |
| (i) Retirement benefit asset - Current | - | - | - | - | - | - |
| (ii) Retirement benefit asset - Non current | - | - | 44.73 | - | - | - |
| (iii) Retirement benefit liability - Current | - | 68.94 | - | 49.21 | - | 40.79 |
| (iv) Retirement benefit liability - Non current | - | 1,208.07 | - | 638.77 | - | 479.14 |

**4 Amounts recognised in the Statement of Profit and Loss in respect of these defined benefit plans are as follows:**

| | | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|---|
| | | Gratuity Amount (Rs. in lacs) | Ex - MD Pension Amount (Rs. in lacs) | Gratuity Amount (Rs. in lacs) | Ex - MD Pension Amount (Rs. in lacs) |
| a. | Service cost | | | | |
| | (i) Current service cost | 86.52 | - | 77.70 | - |
| | (ii) Past Service Cost | - | 575.98 | - | - |
| b. | Net interest expense | (3.46) | 50.96 | (4.41) | 38.71 |
| | **Components of defined benefit costs recognised in profit or loss** | 83.06 | 626.94 | 73.29 | 38.71 |
| | **Remeasurement on the net defined benefit liability:** | | | | |
| c. | The return on plan assets (excluding amounts included in net interest expense) | (9.38) | - | (11.38) | - |
| d. | Actuarial gains and losses arising from changes in demographic assumption | - | 67.41 | - | 116.32 |
| e. | Actuarial gains and losses arising from changes in financial assumption | 73.09 | - | - | - |
| f. | Actuarial gains and losses arising from changes in experience adjustments | 120.39 | (44.58) | 7.29 | 53.89 |
| | **Defined benefit costs recorded in Other comprehensive income** | 184.10 | 22.83 | (4.09) | 170.21 |
| **Total of defined costs** | | 267.16 | 649.77 | 69.20 | 208.92 |

The current service cost, past service cost and the net interest expense for the year are included in the 'Employee benefits expense' in the Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

**5** The plan assets of the Company managed through a trust are managed by Life Insurance Corporation (LIC). The details of investments relating to these assets are not shown by LIC. Hence, the composition of each major category of plan assets, the percentage or amount that each major category constitutes to the fair value of the total plan assets has not been disclosed.

**6 The principal assumptions used for the purposes of the actuarial valuations were as follows:**

| | | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|---|
| | | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| a. | Discount rate (per annum) | 7.00% | 7.00% | 7.75% | 7.75% | 7.75% | 7.75% |
| b. | Expected rate of salary increase (per annum) | 8.00% | 6.00% | 8.00% | 6.00% | 8.00% | 4.00% |
| c. | Estimated rate of return on plan asset (per annum) | 9.10% | NA | 9.10% | NA | 9.10% | NA |
| d. | Mortality rate | Indian Assured Lives Mortality (2006-08) modified ultimate | LIC (1996-98) Annuitants ultimate | Indian Assured Lives Mortality (2006-08) modified ultimate | LIC (1996-98) Annuitants ultimate | Indian Assured Lives Mortality (2006-08) modified ultimate | LIC (1996-98) Annuitants ultimate |
| e. | Withdrawal rate | | | | | | |
| | - Ages from 20-25 | 5% | | 5% | | 5% | |
| | - Ages from 25-30 | 3% | | 3% | | 3% | |
| | - Ages from 30-35 | 2% | Refer note below | 2% | Refer note below | 2% | Refer note below |
| | - Ages from 35-50 | 1% | | 1% | | 1% | |
| | - Ages from 50-55 | 2% | | 2% | | 2% | |
| | - Ages from 55-58 | 3% | | 3% | | 3% | |

Note :
In respect of Ex - MD Pension, the effects of morbidity and withdrawal have been factored by constructing a Multiple Decrement Table taking into account the above mortality table.

| | | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|---|
| | | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| 7 | **Duration** | | | | | | |
| | **Weighted average duration of the defined benefit obligation (Active members)** | | | | | | |
| | Number of years | 6 | 6 | 6 | 10 | 7 | 10 |
| 8 | **The amount included in the Balance Sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:** | | | | | | |
| | Present value of defined benefit obligation | 1,783.94 | 1,277.01 | 1,533.44 | 687.98 | 1,356.52 | 519.93 |
| | Fair value of Plan Assets | 1,783.94 | - | 1,578.17 | - | 1,356.52 | - |
| | **Funded status** | - | (1,277.01) | 44.73 | (687.98) | - | (519.93) |
| | Expected contribution (best estimate) to funded plans in subsequent financial year | 163.55 | NA | 85.24 | NA | 113.93 | NA |

9 **Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

a) **On post retirement gratuity plan**

i) If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease by Rs. 96.08 lacs (increase by Rs. 108.21 lacs) [as at 31 March, 2016: decrease by Rs. 86.99 lacs (increase by Rs. 92.04 lacs)] [as at 1 April, 2015: decrease by Rs. 76.95 lacs (increase by Rs. 81.42 lacs)].

ii) If the expected salary growth increases (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 106.16 lacs (decrease by Rs. 96.13 lacs) [as at 31 March, 2016: increase by Rs. 91.45 lacs (decrease by Rs. 87.24 lacs)] [as at 1 April, 2015: increase by Rs. 80.90 lacs (decrease by Rs. 77.17 lacs)].

b) **On post retirement pension plan**

i) If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease by Rs. 69.98 lacs (increase by Rs. 77.01 lacs) [as at 31 March, 2016: decrease by Rs. 63.36 lacs (increase by Rs. 68.86 lacs)] [as at 1 April, 2015: decrease by Rs. 47.88 lacs (increase by Rs. 52.04 lacs)].

ii) If the expected salary growth increases (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 77.39 lacs (decrease by Rs. 70.92 lacs) [as at 31 March, 2016: increase by Rs. 69.70 lacs (decrease by Rs. 64.66 lacs)] [as at 1 April, 2015: increase by Rs. 52.67 lacs (decrease by Rs. 48.86 lacs)].

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

**c) Experience on actuarial gain/(loss) for benefit obligations and plan assets:**

| Particulars | Gratuity | | | | |
|---|---|---|---|---|---|
| | Year ended 31.03.2017 | Year ended 31.03.2016 | Year ended 31.03.2015 | Year ended 31.03.2014 | Year ended 31.03.2013 |
| Present value of DBO | 1,783.94 | 1,533.44 | 1,356.52 | 1,053.91 | 1,019.49 |
| Fair value of plan assets | 1,783.94 | 1,578.17 | 1,356.52 | 1,093.98 | 1,019.49 |
| Funded status [Surplus / (Deficit)] | - | 44.73 | - | 40.07 | - |
| Experience gain / (loss) adjustments on plan liabilities | 193.48 | 7.30 | (62.91) | (29.12) | (53.42) |
| Experience gain / (loss) adjustments on plan assets | 9.38 | 11.38 | 2.11 | 2.57 | - |
| **Particulars** | **Ex-MD's Pension** | | | | |
| Present value of DBO | 1,277.01 | 687.98 | 519.93 | 462.80 | 498.24 |
| Fair value of plan assets | - | - | - | - | - |
| Funded status [Surplus / (Deficit)] | (1,277.01) | (687.98) | (519.93) | (462.80) | (498.24) |
| Experience gain / (loss) adjustments on plan liabilities | 22.83 | 170.21 | (6.67) | (8.16) | (283.10) |
| Experience gain / (loss) adjustments on plan assets | - | - | - | - | - |

**(d) Details of the Unfunded PRMB are as follows**

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| | | PRMB | |
| | | Amount (Rs. In lacs) | Amount (Rs. In lacs) |
| 1 | **Reconciliation of opening and closing balances of obligation** | | |
| | a. Opening defined benefit obligation | 53.59 | 54.64 |
| | b. Interest cost | 4.02 | 4.18 |
| | c. Remeasurement (gains)/losses | | |
| | (i) Actuarial gains and losses arising from changes in financial assumption | 3.57 | - |
| | (ii) Actuarial gains and losses arising from changes in experience adjustments | (2.29) | (3.89) |
| | g. Benefits paid | (3.42) | (1.34) |
| | h. Past Service costs | 25.55 | - |
| | **Closing defined benefit obligation** | 81.02 | 53.59 |

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| | | | PRMB | |
| | | Amount (Rs. In lacs) | Amount (Rs. In lacs) | Amount (Rs. In lacs) |
| 2 | **Reconciliation of fair value of assets and obligations** | | | |
| | a. Fair value of plan assets as at end of the year | - | - | - |
| | b. Present value of obligation as at the end of the year | 81.02 | 53.59 | 54.64 |
| | c. Amount recognised in the balance sheet | | | |
| | (i) Retirement benefit asset - Current | - | - | - |
| | (ii) Retirement benefit asset - Non current | - | - | - |
| | (iii) Retirement benefit liability - Current | 7.70 | 5.77 | 5.78 |
| | (iv) Retirement benefit liability - Non current | 73.32 | 47.82 | 48.86 |

3 **Amounts recognised in the Statement of Profit and Loss in respect of these defined benefit plans are as follows:**

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| | | PRMB | |
| | | Amount (Rs. In lacs) | Amount (Rs. In lacs) |
| a. | Service cost | | |
| | (i) Current service cost | - | - |
| | (ii) Past Service Cost | 25.55 | - |
| b. | Net interest expense | 4.02 | 4.18 |
| | **Components of defined benefit costs recognised in profit or loss** | **29.57** | **4.18** |
| | Remeasurement on the net defined benefit liability: | | |
| c. | Actuarial gains and losses arising from changes in financial assumption | 3.57 | - |
| d. | Actuarial gains and losses arising from changes in experience adjustments | (2.29) | (3.89) |
| | Components of defined benefit costs recorded in other comprehensive income | 1.28 | 3.89 |
| **Total** | | 30.85 | 0.29 |

4 **The principal assumptions used for the purposes of the actuarial valuations were as follows:**

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|---|
| a. | Discount rate (per annum) | 7.00% | 7.75% | 7.75% |
| b. | Medical cost - % of annual entitlement utilised (per annum) | 20.00% | 20.00% | - |
| c. | Mortality rate | LIC Annuitants (1996-98) Ultimate | LIC Annuitants (1996-98) Ultimate | LIC Annuitants (1996-98) Ultimate |

5 **Experience on actuarial gain/(loss) for benefit obligations and plan assets:**

(Amount Rs. in lacs)

| **Particulars** | PRMB | | | | |
|---|---|---|---|---|---|
| | Year ended 31.03.2017 | Year ended 31.03.2016 | Year ended 31.03.2015 | Year ended 31.03.2014 | Year ended 31.03.2013 |
| Present value of DBO | 81.02 | 53.59 | 54.64 | 50.86 | 55.60 |
| Fair value of plan assets | - | - | - | - | - |
| Funded status [Surplus / (Deficit)] | (81.02) | (53.59) | (54.64) | (50.86) | (55.60) |
| Experience gain / (loss) adjustments on plan liabilities | (1.28) | 3.89 | 3.87 | 4.25 | 19.38 |
| Experience gain / (loss) adjustments on plan assets | - | - | - | - | - |

6 The average duration of the defined benefit plan obligation representing average duration for active members is 6 years (As at 31 March, 2016: 10 years; As at 1 April, 2015: 10 years)

**7 Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

**On PRMB**

i) If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease by Rs. 3.21 lacs (increase by Rs. 3.46 lacs) [as at 31 March, 2016: decrease by Rs. 3.76 lacs (increase by Rs. 4.02 lacs)] [as at 1 April, 2015: decrease by Rs. 3.83 lacs (increase by Rs. 4.10 lacs)].

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

**Additional information relating to employee benefits obligation:**

1. The estimate of future salary increases take into account inflation, seniority, promotion and other relevant factors.
2. Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.
3. Expected rate of return on plan assets is based on the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.
4. Net liabilities for pension, gratuities and post retirement medical benefits is disclosed in note 15 under the heading "Post-employment defined benefits", whereas net assets relating to pension, gratuities and post retirement medical benefits are disclosed under note 9 under the heading "Employee benefits assets"
5. Expenses relating to pension and post retirement medical benefits are included in Employee benefits expense under the heading Salaries and Wages including Bonus in note 25 whereas expenses for retiring gratuities are included under the Contribution to Provident and Other Funds in note 25.

**(e) Actuarial assumptions for compensated absences**

| Particulars | Refer note below | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|---|
| (i) Discount rate (per annum) | 1 | 7.00% | 7.75% | 7.75% |
| (ii) Salary escalation rate (per annum) | 3 | 8.00% | 8.00% | 8.00% |

Notes :

1. The discount rate is based on the prevailing market yields of India Government securities as at the balance sheet date for the estimated term of obligations.
2. The compensated absences plan is unfunded.
3. The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

## 41 Segment reporting

(a) The Company has identified business segment as the primary segment. The Company is engaged in production of sponge iron and generation of power from waste heat. Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on manufacture of sponge iron and generation of power, reportable segments for financial statements in accordance with Ind AS 108 "Operating Segment". The Company's activities/operations are primarily within India.

(b) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments and also amounts allocated on a reasonable basis. The expenses, which are not directly relatable to the business segment, are shown as unallocable. Assets and liabilities that cannot be allocated between the segments are shown as unallocable assets and liabilities respectively.

(c) **Segment Disclosures**

| **Particulars** | **Year ended 31 March, 2017** | Year ended 31 March, 2016 |
|---|---|---|
| | **Amount (Rs. In lacs )** | Amount (Rs. In lacs ) |
| **Segment revenue** | | |
| Sponge Iron | **56,512.98** | 58,521.16 |
| Power | **6,464.50** | 6,130.62 |
| Less: Inter segment sales | **(1,461.41)** | (1,347.60) |
| | **61,516.07** | 63,304.18 |
| **Segment results** | | |
| Sponge Iron | **804.98** | (3,097.00) |
| Power | **4,320.17** | 4,236.84 |
| Unallocated income/(expenditure) | **3,466.53** | 3,733.26 |
| **Profit before finance costs and tax** | **8,591.68** | 4,873.10 |
| **Less: Finance costs** | **244.40** | 538.36 |
| **Profit before tax** | **8,347.28** | 4,334.74 |
| **Less: Tax expenses** | **2,473.24** | 1,145.72 |
| **Profit after tax** | **5,874.04** | 3,189.02 |
| **Other comprehensive income** | **(136.15)** | (106.09) |
| **Total comprehensive income for the year** | **5,737.89** | 3,082.93 |

Names of customer contributed 10% or more to the Company's revenue:

| **Sl no.** | **Name of Customer** | **Segment** | **Year ended 31 March, 2017** | Year ended 31 March, 2016 |
|---|---|---|---|---|
| | | | **Amount (Rs. In lacs )** | Amount (Rs. In lacs ) |
| 1 | K. D. Iron & Steel Co. | Sponge Iron | **6,454.49** | 6,515.20 |
| 2 | Lhaki Steels & Rolling Private Limited | Sponge Iron | **9,793.17** | - |
| 3 | Tata Steel Limited | Power | **5,003.08** | 4,783.02 |

| **Particulars** | **As at 31 March, 2017 Amount (Rs. In lacs )** | As at 31 March, 2016 Amount (Rs. In lacs ) | As at 01 April, 2015 Amount (Rs. In lacs ) |
|---|---|---|---|
| **Segment assets** | | | |
| Sponge Iron | **38,309.91** | 18,998.56 | 26,144.14 |
| Power | **4,722.96** | 4,519.43 | 4,522.34 |
| Unallocated | **61,547.13** | 75,221.73 | 66,623.35 |
| | **1,04,580.00** | 98,739.72 | 97,289.83 |

| Particulars | As at 31 March, 2017 Amount (Rs. In lacs ) | As at 31 March, 2016 Amount (Rs. In lacs ) | As at 01 April, 2015 Amount (Rs. In lacs ) |
|---|---|---|---|
| **Segment liabilities** | | | |
| Sponge Iron | 10,479.16 | 9,620.43 | 9,247.80 |
| Power | 678.85 | 154.50 | 14.18 |
| Unallocated | 6,937.49 | 6,364.67 | 6,657.15 |
| | 18,095.50 | 16,139.60 | 15,919.13 |

| | As at 31 March, 2017 Amount (Rs. In lacs ) | As at 31 March, 2016 Amount (Rs. In lacs ) |
|---|---|---|
| **Addition to Non-Current assets** | | |
| Sponge Iron | 28.91 | 1,790.43 |
| Power | - | - |
| Unallocated | - | - |
| | 28.91 | 1,790.43 |
| **Depreciation and amortisation** | | |
| Sponge Iron | 1,031.10 | 1,027.17 |
| Power | 245.21 | 228.91 |
| Unallocated | - | 33.22 |
| | 1,276.31 | 1,289.30 |
| **Non cash expenditure other than depreciation and amortisation** | | |
| Sponge Iron | - | - |
| Power | - | - |
| Unallocated | - | - |
| | - | - |

## 42 DISCLOSURE RELATING TO PROVISIONS AS PER IND AS 37- PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions for interest on income tax and others have been recognised in the financial statements considering the following:

(i) The Company has a present obligation as a result of past event;

(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

| **Particulars** | **Year ended 31 March, 2017** | Year ended 31 March, 2016 | **Year ended 31 March, 2017** | Year ended 31 March, 2016 | **Year ended 31 March, 2017** | Year ended 31 March, 2016 |
|---|---|---|---|---|---|---|
| Carrying amount as at beginning of the year | **2,723.99** | 2,509.39 | **601.00** | 601.00 | **1,587.00** | 1,263.30 |
| Provision made during the year | **240.78** | 214.60 | **-** | - | **2.31** | 323.70 |
| Amount paid during the year | **452.00** | - | **-** | - | **-** | |
| Unused amount reversed during the year | **-** | - | **-** | - | **-** | |
| Carrying amount as at the end of the year | **2,512.77** | 2,723.99 | **601.00** | 601.00 | **1,589.31** | 1,587.00 |
| Nature of obligation | VAT, entry tax and sales tax including interest thereon | | Cross subsidy surcharge payable to power distribution companies | | Interest on income tax | |
| Expected timing of resultant outflow | On decision by competent authority | | On decision by competent authority | | On decision by competent authority | |
| Indication of uncertainty about those outflows | The above matters are under dispute with authorities | | The above matters are under dispute with authorities | | The above matters are under dispute with authorities | |
| Major assumptions concerning future events | The matter is with higher authorities for adjudication. Provision has been made on the grounds of prudence. | | The matter is with higher authorities for adjudication. Provision has been made on the grounds of prudence. | | The matter is with higher authorities for adjudication. Provision has been made on the grounds of prudence. | |
| Amount of any expected reimbursement, i.e.., amount of any asset that has been recognised for that expected reimbursement | Nil | Nil | Nil | Nil | Nil | Nil |

## 43 OPERATING LEASES

The Company has cancellable operating lease agreements for office spaces and residential accommodations, the tenure of which generally vary from less than a year to 3 years. Terms of such lease include option for renewal on mutually agreed terms. Operating lease rental expenses aggregating **Rs. 76.49 lacs** (Previous Year: Rs. 80.85 lacs) have been debited to the Statement of Profit and Loss.

## 44 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY:

**a.** Gross amount required to be spent by the Company during the year 31 March, 2017 :**Rs. 218.70 lacs** (year ended 31 March, 2016 Rs. 274.35 lacs)

**b.** Amount spent during the year ended 31 March, 2017 (figures in brackets represents amount for the previous year)

| **Sl No.** | **Particulars** | **Paid (A)** | **Yet to be Paid (B)** | **Total (A)+(B)** |
|---|---|---|---|---|
| (i) | Construction / acquisition of any asset | - (-) | - (-) | - (-) |
| (ii) | On purposes other than (i) above | **166.96** (243.92) | **52.25** (33.57) | **219.21** (277.49) |
| **Total** | | **166.96** (243.92) | **52.25** (33.57) | **219.21** (277.49) |

Note : Figures in brackets pertain to previous year

| **c.** | **Details of related party transactions** | **As at March 31, 2017** | As at March 31, 2016 |
|---|---|---|---|
| (i) | Contribution during the year | **Nil** | Nil |
| (ii) | Payable as at the year end | **Nil** | Nil |

**45** The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.

**46** There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company, except a sum of Rs. 4.08 lacs, which is held in abeyance due to pending legal cases.

**47** The financial statements were approved for issue by the Board of Directors on 26 April, 2017**.**

For and on behalf of the Board of Directors

**A. M. Misra -** *Chairman*
**Sanjay Kumar Pattnaik -** *Managing Director*
**S. K. Mishra -** *Chief Financial Officer*
**Sanjay Kasture -** *Company Secretary*

Kolkata, 26 April, 2017

# INDEPENDENT AUDITOR'S REPORT

**TO THE MEMBERS OF TATA SPONGE IRON LIMITED**

## Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **TATA SPONGE IRON LIMITED** (hereinafter referred to as "the Parent/ Holding Company") and its subsidiary (the Parent and its subsidiary together referred to as "the Group"), comprising the Consolidated Balance Sheet as at 31 March, 2017, the Consolidated Statement of Profit and Loss including other comprehensive income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

## Management's Responsibility for the Consolidated Ind AS Financial Statements

The Parent's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Parent, as aforesaid.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Parent's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Parent's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March, 2017, and their consolidated profit, consolidated total comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been keptso far as it appears from our examination of those books of account.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.

(d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act.

(e) On the basis of the written representations received from the directors of the Parent as on 31 March, 2017 taken on record by the Board of Directors of the Parent and its subsidiary company, incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in “ANNEXURE A”, which is based on the auditor's reports of the Parent company and its subsidiary company, incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Parent's and its subsidiary company's internal financial controls over financial reporting.

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

   i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.(Refer Notes 30, 31, 33, 34 and 41 to the consolidated Ind AS financial statements.)

   ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.(Refer Note 44 to the consolidated Ind AS financial statements.)

   iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Parent except a sum of Rs. 4.08 lacs, which is held in abeyance due to pending legal cases. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Subsidiary Company. (Refer Note 45 to the consolidated Ind AS financial statements.)

   iv. The Parent Company has provided requisite disclosures in the consolidated Ind AS financial statements as regards the holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated 8 November, 2016 of the Ministry of Finance, during the period from 8 November, 2016 to 30 December, 2016 of the Group entities as applicable. Based on audit procedures performed and the representations provided to us by the management we report that the disclosures are in accordance with the relevant books of account maintained by those entities for the purpose of preparation of the consolidated Ind AS financial statements and as produced to us by the management of the respective group entities. (Refer Note 11 (d) to the consolidated Ind AS financial statements).

**For Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

**Alka Chadha**
Partner
(Membership No. 93474)

Place : Mumbai
Date : 26 April, 2017

# ANNEXURE “A” TO THE INDEPENDENT AUDITOR'S REPORT

**(Referred to in paragraph 1(f)under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31 March, 2017, we have audited the internal financial controls over financial reporting of **TATA SPONGE IRON LIMITED** (hereinafter referred to as “Parent/Holding Company”) and its subsidiary company, which are companies incorporated in India, as of that date.

## Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company and its subsidiary company, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Companyand its subsidiary company, which are companies incorporated in India.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion to the best of our information and according to the explanations given to us, the Holding Company and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2017, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No. 302009E)

**Alka Chadha**
Partner
(Membership No. 93474)

Place : Mumbai
Date : 26 April, 2017

TATA

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2017

Rs. in lacs

| | Notes | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|---|
| **Assets** | | | | |
| **(1) Non-current assets** | | | | |
| (a) Property, plant and equipment | 04 | **15,079.72** | 15,813.32 | 14,005.36 |
| (b) Capital work-in-progress | 04 | **563.48** | 923.26 | 2,003.88 |
| (c) Other intangible assets | 05 | **390.95** | 558.43 | 726.52 |
| (d) Financial assets | | | | |
| (i) Investments | | | | |
| a) Other investment in entity | 06 A | **80.00** | 80.00 | 80.00 |
| (ii) Other financial assets | 07 | **1,039.82** | 24.11 | 26.09 |
| (e) Non current tax assets | 19 A | **2,812.63** | 2,798.05 | 2,598.05 |
| (f) Other non-current assets | 08 | **17,471.43** | 17,560.29 | 16,973.49 |
| **Total non-current assets** | | **37,438.03** | 37,757.46 | 36,413.39 |
| **(2) Current assets** | | | | |
| (a) Inventories | 09 | **4,907.66** | 3,236.22 | 10,844.88 |
| (b) Financial assets | | | | |
| (i) Other investments | 06 B | **26,255.33** | 28,458.04 | 20,716.32 |
| (ii) Trade receivables | 10 | **3,576.67** | 2,943.05 | 888.11 |
| (iii) Cash and cash equivalents | 11 (i) | **30,468.08** | 25,009.17 | 24,977.12 |
| (iv) Bank balances other than cash and cash equivalents | 11 (ii) | **207.57** | 199.23 | 178.52 |
| (v) Other financial assets | 07 | **1,001.08** | 751.73 | 1,265.88 |
| (c) Other current assets | 08 | **734.49** | 390.44 | 2,006.45 |
| **Total current assets** | | **67,150.88** | 60,987.88 | 60,877.28 |
| **Total assets** | | **1,04,588.91** | 98,745.34 | 97,290.67 |
| **Equity and liabilities** | | | | |
| **(1) Equity** | | | | |
| (a) Equity share capital | 12 | **1,540.00** | 1,540.00 | 1,540.00 |
| (b) Other equity | 13 | **84,952.26** | 81,064.88 | 79,830.70 |
| **Total equity** | | **86,492.26** | 82,604.88 | 81,370.70 |
| **(2) Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| (a) Provisions | 14 | **1,281.39** | 686.59 | 528.00 |
| (b) Deferred tax liabilities (Net) | 15 | **1,905.71** | 2,173.53 | 2,303.96 |
| **Total non-current liabilities** | | **3,187.10** | 2,860.12 | 2,831.96 |
| **Current liabilities** | | | | |
| (a) Financial liabilities | | | | |
| (i) Trade payables | 16 | **5,253.61** | 4,070.18 | 4,690.71 |
| (ii) Other financial liabilities | 18 | **335.01** | 711.77 | 571.12 |
| (b) Provisions | 14 | **4,779.72** | 4,966.97 | 4,420.26 |
| (c) Current tax liabilities (net) | 19 | **3,234.86** | 2,394.70 | 2,220.79 |
| (d) Other current liabilities | 17 | **1,306.35** | 1,136.72 | 1,185.13 |
| **Total current liabilities** | | **14,909.55** | 13,280.34 | 13,088.01 |
| **Total liabilities** | | **18,096.65** | 16,140.46 | 15,919.97 |
| **Total equity and liabilities** | | **1,04,588.91** | 98,745.34 | 97,290.67 |

See accompanying notes to the Consolidated Financial Statements. 1-48

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra** - *Chairman*
**Sanjay Kumar Pattnaik** - *Managing Director*
**S. K. Mishra** - *Chief Financial Officer*
**Sanjay Kasture** - *Company Secretary*

Kolkata, 26 April, 2017

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2017

**Rs. in lacs**

| | | Notes | Year Ended 31 March, 2017 | Year Ended 31 March, 2016 |
|---|---|---|---|---|
| I | Revenue from operations | 20 | 61,516.07 | 63,304.18 |
| II | Other income | 21 | 3,707.29 | 3,772.10 |
| III | **Total income (I + II)** | | 65,223.36 | 67,076.28 |
| IV | **Expenses:** | | | |
| | Cost of materials consumed | 22 | 36,968.26 | 40,613.17 |
| | Purchases of traded sponge iron | | - | 780.12 |
| | Changes in inventories of finished goods and stock in trade | 23 | 324.91 | 1,300.21 |
| | Excise duty on sale of goods | | 5,785.30 | 5,951.28 |
| | Employee benefits expense | 24 | 4,630.97 | 3,398.10 |
| | Finance costs | 25 | 244.40 | 538.36 |
| | Depreciation and amortisation expense | 26 | 1,276.31 | 1,289.30 |
| | Other expenses | 27 | 7,642.93 | 8,866.24 |
| | **Total expenses (IV)** | | 56,873.08 | 62,736.78 |
| V | **Profit before tax (III - IV)** | | 8,350.28 | 4,339.50 |
| VI | **Tax expense:** | | | |
| | (1) Current tax | 27.2 | 2,669.00 | 1,220.00 |
| | (2) Deferred tax | 16 | (195.76) | (74.28) |
| | **Total tax expense VI** | | 2,473.24 | 1,145.72 |
| VII | **Profit for the year (V - VI)** | | 5,877.04 | 3,193.78 |
| VIII | **Other comprehensive income** | 39 | | |
| (A) | (i) Items that will not be reclassified to profit or loss | | | |
| | (a) Remeasurements of the defined benefit plans | | (208.21) | (162.24) |
| | (b) Income tax relating to items that will not be reclassified to profit or loss | | 72.06 | 56.15 |
| | **Total Other comprehensive income (VIII)** | | (136.15) | (106.09) |
| IX | **Total comprehensive income for the year (VII+VIII)** | | | |
| | (Comprising profit and other comprehensive income for the year) | | 5,740.89 | 3,087.69 |
| X | **Earnings per equity share (face value of Rs. 10/- each):** | 29 | | |
| | (1) Basic (in Rs.) | | 38.16 | 20.74 |
| | (2) Diluted (in Rs.) | | 38.16 | 20.74 |

See accompanying notes to the Consolidated Financial Statements. 1-48

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra -** *Chairman*
**Sanjay Kumar Pattnaik -** *Managing Director*
**S. K. Mishra -** *Chief Financial Officer*
**Sanjay Kasture -** *Company Secretary*

Kolkata, 26 April, 2017

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH, 2017

**A) Equity share capital**

| | | Rs. in lacs |
|---|---|---|
| (a) | **Balance as at 1 April, 2015** (15,400,000 equity shares of Rs. 10 each) | 1,540.00 |
| | Changes in equity share capital during the year | - |
| | **Balance as at 31 March, 2016** (15,400,000 equity shares of Rs. 10 each) | 1,540.00 |
| | Changes in equity share capital during the year | - |
| | **Balance as at 31 March, 2017** (15,400,000 equity shares of Rs. 10 each) | 1,540.00 |

**B) Other equity**

Rs. in lacs

| | Reserves and surplus | | Items of other comprehensive income | | |
|---|---|---|---|---|---|
| **Particulars** | **General reserves** | **Retained earnings** | **Equity instrument through other comprehensive income** | **Other items of other comprehensive income** | **Total** |
| **Balance as at 1 April, 2015** | 75,880.00 | 3,950.70 | - | - | 79,830.70 |
| Profit for the year | - | 3,193.78 | - | - | 3,193.78 |
| Remeasurement gains / (losses) on defined benefit plans | - | - | - | (162.24) | (162.24) |
| Tax impact on other comprehensive income (OCI) | - | - | - | 56.15 | 56.15 |
| Dividend paid during the year | - | (1,540.00) | - | - | (1,540.00) |
| Tax on dividend | - | (313.51) | - | - | (313.51) |
| Transfer to / (from) general reserve | 1,120.00 | (1,120.00) | - | - | - |
| **Balance as at 31 March, 2016** | 77,000.00 | 4,170.97 | - | (106.09) | 81,064.88 |
| Profit for the year | - | **5,877.04** | - | - | **5,877.04** |
| Remeasurement gains / (losses) on defined benefit plans | - | - | - | **(208.21)** | **(208.21)** |
| Tax impact on other comprehensive income (OCI) | - | - | - | **72.06** | **72.06** |
| Dividend paid during the year | - | **(1,540.00)** | - | - | **(1,540.00)** |
| Tax on dividend | - | **(313.51)** | - | - | **(313.51)** |
| **Balance as at 31 March, 2017** | **77,000.00** | **8,194.50** | **-** | **(242.24)** | **84,952.26** |

See accompanying notes to the Consolidated Financial Statements 1-48

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra -** *Chairman*
**Sanjay Kumar Pattnaik -** *Managing Director*
**S. K. Mishra -** *Chief Financial Officer*
**Sanjay Kasture -** *Company Secretary*

Kolkata, 26 April, 2017

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

Rs. in lacs

| | | Year Ended 31 March, 2017 | Year Ended 31 March, 2016 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | | |
| **Profit for the year** | | **5,877.04** | 3,193.78 |
| *Adjustments for:* | | | |
| Tax expenses recognised in profit or loss | | **2,473.24** | 1,145.72 |
| Depreciation and amortisation expense | | **1,276.31** | 1,289.30 |
| Dividend from current investments | | **(1,295.77)** | (1,461.79) |
| Dividend received from equity investments | | **(70.00)** | (80.00) |
| Net gain on sale of current investments | | **(3.81)** | (0.21) |
| Net loss on disposal of property, plant and equiptment | | **6.96** | 35.83 |
| Interest income recognised in profit or loss | | **(2,168.16)** | (2,073.97) |
| Finance costs recognised in profit or loss | | **244.40** | 538.36 |
| Liabilities / provisions no longer required written back | | **(27.39)** | (14.93) |
| Operating profit / (loss) before working capital changes | | **6,312.82** | 2,572.09 |
| *Changes in working capital:* | | | |
| Adjustment for (increase) / decrease in operating assets | | | |
| Inventories | | **(1,671.44)** | 7,608.66 |
| Trade receivables | | **(633.62)** | (2,054.94) |
| Other current assets | | **(344.04)** | 1,616.47 |
| Other financial assets | | **(249.35)** | 514.15 |
| Other non-current assets | | **(927.32)** | (686.10) |
| Adjustment for increase / (decrease) in operating liabilities | | | |
| Trade payables | | **1,183.43** | (620.53) |
| Other financial liabilities | | **(393.54)** | 99.23 |
| Other-current liabilities | | **556.70** | (97.16) |
| Provisions - current | | **(639.86)** | (153.81) |
| Provisions - non-current | | **594.80** | 158.59 |
| **Cash generated from / (used in) operations** | | **3,788.59** | 8,956.65 |
| Income taxes paid | | **(1,843.42)** | (1,250.61) |
| **Net cash generated by operating activities** | | **1,945.17** | 7,706.04 |
| **B. Cash flows from investing activities** | | | |
| Payments for purchase of property, plant and equipment (including capital advances) | | **(388.07)** | (1,722.23) |
| Proceeds from disposal of property, plant and equipment | | **6.50** | 6.86 |
| Payments to acquire current investments | | **(65,867.80)** | (1,02,770.80) |
| Proceeds from disposal of current investments | | **68,074.30** | 95,029.29 |
| Interest received | | **2,168.16** | 2,073.97 |
| Dividend received from equity investments | | **70.00** | 80.00 |
| Dividend received from current investments | | **1,295.77** | 1,461.79 |
| **Net cash generated / (used) in investing activities** | | **5,358.86** | (5,841.12) |
| **C. Cash flows from financing activities:** | | | |
| Interest paid | | **-** | (0.07) |
| Dividend paid (excluding unpaid dividend) | | **(1,531.61)** | (1,519.29) |
| Tax on dividend paid | | **(313.51)** | (313.51) |
| **Net cash generated / (used) in financing activities** | | **(1,845.12)** | (1,832.87) |
| **Net increase or (decrease) in cash or cash equivalents** | | **5,458.91** | 32.05 |
| **Cash and cash equivalents at beginning of the year** (Refer note 1) | 11 | **25,009.17** | 24,977.12 |
| **Cash and cash equivalents at the end of the year** (Refer note 1) | 11 | **30,468.08** | 25,009.17 |

Notes: 1 Includes cash on hand, balance in current accounts and demand deposit accounts with banks as disclosed in Note 11.
2 Figures in brackets represent outflows.

See accompanying notes to the Consolidated Financial Statements 1-48

In terms of our report attached

**For Deloitte Haskins & Sells**
Chartered Accountants

**Alka Chadha**
Partner

Mumbai, 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra** - *Chairman*
**Sanjay Kumar Pattnaik** - *Managing Director*
**S. K. Mishra** - *Chief Financial Officer*
**Sanjay Kasture** - *Company Secretary*
Kolkata, 26 April, 2017

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**01. Corporate information**

TATA SPONGE IRON LIMITED ('TSIL' or 'the Company') is a public limited Company incorporated in India with its registered office at Joda, Odisha, India.

TSIL and its subsidiary company ('the Group') havea presence across the entire value chain in manufacture of sponge iron and generation of power from waste heat.

The functional and presentation currency of the Group is Indian Rupee ("INR") which is the currency of the primary economic environment in which the Group operates. All financial information presented in Indian rupees has been rounded to the nearest lakhs except share and per share data.

The Group's operations predominantly relate to manufacture of sponge iron and generation of power.

The Company is a subsidiary of Tata Steel Limited. The equity shares of the Company are listed on two of the stock exchanges in India i.e. NSE and BSE.

**02. Significant accounting policies**

**a) Statement of compliance**

The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under the Companies (Indian Accounting Standards) Rules,2015 read with section 133 of the Companies Act, 2013 and other accounting principles generally accepted in India.

Upto the year ended 31 March, 2016 the Group prepared its Consolidated Financial Statements in accordance with the requirements of previous GAAP, which includes Standards notified under the Companies (Accounting Standards) Rules, 2006. These are the Group's first Consolidated Ind AS Financial Statements. The date of transition to Ind AS is 1 April, 2015. Refer note 2(c) for the details of first-time adoption exemptions availed by the Group.

**b) Basis of preparation and presentation**

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis except for leasing transactions that are within the scope of Ind AS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in Ind AS 2 or value in use in Ind AS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**c) First-time adoption of Indian Accounting Standards - mandatory exceptions, optional exemptions**

**i) Overall principles**

The Group has prepared the opening balance sheet as per Ind AS as at 1 April, 2015 (the transition date) by recognising all assets and liabilities whose recognition is required by Ind AS, not recognising the items of assets or liabilities which are not permitted by Ind AS, by reclassifying items from previous GAAP to Ind AS as required by Ind AS, and applying Ind AS in measurement of recognised assets and liabilities. However, this is subject to certain exceptions and certain optional exemptions availed by the Group as detailed below.

**ii) Derecognition of financial assets and financial liabilities**

The Group has applied the derecognition requirements of financial assets and financial liabilities prospectively for transaction occurring on or after 1 April, 2015.

**iii) Impairment of financial assets**

The Group has applied the impairment requirement of Ind AS 109 "Financial Instruments" retrospectively; however, as permitted by Ind AS 101 "First-time Adoption of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Indian Accounting Standards", it has used reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the date that financial instruments were initially recognised in order to compare it with the credit risk at the transition date. Further, the Group has not undertaken an exhaustive search for information when determining, at the date of transition to Ind ASs, whether there have been significant increases in credit risk since initial recognition, as permitted by Ind AS 101 "First Time Adoption of Indian Accounting Standards".

**iv) Deemed cost for property, plant and equipment and intangible assets**

The Group has elected to continue with the carrying value of all its property, plant and equipment and intangible assets recognised as on 1 April, 2015 (transition date) measured as per previous GAAP and use that carrying value as its deemed cost as of the transition date.

**v) Determining whether an arrangement contains a lease**

The Group has applied Appendix C of Ind AS 17 "Leases" "Determining whether an Arrangement contains a Lease" to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.

**vi) Equity instruments at FVTOCI**

The Group has designated investment in equity shares of Jamipol Limited as at FVTOCI on the basis of fact and circumstances that existed at the transition date.

**d) Use of estimates and critical accounting judgments**

In preparation of the financial statements, the Company makes judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

Significant judgments and estimates relating to the carrying amounts of assets and liabilities including provision for employee benefits, recoverability of deferred tax assets and provisions and contingencies are included in the following notes:

- Provision for employee benefits : Refer note 02 (I), note 14 and note 39
- Recoverability of deferred tax assets : Refer note 02 (I) and note15
- Provisions and contingencies : Refer note 02 (o), note14, note 30, note 31, note 33, note 34, and note 41

**e) Basis of consolidation**

The Consolidated Ind AS Financials Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Profit and Loss from the date of the group gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control, over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Ind AS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of an investment in an associate or a joint venture.

**f) Property, plant and equipment**

An item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. This recognition principle is applied to the costs incurred initially to acquire an item of property, plant and equipment and also to costs incurred subsequently to add to, replace part of, or service it. All other repair and maintenance costs, including regular servicing, are recognised in the Consolidated Statement of Profit and Loss as incurred. When a replacement occurs, the carrying amount of the replaced part is derecognised. Where a property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items.

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment. Cost includes all direct costs and expenditures incurred to bring the asset to its working condition and location for its intended use. Trial run expenses (net of revenue) are capitalised. Borrowing costs during the period of construction is added to the cost of eligible property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the Consolidated Statement of Profit and Loss.

**Deemed cost on transition to Ind AS**

For transition to Ind AS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as of 1 April, 2015 (transition date) measured as per the previous GAAP and use that carrying value as its deemed cost as of the transition date.

**g) Intangible assets**

Mining geological report, railway sidings and software costs are included in the Consolidated Balance Sheet as intangible assets where they are clearly linked to long term economic benefits for the Group. In this case they are measured initially at purchase cost and then amortised on a straight-line basis over their estimated useful lives. All other costs on patents, trademarks and software are expensed in the Consolidated Statement of Profit and Loss as incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Deemed cost on transition to Ind AS**

For transition to Ind AS, the Group has elected to continue with the carrying value of all of its intangible assets recognised as of 1 April, 2015 (transition date) measured as per previous GAAP and use that carrying value as its deemed cost as of the transition date.

**h) Depreciation and amortisation of property, plant and equipment and intangible assets**

Depreciation amount for assets is the cost of an asset, or other amount substituted for cost, less its estimates residual value.

Depreciation on tangible property, plant and equipment has been provided on the straight-line mthod as per the useful life prescribed in Schedule II to the Companies Act, 2013 except in respect of the following categories of the assets, in whose case the life of the assets has been assessed as under taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, etc.

| Category of assets | Useful life |
|---|---|
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Railway sidings | 5 years |

Intangible assets are amortised over a period of 3 to 5 years.

Assets individually costing Rs. 25,000 or less are fully depreciated in the year of purchase.

**i) Impairment ofproperty, plant and equipment and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**j) Leases**

The Group determines whether an arrangement contains a lease by assessing whether the fulfillment of a transaction is dependent on the use of a specific asset and whether the transaction conveys the right to use that asset to the Group in return for payment. Where this occurs, the arrangement is deemed to include a lease and is accounted for either as finance or operating lease.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Group as lessee**

**i) Operating lease**

Rentals payable under operating leases are charged to the Consolidated Statement of Profit and Loss in a straight line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the reporting period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

ii) **Finance lease**

Finance leases are capitalised at the commencement of lease, at the lower of the fair value of the property or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income over the period of the lease.

**The Group as lessor**

i) **Operating lease**

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease. Where the rentals are structured solely to increase in line with expected general inflation to compensate for the Group's expected inflationary cost increases, such increases are recognised in the year in which such benefits accrue. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

ii) **Finance lease**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

k) **Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Interest income is recognised in profit or loss and is included in the "Other income" line item.

**Financial assets at fair value through other comprehensive income (FVTOCI)**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model. Further, in cases where the Group has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognised in other comprehensive income.

**Financial assets at fair value through profit or loss (FVTPL)**

Investments in equity instruments are classified as at FVTPL, unless the Group irrevocably elects on initial recognition to present subsequent changes in fair value in other comprehensive income for investments in equity instruments which are not held for trading.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated as at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurementrecognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Other income' line item. Dividend on financial assets at FVTPL is recognised when the Group's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

**Impairment of financial assets**

The Group applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI, lease receivables, trade receivables, other contractual rights to receive cash or other financial asset, and financial guarantees not designated as at FVTPL.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit -adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Group estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

If the Group measured loss allowance for a financial instrument at lifetime expected credit loss model in the previous period, but determines at the end of a reporting period that the credit risk has not increased significantly since initial recognition due to improvement in credit quality as compared to the previous period, the Group again measures the loss allowance based on 12-month expected credit losses.

When making the assessment of whether there has been a significant increase in credit risk since initial recognition, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18, the Group always measures the loss allowance at an amount equal to lifetime expected credit losses.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

**Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

**Foreign exchange gains or losses**

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

For foreign currency denominated financial assets measured at amortised cost and FVTPL, the exchange differences are recognised in profit or loss except for those which are designated as hedging instruments in a hedging relationship.

Changes in the carrying amount of investments in equity instruments at FVTOCI relating to changes in foreign currency rates are recognised in other comprehensive income.

For the purposes of recognising foreign exchange gains and losses, FVTOCI debt instruments are treated as financial assets measured at amortised cost. Thus, the exchange differences on the amortised cost are recognised in profit or loss and other changes in the fair value of FVTOCI financial assets are recognised in other comprehensive income.

**Financial liabilities and equity instruments**

**Classification as debt or equity**

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by theGroup are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or (where appropriate) a shorter period, to the gross carrying amount on initial recognition.

**Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in 'Other income'.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

**Derecognition of financial liabilities**

The Groupderecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**l) Employee Benefits**

**Short term employee benefits**

Short term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and Loss of the year in which the related service is rendered.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each semi-annual reporting period. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurementrecognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

**Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**m) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the Statement of Profit and Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognised as deferred tax asset in the balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realised.

**Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**n) Inventories**

Raw materials are valued at cost or net realisable value whichever is lower. Cost comprises purchase price, freight and handling charges, non refundable taxes and duties and other directly attributable costs.

Finished products are valued at lower of cost and net realisable value.

Stores and spares are valued at cost comprising of purchase price, freight and handling charges, non refundable taxes and duties and other directly attributable cost less provision for obsolescence.

Cost of inventories are ascertained on the ""weighted average" basis.

**o) Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event, which is expected to result in an outflow of resources embodying economic benefits which can be reliably estimated. Each provision is based on the best estimate of the expenditure required to settle the present obligation at the balance sheet date. When appropriate, provisions are measured on a discounted basis.

Constructive obligation is an obligation that derives from an entity's actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and
- as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes. Contingent assets are neither recognised nor disclosed in the financial assets.

**p) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of discounts, taking into account contractually defined terms.

**Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is when they have accepted physical delivery and control of the goods. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

**Sale of Power**

Revenue from the transfer of power is recognised based on contracts/arrangements with the power consumers.

**Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Dividend income**

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

**Rental income**

Rental income from investment properties and subletting of properties is recognised on a straight line basis over the term of the relevant leases.

**q) Foreign currency transactions and translation**

In preparing the Consolidated Financial Statements of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on translation of long term foreign currency monetary items recognised in the Consolidated Financial Statements before the beginning of the first Ind AS financial reporting period are recognised directly in equity or added/deducted from the cost of assets as the case may be.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the ConsolidatedStatement of Profit and Loss for the reporting period. Exchange differences arising on retranslation on non-monetary items carried at fair value are included in ConsolidatedStatement of Profit and Loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income.

**r) Borrowing Costs**

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Statement of Profit and Loss in the period in which they are incurred.

**s) Earnings per equity share**

Basic earnings per equity share is computed by dividing profit or loss attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The Group did not have any potentially dilutive securities in any of the periods presented.

**t) Cash and cash equivalents**

The Group considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

**u) Cash flow statement**

Cash flows are reported using the indirect method, where by profit after tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

**v) Operating cycle**

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

**2A. Standards issued but not yet effective**

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows' and Ind AS 102, 'Share-based payment.' The amendments are applicable to the Group from 1 April, 2017.

**Amendment to Ind AS 7:**

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of Consolidated Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Group is evaluating the requirements of the amendment and its impact on its cash flows, which are not expected to be material.

**Amendment to Ind AS 102:**

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Group does not have any scheme of share based payments and hence the requirements of the amendment will not have any impact on the Consolidated Financial Statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**03 First - time Ind AS adoption reconciliations**

**(A) Effect of Ind AS adoption on the balance sheet as at 31 March, 2016 and 1 April, 2015**

Rs. in lacs

| | Notes | As at 31 March, 2016 | | | As at 1 April, 2015 | | |
|---|---|---|---|---|---|---|---|
| | | Previous GAAP | Effect of transition to Ind AS | Ind AS | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| Assets | | | | | | | |
| (1) Non-current assets | | | | | | | |
| (a) Property, plant and equipment | | 15,813.32 | - | 15,813.32 | 14,005.36 | - | 14,005.36 |
| (b) Capital work-in-progress | | 923.26 | - | 923.26 | 2,003.88 | - | 2,003.88 |
| (c) Other intangible assets | | 558.43 | - | 558.43 | 726.52 | - | 726.52 |
| (d) Financial assets | | | | | | | |
| (i) Investments | | | | | | | |
| a) Other investments - investment in entity | | 80.00 | - | 80.00 | 80.00 | - | 80.00 |
| (ii) Other financial assets | | 24.11 | - | 24.11 | 26.09 | - | 26.09 |
| (e) Non current tax assets | | 2,798.05 | - | 2,798.05 | 2,598.05 | - | 2,598.05 |
| (f) Other non-current assets | | 17,560.29 | - | 17,560.29 | 16,973.49 | - | 16,973.49 |
| Total non-current assets | | 37,757.46 | - | 37,757.46 | 36,413.39 | - | 36,413.39 |
| (2) Current assets | | | | | | | |
| (a) Inventories | | 3,236.22 | - | 3,236.22 | 10,844.88 | - | 10,844.88 |
| (b) Financial assets | | | | | | | |
| (i) Other investments | | 28,458.04 | - | 28,458.04 | 20,716.32 | - | 20,716.32 |
| (ii) Trade receivables | | 2,943.05 | - | 2,943.05 | 888.11 | - | 888.11 |
| (iii) Cash and cash equivalents | | 25,009.17 | - | 25,009.17 | 24,977.12 | - | 24,977.12 |
| (iv) Bank balances other than cash and cash equivalents | | 199.23 | - | 199.23 | 178.52 | - | 178.52 |
| (v) Other financial assets | | 751.73 | | 751.73 | 1,265.88 | - | 1,265.88 |
| (c) Other current assets | | 390.44 | - | 390.44 | 2,006.45 | - | 2,006.45 |
| Total current assets | | 60,987.88 | - | 60,987.88 | 60,877.28 | - | 60,877.28 |
| Total assets | | 98,745.34 | - | 98,745.34 | 97,290.67 | - | 97,290.67 |
| Equity and liabilities | | | | | | | |
| (1) Equity | | | | | | | |
| (a) Equity share capital | | 1,540.00 | - | 1,540.00 | 1,540.00 | - | 1,540.00 |
| (b) Other equity | b | 79,211.37 | (1,853.51) | 81,064.88 | 77,977.19 | 1,853.51 | 79,830.70 |
| Total equity | | 80,751.37 | (1,853.51) | 82,604.88 | 79,517.19 | 1,853.51 | 81,370.70 |
| (2) Liabilities | | | | | | | |
| Non-current liabilities | | | | | | | |
| (a) Provisions | | 686.59 | - | 686.59 | 528.00 | - | 528.00 |
| (b) Deferred tax liabilities (net) | | 2,173.53 | - | 2,173.53 | 2,303.96 | - | 2,303.96 |
| Total non-current liabilities | | 2,860.12 | - | 2,860.12 | 2,831.96 | - | 2,831.96 |
| Current liabilities | | | | | | | |
| (a) Financial liabilities | | | | | | | |
| (i) Trade payables | | 4,070.18 | - | 4,070.18 | 4,690.71 | - | 4,690.71 |
| (ii) Other financial liabilities | | 711.77 | - | 711.77 | 571.12 | - | 571.12 |
| (b) Provisions | b | 6,820.48 | 1,853.51 | 4,966.97 | 6,273.77 | (1,853.51) | 4,420.26 |
| (c) Current tax liabilities (net) | | 2,394.70 | - | 2,394.70 | 2,220.79 | - | 2,220.79 |
| (d) Other current liabilities | | 1,136.72 | - | 1,136.72 | 1,185.13 | - | 1,185.13 |
| Total current liabilities | | 15,133.85 | 1,853.51 | 13,280.34 | 14,941.52 | (1,853.51) | 13,088.01 |
| Total liabilities | | 17,993.97 | 1,853.51 | 16,140.46 | 17,773.48 | (1,853.51) | 15,919.97 |
| Total equity and liabilities | | 98,745.34 | - | 98,745.34 | 97,290.67 | - | 97,290.67 |

**B) Reconciliation of total equity as at 31 March, 2016 and 1 April, 2015**

**Equity reconciliations**

**Rs. in lacs**

| | **Notes** | **As at 31 March, 2016** | **As at 1 April, 2015** |
|---|---|---|---|
| Total equity (shareholders funds) under Previous GAAP | | 80,751.37 | 79,517.19 |
| Proposed dividend (including dividend tax) | b | 1,853.51 | 1,853.51 |
| **Total Equity under Ind AS** | | 82,604.88 | 81,370.70 |

**(C) Effect of Ind AS adoption on the Consolidated Statement of Profit and Loss for the year ended 31 March, 2016.**

Rs. in lacs

| | Notes | As at 31 March, 2016 | | |
|---|---|---|---|---|
| | | Previous GAAP | Effect of transition to Ind AS | Ind AS |
| (I) Revenue from operations | c | 57,352.90 | 5,951.28 | 63,304.18 |
| (II) Other income | | 3,772.10 | - | 3,772.10 |
| (III) Total income (I + II) | | 61,125.00 | 5,951.28 | 67,076.28 |
| (IV) Expenses: | | | | |
| Cost of materials consumed | | 40,613.17 | - | 40,613.17 |
| Purchases of traded sponge iron | | 780.12 | - | 780.12 |
| Changes in inventories of finished goods and stock in trade | | 1,300.21 | - | 1,300.21 |
| Excise duty on sale of goods | c | - | 5,951.28 | 5,951.28 |
| Employee benefits expense | d | 3,560.34 | (162.24) | 3,398.10 |
| Finance costs | | 538.36 | - | 538.36 |
| Depreciation and amortisation expense | | 1,289.30 | - | 1,289.30 |
| Other expenses | | 8,866.24 | - | 8,866.24 |
| Total expenses (IV) | | 56,947.74 | 5,789.04 | 62,736.78 |
| (V) Profit before tax (III - IV) | | 4,177.26 | 162.24 | 4,333.50 |
| (VI) Tax expense: | | | | |
| (1) Current tax | | 1,220.00 | - | 1,220.00 |
| (2) Deferred tax | d | (130.43) | 56.15 | (74.28) |
| Total tax expense (VI) | | 1,089.57 | 56.15 | 1,145.72 |
| (VII) Profit for the year (V - VI) | | 3,087.69 | 106.09 | 3,193.78 |
| (VIII) Other comprehensive income | a | | | |
| (A) (i) Items that will not be reclassified to profit or loss | | | | |
| (a) Remeasurement of the defined benefit plans | d | - | (162.24) | (162.24) |
| (b) Income tax relating to items that will not be reclassified to profit or loss | d | - | 56.15 | 56.15 |
| Total other comprehensive income (VIII) | | - | (106.09) | (106.09) |
| (IX) Total comprehensive income for the year (VII+VIII) (Comprising profit and other comprehensive income for the year) | | 3,087.69 | - | 3,087.69 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rs. in lacs

**D) Reconciliation of total comprehensive income for the year ended 31 March, 2016**

| | Notes | Year ended 31 March, 2016 |
|---|---|---|
| Net profit under previous GAAP | | 3,087.69 |
| Actuarial (gain)/ loss on employee defined benefit funds recognised in Other Comprehensive Income | d | 162.24 |
| Deferred tax arising on remeasurement of the defined benefit plans | d | (56.15) |
| **Net profit for the period under Ind AS** | | **3,193.78** |
| Other comprehensive income | | |
| -Remeasurement of the defined benefit plans (net of tax) | d | (106.09) |
| **Total comprehensive income under Ind AS** | | **3,087.69** |

**E) Effect of Ind AS adoption on the Consolidated Statement of Cash Flows for the year ended 31 March, 2016**

| Particulars | Year ended 31 March, 2016 | | |
|---|---|---|---|
| | Previous GAAP | Effect of transition to Ind AS | As per Ind AS Balance Sheet |
| | Rs. in lacs | Rs. in lacs | Rs. in lacs |
| Net cash flows from operating activities | 7,706.04 | - | 7,706.04 |
| Net cash flows from investing activities | (5,841.12) | - | (5,841.12) |
| Net cash flows from financing activities | (1,832.87) | - | (1,832.87) |
| **Net decrease in cash and cash equivalents** | **32.05** | **-** | **32.05** |
| Cash and cash equivalents at the beginning of the year | | | 24,977.12 |
| **Cash and cash equivalents at the end of the year** | | | **25,009.17** |

**F) Analysis of cash and cash equivalents as at 31 March, 2016 and as at 1 April, 2015 for the purposes of Consolidated Statement of Cash Flows under Ind AS**

| | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|
| | Rs. in lacs | Rs. in lacs |
| Cash and cash equivalents for the purposes of Statement of Cash Flows as per previous GAAP | 25,009.17 | 24,977.12 |
| **Cash and cash equivalents for the purpose of Statement of Cash Flows under Ind AS** | **25,009.17** | **24,977.12** |

Notes :

a Under previous GAAP, there was no concept of other comprehensive income. Under Ind AS, specified items of income expense, gains, or losses are required to be presented in other comprehensive income.

b Under Ind AS, dividend to holders of equity instruments is recognised as a liability in the year in which the obligation to pay is established. Under previous GAAP, dividend payable was recorded as a liability in the year to which it relates. This has resulted in an increase in equity of Rs. 1,853.51 lacs as at 31 March, 2016 and 1 April, 2015.

c Under previous GAAP, revenue from sale of products was presented net of excise duty under revenue from operations, whereas, under Ind AS, revenue from sale of products includes excise duty. The corresponding excise duty expense is presented separately on the face of the Statement of Profit and Loss. The change does not affect total equity as at 1 April, 2015 and 31 March, 2016 and loss for the year ended 31 March, 2016.

d Under previous GAAP, actuarial gains and losses were recognised in profit or loss. Under Ind AS, the actuarial gains and losses form part of measurement of the net defined benefit liability / asset which is recognised in other comprehensive income. Consequently, the tax effect of the same has also been recognised in other comprehensive income under Ind AS instead of profit or loss. The actuarial losses for the year ended 31 March, 2016 were Rs. 162.24 lacs and the tax effect thereon was Rs. 56.15 lacs. This change does not affect total equity, but there is an increase in profit before tax of Rs. 106.09 lacs and decrease in other comprehensive income of 106.09 lacs for the year ended 31 March, 2016.

e Previous GAAP figures have been reclassified to conform to the Ind AS presentation requirements for the purpose of this note.

## 04 Property, plant and equipment and Capital work-in-progress

Rs. in lacs

| Carrying amount of: | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| Freehold land | 229.42 | 229.42 | 229.42 |
| Freehold buildings | 2,523.48 | 2,485.66 | 2,763.97 |
| Plant and equipment | 12,131.58 | 12,927.25 | 10,874.67 |
| Furniture and fixtures | 11.49 | 13.87 | 15.09 |
| Office equipment | 111.49 | 74.04 | 31.84 |
| Vehicles | 72.26 | 83.08 | 90.37 |
| **Total** | 15,079.72 | 15,813.32 | 14,005.36 |
| Capital work-in-progress | 563.48 | 923.26 | 2,003.88 |
| **Total** | 563.48 | 923.26 | 2,003.88 |

Rs. in lacs

| | Freehold land | Freehold buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Cost or Deemed cost** | | | | | | | |
| Balance as at 1 April, 2015 | 229.42 | 2,763.97 | 10,874.67 | 15.09 | 31.84 | 90.37 | 14,005.36 |
| Additions during the year | - | 2.16 | 2,886.86 | 3.27 | 55.53 | 24.04 | 2,971.86 |
| Assets disposed / written off during the year | - | - | 820.55 | - | - | 24.21 | 844.76 |
| Balance as at 31 March, 2016 | 229.42 | 2,766.13 | 12,940.98 | 18.36 | 87.37 | 90.20 | 16,132.46 |
| Additions during the year | **-** | **251.14** | **41.49** | **0.03** | **65.77** | **30.26** | **388.69** |
| Assets disposed / written off during the year | **-** | **-** | **2.49** | **0.07** | **0.18** | **20.15** | **22.89** |
| **Balance as at 31 March, 2017** | **229.42** | **3,017.27** | **12,979.98** | **18.32** | **152.96** | **100.31** | **16,498.26** |

Rs. In lacs

| | Freehold land | Freehold buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Accumulated depreciation** | | | | | | | |
| Accumulated depreciation as at 1 April, 2015 | - | - | - | - | - | - | - |
| Charge for the year | - | 280.47 | 792.70 | 4.49 | 13.33 | 30.22 | 1,121.21 |
| Depreciation on assets adjusted against retained earning during the year | - | - | - | - | - | - | - |
| Depreciation on assets disposed / written off during the year | - | - | 778.97 | - | - | 23.10 | 802.07 |
| Accumulated depreciation as at 31 March, 2016 | - | 280.47 | 13.73 | 4.49 | 13.33 | 7.12 | 319.14 |
| Charge for the year | **-** | **213.32** | **835.90** | **2.34** | **28.23** | **29.04** | **1,108.83** |
| Depreciation on assets disposed / written off during the year | **-** | **-** | **1.23** | **-** | **0.09** | **8.11** | **9.43** |
| Depreciation on assets adjusted against retained earnings during the year | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Accumulated depreciation as at 31 March, 2017** | **-** | **493.79** | **848.40** | **6.83** | **41.47** | **28.05** | **1,418.54** |

Rs. In lacs

| | Freehold land | Freehold buildings | Plant and equipment | Furniture and fixtures | Office equipment | Vehicles | Total |
|---|---|---|---|---|---|---|---|
| **Carrying amount** | | | | | | | |
| Balance as at 1 April, 2015 | 229.42 | 2,763.97 | 10,874.67 | 15.09 | 31.84 | 90.37 | 14,005.36 |
| Balance as at 31 March, 2016 | 229.42 | 2,485.66 | 12,927.25 | 13.87 | 74.04 | 83.08 | 15,813.32 |
| **Balance as at 31 March, 2017** | **229.42** | **2,523.48** | **12,131.58** | **11.49** | **111.49** | **72.26** | **15,079.72** |

**Notes**

All the above property, plant and equipment are owned by the Group.

## 05 Other intangible assets

Rs. In lacs

| Carrying amount of: | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| Mining geological report | - | - | - |
| Software costs | - | - | 0.61 |
| Railway sidings | 390.95 | 558.43 | 725.91 |
| **Total intangible assets** | 390.95 | 558.43 | 726.52 |

Rs. In lacs

| | **Mining geological report** | **Software costs** | **Railway sidings** | **Total** |
|---|---|---|---|---|
| **Deemed cost** | | | | |
| Balance as at 1 April, 2015 | - | 0.61 | 725.91 | 726.52 |
| Additions during the year | - | - | - | - |
| Assets disposed / written off during the year | - | - | - | - |
| Balance as at 31 March, 2016 | - | 0.61 | 725.91 | 726.52 |
| Additions during the year | - | **-** | **-** | **-** |
| Assets disposed / written off during the year | - | **-** | **-** | **-** |
| **Balance as at 31 March, 2017** | **-** | **0.61** | **725.91** | **726.52** |

Rs. In lacs

| | **Mining geological report** | **Software costs** | **Railway sidings** | **Total** |
|---|---|---|---|---|
| **Accumulated amortisation** | | | | |
| Accumulated amortisation as at 1 April, 2015 | - | - | - | - |
| Charge for the year | - | 0.61 | 167.48 | 168.09 |
| Amortisation of assets disposed/written off during the year | - | - | - | - |
| Accumulated amortisation as at 31 March, 2016 | - | 0.61 | 167.48 | 168.09 |
| Charge for the year | - | - | **167.48** | **167.48** |
| Amortisation of assets disposed/written off during the year | - | - | **-** | **-** |
| **Accumulated amortisation as at 31 March, 2017** | **-** | **0.61** | **334.96** | **335.57** |

Rs. In lacs

| | **Mining geological report** | **Software costs** | **Railway sidings** | **Total** |
|---|---|---|---|---|
| **Carrying amount** | | | | |
| Balance as at 1 April, 2015 | - | 0.61 | 725.91 | 726.52 |
| Balance as at 31 March, 2016 | - | - | 558.43 | 558.43 |
| **Balance as at 31 March, 2017** | - | **-** | **390.95** | **390.95** |

## 06 Other Investments - Investment in entity

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---|---|---|---|---|---|
| | Quantity | Amount (Rs in lacs) | Quantity | Amount (Rs in lacs) | Quantity | Amount (Rs in lacs |
| **A) Non-current** | | | | | | |
| **Unquoted investment (all fully paid)** | | | | | | |
| **Investment in equity instruments at FVTOCI** | | | | | | |
| Jamipol Limited (Refer note) | 8,00,000 | 80.00 | 8,00,000 | 80.00 | 8,00,000 | 80.00 |
| **Total aggregate unquoted investment** | 8,00,000 | 80.00 | 8,00,000 | 80.00 | 8,00,000 | 80.00 |
| Aggregate carrying value of unquoted investment | | 80.00 | | 80.00 | | 80.00 |

Note :

The Group holds 800,000 number of equity shares of Rs. 10 each in Jamipol Limited. Since the shares of Jamipol Limited are unquoted, and there is a restriction on disinvestment of shares by the Company as this is a strategic investment, there is a wide range of possible fair value measurements. Consequently, the management of the Group has concluded that cost represents the best estimate of fair value within that range.

| **B)** | **Current** | **Quantity** | **Amount (Rs. in lacs)** | **Quantity** | **Amount (Rs. in lacs)** | **Quantity** | **Amount (Rs. in lacs)** |
|---|---|---|---|---|---|---|---|
| | **Investment in liquid mutual funds (Unquoted) at FVTPL** | | | | | | |
| 1 | L&T Liquid Fund - Daily Dividend Reinvestment Plan | - | - | - | - | 200,680.38 | 2,030.15 |
| 2 | TATA Money Market Fund - Plan A - Daily Dividend Reinvestment | **323,600.14** | **3,240.91** | 444,552.73 | 4,452.27 | 263,656.78 | 2,640.57 |
| 3 | JM High Liquidity Fund - Daily Dividend Option (39) | - | - | - | - | 17,476,757.87 | 1,822.86 |
| 4 | Invesco Liquid Fund - Daily Dividend | - | - | - | - | 195,978.53 | 1,961.99 |
| 5 | HDFC Liquid Fund- Regular Plan - Daily Dividend* | **297,600.51** | **3,034.99** | 386,643.69 | 3,943.07 | 21,513,427.21 | 2,193.98 |
| 6 | IDFC Cash Fund - Regular Plan - Daily Dividend | **363,308.59** | **3,637.02** | - | - | 252,168.98 | 2,522.85 |
| 7 | Reliance Liquid Fund - Treasury Plan - Daily Dividend Option | **305,472.98** | **4,669.88** | 299,612.51 | 4,580.30 | 221,701.95 | 3,389.24 |
| 8 | Franklin India TMA - Super IP - Growth - Daily Dividend Reinvestment | - | - | - | - | 293,748.39 | 2,939.59 |
| 9 | Kotak Floater Short Term - Daily Dividend | - | - | - | - | 99,362.26 | 1,215.01 |
| 10 | SBI Premier Liquid Fund - Regular Plan - Daily Dividend | **49,943.31** | **501.06** | 224,910.86 | 2,256.42 | 7.67 | 0.08 |
| 11 | Axis Liquid - Regular Daily Dividend | **376,475.16** | **3,767.16** | 444,015.03 | 4,441.75 | - | - |
| 12 | ICICI Prudential Liquid - Regular Daily Dividend | **2,482,909.11** | **2,485.37** | 4,319,534.40 | 4,322.28 | - | - |
| 13 | UTI - Money Market Fund - Institutional Plan - Daily Dividend Reinvestment | - | - | 444,690.17 | 4,461.95 | - | - |
| 14 | BSL Cash Plus - Daily Dividend | **3,189,383.37** | **3,195.61** | - | - | - | - |
| 15 | DSP Blackrock Liquidity Fund-Inst-DDR | **172,194.08** | **1,723.33** | - | - | - | - |
| | **Total current investments** | | **26,255.33** | | 28,458.04 | | 20,716.32 |
| | Aggregate carrying value of unquoted investments | | **26,255.33** | | 28,458.04 | | 20,716.32 |

*Face value changed from Rs. 10 to Rs. 1,000.

## 07 Other financial assets

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Non-current | Current | Non-current | Current |
| (a) Security deposits | 4.46 | 271.06 | 4.46 | 240.39 | 8.51 | 220.16 |
| (i) Considered doubtful | - | 22.57 | - | 22.57 | - | 22.57 |
| Less: Provision for doubtful deposits | - | (22.57) | - | (22.57) | - | (22.57) |
| (b) Interest accrued on deposits, loans and advances | 1.20 | 721.17 | - | 502.43 | - | 1,038.75 |
| (c) Other loans and advances | | | | | | |
| Loans to employees | 15.25 | 8.85 | 17.60 | 8.91 | 15.53 | 6.97 |
| (d) Deposit with banks and others with maturity period more than 12 months (Above deposits includes of Rs. 1.97 lacs for 31 March'2017 (Rs. 2.05 lacs for 31 March'2016 and Rs. 2.05 lacs for 1 April' 2015) are pledged with government authorities) | 1,018.91 | - | 2.05 | - | 2.05 | - |
| | 1,039.82 | 1,001.08 | 24.11 | 751.73 | 26.09 | 1,265.88 |

## 08 Other assets

Rs. In lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Non-current | Current | Non-current | Current |
| (a) Capital advances | 16,824.26 | - | 16,824.26 | - | 16,925.07 | - |
| (b) Advances to related parties (Refer note 36(b)) | - | 20.00 | - | 1.86 | - | 71.86 |
| (c) Other loans and advances | | | | | | |
| (i) Advances with public bodies* | 608.71 | 149.86 | 608.71 | 92.73 | - | 1,050.49 |
| (ii) Other advances and prepayments | 11.66 | 564.16 | 5.07 | 295.38 | 9.60 | 883.63 |
| (iii) Employee benefits assets | | | | | | |
| - Retiring gratuities | - | - | 44.73 | - | - | - |
| - Compensated absences | - | - | 50.25 | - | 11.08 | - |
| (iv) Prepaid lease payments | | | | | | |
| - Prepaid lease payments cost | 42.42 | 0.47 | 42.42 | 0.47 | 42.42 | 0.47 |
| Less: Prepaid lease payments amortisation | (15.62) | - | (15.15) | - | (14.68) | - |
| | 17,471.43 | 734.49 | 17,560.29 | 390.44 | 16,973.49 | 2,006.45 |

*Net of provisions

## 09 Inventories (lower of cost and net realisable value)

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| (a) Raw materials | 3,854.26 | 1,835.48 | 7,955.32 |
| (b) Finished goods | 218.11 | 543.02 | 1,843.23 |
| (c) Stores and spares | 835.29 | 857.72 | 1,046.33 |
| **Total inventories** | 4,907.66 | 3,236.22 | 10,844.88 |

**Note:**

a) The Loss on obsolescence relating to stores and spare recognised as an expense for the year ended 31 March, 2017 is Rs.50.63 lacs (for the year ended 31 March, 2016: Rs.57.97 lacs).

b) The cost of inventories relating to iron ore recognised as expenses during the year ended 31 March, 2017 includes Rs. Nil (during the year ended 31 March, 2016 Rs. 1,110.96 lacs) in respect of write - down of inventory to net realisable value.

c) Mode of valuation has been stated in note 2 n.

## 10 Trade receivables

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| **Current** | | | |
| a) Unsecured, considered good, unless otherwise stated | 3,576.67 | 2,943.05 | 888.11 |
| **Total trade receivables** | 3,576.67 | 2,943.05 | 888.11 |

**Note:**

a) Of the trade receivables balance as at the year end, the Company's largest customers who represent more than 5% of the total balance of trade receivables are as follows:

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| **Trade receivable -Sale of Sponge** | | | |
| Meenakshi Enterprises | 314.41 | 458.67 | - |
| Sponge Sales (India) Private Limited | 454.72 | - | - |
| Lhaki Steels & Rolling Private Limited | 1,870.88 | 1,055.70 | - |
| Shri Badrinarayan Alloys & Steels | - | 595.28 | 506.54 |
| Brahmaputra Metallics Limited | - | 344.26 | - |
| **Trade receivable -Sale of power** | | | |
| Tata Steel Limited | 401.06 | 437.74 | 342.69 |
| | 3,041.07 | 2,891.65 | 849.23 |

There are no other customers, other than mentioned above, who represents more than 5% of the total balance of the trade receivables.

b) The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 "Financial instruments" requires expected credit losses to be measured through a loss allowance. The Company has used a practical expedient and adjusted for forward looking information to compute expected credit losses. Based on historical credit loss experience for the Company and considering forward looking information, there is no expected credit loss allowance on trade receivables.

c) Age of receivables:

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| Within the credit period | 3,216.84 | 2,942.18 | 884.63 |
| 1-30 days past due | 356.18 | - | - |
| 31-60 days past due | - | - | - |
| 61-90 days past due | - | - | - |
| More than 90 days past due | 3.65 | 0.87 | 3.48 |
| | 3,576.67 | 2,943.05 | 888.11 |

## 11 (i) Cash and cash equivalents

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| (a) Balances with scheduled banks | | | |
| (1) In current accounts | 231.38 | 344.74 | 34.57 |
| (2) In demand deposit accounts | 30,235.31 | 24,663.26 | 24,941.11 |
| (b) Cash on hand | 1.39 | 1.17 | 1.44 |
| **Total Cash and cash equivalents as per statement of cash flows** | 30,468.08 | 25,009.17 | 24,977.12 |
| **(ii) Bank balances other than cash and cash equivalents** | | | |
| In current accounts (see note below) | 207.57 | 199.23 | 178.52 |
| **Total cash and bank balances** | 30,675.65 | 25,208.40 | 25,155.64 |
| Note: Includes earmarked balances in unpaid dividend accounts | 207.57 | 199.23 | 178.52 |

### (iii) Disclosure of specified Bank notes (SBNs)

'The details of Specified Bank Notes (SBNs) or other denomination notes, as defined in the MCA notification G.S.R. 308(E) dated 30 March, 2017, held and transacted during the period from 8 November, 2016 to 30 December, 2016 is provided in the table below:

| **Particulars** | **SBN's (Rs.)** | **Other denomination notes (Rs.)** | **Total (Rs.)** |
|---|---|---|---|
| **Closing Cash in hands as on 8 November, 2016** | 1,22,500.00 | 37,607.50 | 1,60,107.50 |
| Add: Permitted receipts | - | 6,71,872.00 | 6,71,872.00 |
| Less: Permitted payments | - | (5,27,434.50) | (5,27,434.50) |
| Less: Amount deposited in Banks | (1,22,500.00) | - | (1,22,500.00) |
| **Closing Cash in hand as on 30 December, 2016** | **-** | **1,82,045.00** | **1,82,045.00** |

* For the purposes of this note, the term 'Specified Bank Notes' shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8 November, 2016.

## 12 Equity share capital

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| **(a) Authorised Share Capital:** | | | |
| **25,000,000** Equity shares of Rs. 10 each | 2,500.00 | 2,500.00 | 2,500.00 |
| (As at 31 March, 2016: 25,000,000 equity shares of Rs. 10 each) | | | |
| (As at 1 April, 2015: 25,000,000 equity shares of Rs. 10 each) | | | |
| | 2,500.00 | 2,500.00 | 2,500.00 |
| **(b) Issued, subscribed and fully paid up :** | | | |
| **15,400,000** Equity shares of Rs. 10 each | 1,540.00 | 1,540.00 | 1,540.00 |
| (As at 31 March, 2016: 15,400,000 fully paid equity shares of Rs. 10 each) | | | |
| (As at 1 April, 2015: 15,400,000 fully paid equity shares of Rs. 10 each) | | | |
| | 1,540.00 | 1,540.00 | 1,540.00 |

**(c) Fully paid equity shares**

| | No. of equity shares | Amount Rs. in lacs |
|---|---:|---:|
| **Balance as at 01 April, 2015**<br>**(15,400,000 fully paid equity shares of Rs. 10 each)** | 1,54,00,000 | 1,540.00 |
| Changes in equity share capital during the year - | - | |
| **Balance as at 31 March, 2016**<br>**(15,400,000 fully paid equity shares of Rs. 10 each)** | 1,54,00,000 | 1,540.00 |
| Changes in equity share capital during the year - | - | |
| **Balance as at 31 March, 2017**<br>**(15,400,000 fully paid equity shares of Rs. 10 each)** | 1,54,00,000 | 1,540.00 |

**(d) Shares held by holding company**

| | **As at 31 March, 2017** | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---:|---:|---:|---:|---:|---:|
| | **No. of equity shares** | **%** | No. of equity shares | % | No. of equity shares | % |
| Tata Steel Limited (Holding Company) | **83,93,554** | **54.50%** | 83,93,554 | 54.50% | 83,93,554 | 54.50% |
| | **83,93,554** | **54.50%** | 83,93,554 | 54.50% | 83,93,554 | 54.50% |

**(e)** Details of shareholders holding more than 5% of outstanding shares

| | **As at 31 March, 2017** | | As at 31 March, 2016 | | As at 1 April, 2015 | |
|---|---:|---:|---:|---:|---:|---:|
| | **No. of equity shares** | **%** | No. of equity shares | % | No. of equity shares | % |
| Tata Steel Limited (Holding Company) | **83,93,554** | **54.50%** | 83,93,554 | 54.50% | 83,93,554 | 54.50% |

**(f) Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

## 13 Other equity excluding non-controling interest

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| General reserve | 77,000.00 | 77,000.00 | 75,880.00 |
| Retained earnings | 8,194.50 | 4,170.97 | 3,950.70 |
| Reserve for equity instrument through other comprehensive income | - | - | - |
| Other items of other comprehensive income | (242.24) | (106.09) | - |
| **Total** | 84,952.26 | 81,064.88 | 79,830.70 |

Rs. in lacs

| | Reserves and surplus | | Items of other comprehensive income | | |
|---|---|---|---|---|---|
| **Particulars** | **General reserve** | **Retained earnings** | **Equity instrument through other comprehensive income** | **Other items of other comprehensive income** | **Total** |
| **Balance as at 01 April, 2015** | 75,880.00 | 3,950.70 | - | - | 79,830.70 |
| Profit for the year | - | 3,193.78 | - | - | 3,193.78 |
| Remeasurement gains/(losses) on defined benefit plants | - | - | - | (162.24) | (162.24) |
| Tax impact on other comprehensive income (OCI) | - | - | - | 56.15 | 56.15 |
| Dividend paid during the year | - | (1,540.00) | - | - | (1,540.00) |
| Tax on dividend | - | (313.51) | - | - | (313.51) |
| Transfer to/ (from) general reserve | 1,120.00 | (1,120.00) | - | - | - |
| **Balance as at 31 March, 2016** | 77,000.00 | 4,170.97 | - | (106.09) | 81,064.88 |
| Profit for the year | | **5,877.04** | - | - | 5,877.04 |
| Remeasurement gains/(losses) on defined benefit plants | | - | - | **(208.21)** | (208.21) |
| Tax impact on other comprehensive income (OCI) | | - | - | **72.06** | 72.06 |
| Dividend paid during the year | | **(1,540.00)** | - | - | (1,540.00) |
| Tax on dividend | | **(313.51)** | - | - | (313.51) |
| **Balance as at 31 March, 2017** | **77,000.00** | **8,194.50** | - | **(242.24)** | **84,952.26** |

Note:

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(1) In respect of the year ended 31 March, 2017, the Board of Directors in their meeting dated 26 April, 2017 have proposed a final dividend of Rs. 11 per equity share to be paid on fully paid equity shares. This equity dividend is subject to approval by shareholders at the annual general meeting.

(2) The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety.

## 14 Provisions

Rs. in lacs

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Non current | Current | Non current | Current | Non current | Current |
| (a) Provision for employee benefits | | | | | | |
| (1) Post-employment defined benefits | | | | | | |
| (i) Pension obligations [Refer note 39(c)] | **1,208.07** | **68.94** | 638.77 | 49.21 | 479.14 | 40.79 |
| (ii) Post retirement medical benefits [Refer note 39(c)] | **73.32** | **7.70** | 47.82 | 5.77 | 48.86 | 5.78 |
| (b) Other provisions | | | | | | |
| i) Provision for VAT, entry tax and sales tax | **-** | **2,512.77** | - | 2,723.99 | - | 2,509.39 |
| ii) Provision for cross subsidy surcharge payable | **-** | **601.00** | - | 601.00 | - | 601.00 |
| iii) Provision for interest on income tax | **-** | **1,589.31** | - | 1,587.00 | - | 1,263.30 |
| **Total provisions** | **1,281.39** | **4,779.72** | 686.59 | 4,966.97 | 528.00 | 4,420.26 |

## 15 Deferred tax liabilities (net)

The following is the analysis presented in the balance sheet:

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| Deferred tax liabilities | **3,257.06** | 3,390.02 | 3,430.16 |
| Deferred tax assets | **(1,351.35)** | (1,216.49) | (1,126.20) |
| Deferred tax liabilities (net) | **1,905.71** | 2,173.53 | 2,303.96 |

Rs. in lacs

| | Deferred tax liability/(asset) as at 01 April, 2015 | Recognised in profit or loss | Recognised in other comprehensive income | Deferred tax liability/(asset) as at 31 March, 2016 | Recognised in profit or loss | Recognised in other comprehensive income | Deferred tax liability/(asset) as at 31 March, 2017 |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | | | |
| (i) Property, plant and equipment | 3,430.16 | (40.14) | - | 3,390.02 | **(132.96)** | **-** | **3,257.06** |
| | 3,430.16 | (40.14) | - | 3,390.02 | **(132.96)** | **-** | **3,257.06** |
| **Deferred tax assets** | | | | | | | |
| (i) Provision for compensated absences | (127.30) | (11.75) | - | (139.05) | **(14.15)** | **-** | **(153.20)** |
| (ii) Remeasurement gain/loss arising from defined benefit plans | - | 56.15 | (56.15) | - | **-** | **(72.06)** | **(72.06)** |
| (iii) Other provisions | (998.90) | (78.54) | - | (1,077.44) | **(48.65)** | **-** | **(1,126.09)** |
| | (1,126.20) | (34.14) | (56.15) | (1,216.49) | **(62.80)** | **(72.06)** | **(1,351.35)** |
| **Deferred tax liabilities (net)** | 2,303.96 | (74.28) | (56.15) | 2,173.53 | **(195.76)** | **(72.06)** | **1,905.71** |

`

**Note**

1. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.
2. There are no deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised.

## 16 Trade payables

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| **Current** | | | |
| (i) Total outstanding dues of micro enterprises and small enterprises (Refer note below) | 16.35 | - | - |
| (ii) Total outstanding dues of trade payables other than micro enterprises and small enterprises | | | |
| (a) Trade payables for supplies and services | 4,271.74 | 3,281.30 | 3,856.77 |
| (b) Others | | | |
| - Trade payables for accrued wages and salaries | 965.52 | 788.88 | 833.94 |
| **Total Trade Payables** | 5,253.61 | 4,070.18 | 4,690.71 |

**Note:**

**Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006**

The amount due to the Micro and Small Enterprise as defined in the "The Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of the information available with the Company, which has been relied upon by the auditors. The disclosure relating to the Micro and Small Enterprise are as under:

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| (a) (i) The principal amount remaining unpaid to supplier as at end of the year | 16.35 | - | - |
| (ii) Interest due thereon | - | - | - |
| (b) Interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 and the amount of payment made to the supplier beyond the appointed day | - | - | - |
| (c) Interest due and payable for the period of delay in making payment other than the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006 | - | - | - |
| (d) Interest accrued and remaining unpaid | - | - | - |
| (e) Further interest remaining due and payable even in the succeeding years for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. | - | - | - |
| The average credit period is upto 30 days for the Company. | | | |

## 17 Other current liabilities

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| (a) Advances from customers | 666.11 | 528.20 | 551.89 |
| (b) Other payables | | | |
| (i) Employee recoveries and employer contributions | 59.97 | 56.88 | 55.31 |
| (ii) Statutory dues (Excise duty, service tax, sales tax, TDS, etc.) | 580.27 | 551.64 | 577.93 |
| **Total other current liabilities** | 1,306.35 | 1,136.72 | 1,185.13 |

## 18 Other financial liabilities

Rs. in lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| (a) Creditors for capital supplies and services | 71.05 | 430.21 | 362.01 |
| (b) Other credit balances | 56.34 | 82.33 | 30.59 |
| (c) Unpaid dividends | 207.62 | 199.23 | 178.52 |
| **Total Other financial liabilities** | 335.01 | 711.77 | 571.12 |

## 19 Current tax liabilities (Net)

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| Provision for tax (net of advance tax) | 3,234.86 | 2,394.70 | 2,220.79 |
| **Total current tax liabilities** | 3,234.86 | 2,394.70 | 2,220.79 |

## 19 A: Non current tax assets

Rs. In lacs

| | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|
| Advance tax (net of provision) | 2,812.63 | 2,798.05 | 2,598.05 |
| **Total non current tax assets** | 2,812.63 | 2,798.05 | 2,598.05 |

## 20 Revenue from operations

Rs. In lacs

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| (a) | Sale of sponge iron (including excise duty Rs. 5,785.30 lacs for the year ended 31 March, 2017; Rs.5,951.28 lacs for the year ended 31 March, 2016 ) | 56,344.27 | 57,553.92 |
| (b) | Sale of traded sponge iron | - | 793.16 |
| (c) | Sale of power | 5,003.08 | 4,783.02 |
| (d) | Other operating revenue | | |
| | -Sale of iron ore fines, coal fines, char and paving etc. | 168.72 | 174.08 |
| **Gross revenue from operations** | | 61,516.07 | 63,304.18 |

## 21 Other income

Rs. In lacs

| | | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|---|
| (a) | Interest income earned on financial assets that are not designated as at fair value through profit and loss | | | |
| | (i) | Bank deposits (at amortised cost) | 1,877.04 | 1,774.34 |
| | (ii) | Other financial assets carried at amortised cost | 291.12 | 299.63 |
| (b) | Dividend income | | | |
| | (i) | From equity investments (Refer note) (All dividends from equity investments designated as at FVTOCI) | 70.00 | 80.00 |
| | (ii) | From current investments | 1,295.77 | 1,461.79 |
| (c) | Liabilities / Provisions no longer required written back | | 27.39 | 14.93 |
| (d) | Net gain on sale of current investments | | 3.81 | 0.21 |
| (e) | Net gain on foreign currency transactions | | 9.34 | - |
| (f) | Other non-operating income | | 132.82 | 141.20 |
| **Total other income** | | | 3,707.29 | 3,772.10 |

Note : All dividends from equity investments designated as at FVTOCI recognised for both the years relate to investments held at the end of the reporting period.

## 22. Cost of materials consumed

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Opening stock | 1,835.48 | 7,955.32 |
| Add: Purchases of materials | 38,987.04 | 34,493.33 |
| | 40,822.52 | 42,448.65 |
| Less: Closing stock | 3,854.26 | 1,835.48 |
| Total cost of materials consumed | 36,968.26 | 40,613.17 |
| **Cost of materials consumed comprises** | | |
| (a) Iron ore | 14,492.13 | 20,851.71 |
| (b) Iron ore pellet | - | 114.95 |
| (c) Coal | 22,170.13 | 19,353.54 |
| (d) Dolomite | 306.00 | 292.97 |
| **Total cost of materials consumed** | 36,968.26 | 40,613.17 |

## 23 Changes in inventories of finished goods

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Finished goods | | |
| Opening stock | 543.02 | 1,843.23 |
| Less: Closing stock | 218.11 | 543.02 |
| **Net (increase) / decrease in finished goods** | 324.91 | 1,300.21 |

## 24 Employee benefits expense

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| (a) Salaries and wages | 3,929.29 | 2,772.99 |
| (b) Contribution to provident and other funds | 386.07 | 359.36 |
| (c) Staff welfare expenses | 315.61 | 265.75 |
| **Total employee benefits expense** | 4,630.97 | 3,398.10 |

## 25 Finance costs

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| (a) Interest expenses | | |
| Interest on statutory dues | 244.40 | 538.36 |
| **Total finance costs** | 244.40 | 538.36 |

Rs. in lacs

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| **26** | **Depreciation and amortisation expense** | | |
| | (a) Depreciation of property, plant and equipment (Refer note 04) | 1,108.83 | 1,121.21 |
| | (b) Amortisation of intangible assets (Refer note 05) | 167.48 | 168.09 |
| | **Total depreciation and amortisation expenses** | 1,276.31 | 1,289.30 |

## 27 Other expenses

Rs. in lacs

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| (a) | Consumption of stores and spare parts | 990.45 | 395.16 |
| (b) | Fuel oil consumed | 88.42 | 90.14 |
| (c) | Purchase of power | 15.88 | 16.31 |
| (d) | Rent (Refer note 42) | 76.49 | 80.85 |
| (e) | Repairs to buildings | 400.78 | 281.78 |
| (f) | Repairs to machinery | 1,695.77 | 1,676.61 |
| (g) | Insurance | 29.36 | 43.60 |
| (h) | Rates and taxes | 521.67 | 357.39 |
| (i) | Freight and handling charges | 670.68 | 613.79 |
| (j) | Conversion charges | - | 1,374.15 |
| (k) | Commission, discounts and rebates | 44.11 | 44.74 |
| (l) | Packing and forwarding | 467.28 | 529.71 |
| (m) | Excise duty on change in finished goods | (29.49) | (148.80) |
| (n) | Other expenses | | |
| | (1) Net loss on foreign currency transactions | - | 89.42 |
| | (2) VAT, entry tax and excise duty demand | 4.87 | 1.95 |
| | (3) Legal and other professional costs (Refer note 27.1) | 660.00 | 385.09 |
| | (4) Advertisement, promotion and selling expenses | 40.33 | 31.89 |
| | (5) Travelling expenses | 123.80 | 107.34 |
| | (6) Loss on disposal of property plant and equipment | 6.96 | 35.83 |
| | (7) Corporate social responsibility expenses (Refer note 43) | 219.21 | 277.49 |
| | (8) Other general expenses | 1,616.36 | 2,581.80 |
| **Total other expenses** | | 7,642.93 | 8,866.24 |

## 27.1. Payments to auditors

Rs. in lacs

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| (1) | Auditors remuneration and out-of-pocket expenses | | |
| | (i) As auditors - statutory audit | 12.30 | 12.90 |
| | (i) As auditors - quarterly audits | 11.61 | 10.80 |
| | (ii) As auditors - tax audit | 2.02 | 2.01 |
| | (ii) For other services | 5.09 | 5.00 |
| | (iii) Auditors out-of-pocket expenses | 2.57 | 1.64 |
| (2) | Cost audit fees | 1.52 | 1.50 |
| | | 35.11 | 33.85 |

### 27.2. Income tax recognised in consolidated statement of profit and loss

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| **Current tax** | | |
| In respect of the current year | 2,669.00 | 1,220.00 |
| In respect of the prior years | - | - |
| Others | - | - |
| **Total (A)** | 2,669.00 | 1,220.00 |
| **Deferred tax (refer note no. 15)** | | |
| In respect of the current year | (195.76) | (74.28) |
| Deferred tax reclassified from equity to consolidated statement of profit and loss | - | - |
| Adjustments to deferred tax attributable to changes in tax rates and laws | - | - |
| **Total (B)** | (195.76) | (74.28) |
| **Total (A+B)** | 2,473.24 | 1,145.72 |

### 27. 2A. The income tax expense for the year can be reconciled to the accounting profit as follows:

Rs. in lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| **Profit before tax** | 8,350.28 | 4,339.50 |
| Income tax expense calculated at 34.608% (2015-16 : 34.608%) | 2,889.86 | 1,501.81 |
| Effect of income that is exempt from taxation | (471.88) | (533.28) |
| Effect of expenses that are not deductible in determining taxable profit | 54.83 | 119.05 |
| Effect on deferred tax balances due to the change in income tax rate | - | 41.89 |
| Others | 0.43 | 16.25 |
| **Income tax expense recognised in Consolidated Statement of Profit and Loss** | 2,473.24 | 1,145.72 |

### 28 Financial Instruments

The significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 (k) to the Consolidated Financial Statements.

**(a) Capital management:**

The objective of the Group's capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Group. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through operating cash flows generated and the Company does not have any borrowings. The Group is not subject to any externally imposed capital requirements.

**(b) Liquidity risk management:**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and by matching the maturing profiles of financial assets and liabilities.

**(c) Market risk:**

Market risk is the risk that the fair value of financial instrument will fluctuate because of change in market price. Market risk comprises of two types of risks - foreign currency risk (Refer note 28k) and other price risk (Refer note 28 (d)).

The Group's activities expose it primarily to currency risk and other price risk such as equity price risk. The financial instruments affected by market risk includes : current investments and other current financial liabilities.

**(d) Price risk:**

The Group is exposed to price risks arising from fair valuation of Group's investment in mutual funds. These investments are held for short term purposes.

The carrying amount of the Group's investments designated as at fair value through profit or loss at the end of the reporting period are as follows:

| **Particulars** | As at 31.03.2017 Rs. In lacs | As at 31.03.2016 Rs. In lacs | As at 01.04.2015 Rs. In lacs |
|---|---|---|---|
| Investments in mutual funds | 26,255.33 | 28,458.04 | 20,716.32 |

If prices had been 100 basis points higher/lower, profit before tax for the year ended 31 March, 2017 would increase/decrease by Rs. 262.55 lacs (for the year ended 31 March, 2016: Rs. 284.58 lacs) as a result of the changes in fair value of these investments which have been designated as at FVTPL.

**(e) Liquidity risk:**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's principal sources of liquidity are cash and cash equivalents, liquid mutual fund investments and the cash flow that is generated from operations.

The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows. The Group generates sufficient cash flows from current operations which together with the available cash and cash equivalents and short-term investments provide liquidity both in the short-term as well as in the long-term.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment and realisation periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and realise.

| | <1 year Rs. In lacs | 1-5 years Rs. In lacs | > 5 Years Rs. In lacs | Total Rs. In lacs |
|---|---|---|---|---|
| **As at 31 March, 2017** | | | | |
| Trade payables | 5,253.61 | - | - | 5,253.61 |
| Other financial liabilities - current | 335.01 | - | - | 335.01 |
| **As at 31 March, 2016** | | | | |
| Trade payables | 4,070.18 | - | - | 4,070.18 |
| Other financial liabilities - current | 711.77 | - | - | 711.77 |
| **As at 1 April, 2015** | | | | |
| Trade payables | 4,690.71 | - | - | 4,690.71 |
| Other financial liabilities - current | 571.12 | - | - | 571.12 |

**(f) Financial assets and liabilities**

The carrying value of financial instruments by categories as of 31 March, 2017 is as follows: **Rs in lacs**

| | Fair value through Profit or Loss | Fair value through other comprehensive income | Amortised cost | Total carrying value |
|---|---|---|---|---|
| **Assets:** | | | | |
| Other investments | 26,255.33 | 80.00 | - | 26,335.33 |
| Trade receivables | - | - | 3,576.67 | 3,576.67 |
| Cash and cash equivalents | - | - | 30,468.08 | 30,468.08 |
| Bank balances other than cash and cash equivalents | - | - | 207.57 | 207.57 |
| Other financial assets - non-current | - | - | 1,039.82 | 1,039.82 |
| Other financial assets - current | - | - | 1,001.08 | 1,001.08 |
| **Total** | 26,255.33 | 80.00 | 36,293.22 | 62,628.55 |
| **Liabilities:** | | | | |
| Trade payables | - | - | 5,253.61 | 5,253.61 |
| Other financial liabilities - current | - | - | 335.01 | 335.01 |
| **Total** | - | - | 5,588.62 | 5,588.62 |

**(g) Financial assets and liabilities**

The carrying value of financial instruments by categories as of 31 March, 2016 is as follows:

**Rs in lacs**

| | **Fair value through Profit or Loss** | **Fair value through other comprehensive income** | **Amortised cost** | **Total carrying value** |
|---|---|---|---|---|
| **Assets:** | | | | |
| Other investments | 28,458.04 | 80.00 | - | 28,538.04 |
| Trade receivables | - | - | 2,943.05 | 2,943.05 |
| Cash and cash equivalents | - | - | 25,009.17 | 25,009.17 |
| Bank balances other than cash and cash equivalents | - | - | 199.23 | 199.23 |
| Other financial assets - non-current | - | - | 24.11 | 24.11 |
| Other financial assets - current | - | - | 751.73 | 751.73 |
| **Total** | 28,458.04 | 80.00 | 28,927.29 | 57,465.33 |
| **Liabilities:** | | | | |
| Trade payables | - | - | 4,070.18 | 4,070.81 |
| Other financial liabilities - current | - | - | 711.77 | 711.77 |
| **Total** | - | - | 4,781.95 | 4,781.95 |

**(h) Financial assets and liabilities**

The carrying value of financial instruments by categories as of 01 April, 2015 is as follows:

**Rs in lacs**

| | **Fair value through Profit or Loss** | **Fair value through other comprehensive income** | **Amortised cost** | **Total carrying value** |
|---|---|---|---|---|
| **Assets:** | | | | |
| Other investments | 20,716.32 | 80.00 | - | 20,796.32 |
| Trade receivables | - | - | 888.11 | 888.11 |
| Cash and cash equivalents | - | - | 24,977.12 | 24,977.12 |
| Bank balances other than cash and cash equivalents | - | - | 178.52 | 178.52 |
| Other financial assets - non-current | - | - | 26.09 | 26.09 |
| Other financial assets - current | - | - | 1,265.88 | 1,265.88 |
| **Total** | 20,716.32 | 80.00 | 27,335.72 | 48,132.04 |
| **Liabilities:** | | | | |
| Trade payables | - | - | 4,690.71 | 4,690.71 |
| Other financial liabilities - current | - | - | 571.12 | 571.12 |
| **Total** | - | - | 5,261.83 | 5,261.83 |

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**(i) Credit risk management:**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk primarily arises from trade receivables, investments in mutual funds and balances with banks. The credit risk on bank balances is limited because the counterparties are banks with good credit ratings. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group's policies on assessing expected credit losses is detailed in notes to accounting policies [Refer note 2 (k)]. For details of exposure, default grading and expected credit loss as on the reporting year. (Refer note 10)

Apart from the customers as disclosed in note 10a, the Group does not have significant credit risk exposure to any single counter party.

**(j) Fair value measurement:**

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis:

The Group's investments in mutual funds and equity instruments are measured at fair value at the end of each reporting period. The following table gives information on determination of its fair value, the valuation techniques and inputs used.

| Particulars | As at 31 March, 2017 | Fair value measurement at end of the reporting year using | | | Valuation techniques |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **Financial assets** | | | | | |
| Investment in mutual funds | **26,255.33** | - | 26,255.33 | - | Based on the NAV report issued by the fund manager. |
| Investment in equity instruments at FVTOCI (Unquoted) | **80.00** | - | - | 80.00 | Valued using the cost approach to arrive at fair value. Since the shares of Jamipol Limited are unquoted, and there is a restriction on disinvestment of shares by the Company as this is a strategic investment, there is a wide range of possible fair value measurements. Consequently, the management of the Company has concluded that cost represents the best estimate of fair value within that range. |
| **Total financial assets** | **26,335.33** | - | 26,255.33 | 80.00 | |

Note: Since the shares of Jamipol Limited are unquoted, and there is a restriction on distriction on disinvestment of shares by the Company as this is a strategic investment, there is a wide range of possible fair value measurements. Consequently, the management of the Company has concluded that cost represents the best estimate of fair value within that range.

| Particulars | As at 31 March, 2016 | Fair value measurement at end of the reporting year using | | | Valuation techniques |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **Financial assets** | | | | | |
| Investment in mutual funds | 28,458.04 | - | 28,458.04 | - | Same as above. |
| Investment in equity instruments at FVTOCI (Unquoted) | 80.00 | - | - | 80.00 | Same as above. |
| **Total financial assets** | **28,538.04** | - | 28,538.04 | 80.00 | |

| Particulars | As at 1 April, 2015 | Fair value measurement at end of the reporting year using | | | Valuation techniques |
|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | |
| **Financial assets** | | | | | |
| Investment in mutual funds | 20,616.32 | - | 20,616.32 | - | Same as above. |
| Investment in equity instruments at FVTOCI (Unquoted) | 80.00 | - | - | 80.00 | Same as above. |
| **Total financial assets** | **20,796.32** | - | 20,796.32 | 80.00 | |

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis :

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Consolidated Financial Statements approximate their fair values.

**(k) Foreign currency risk:**

Foreign exchange risk comprises of risk that may arise to the Group because of fluctuations in foreign currency exchange rates. Fluctuations in foreign currency exchange rates may have an impact on the Consolidated Statement of Profit and Loss. As at the year end, the Group is not exposed to foreign exchange risk.

## 29 Earnings per share

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Net profit for the year (Rs. In lacs) | 5,877.04 | 3,193.78 |
| Weighted average number of equity shares (Nos.) | 1,54,00,000 | 1,54,00,000 |
| Nominal value per equity share (Rs.) | 10 | 10 |
| Basic and diluted earnings per share (Rs.) | 38.16 | 20.74 |

Note: The Group did not have any potentially dilutive securities in any of the period presented.

## 30 Contingent liabilities

Rs. In lacs

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| **(a)** | **Claims against the Group not acknowledged as debts;** | | | |
| (a) | Income tax | 154.04 | 237.14 | 346.15 |
| (b) | Odisha entry tax | 2,579.93 | 2,579.93 | 2,579.93 |
| (c) | Customs duty (Refer note below) | 3,818.44 | 3,818.44 | - |
| (d) | Demand from Ministry of Coal against Radhikapur coal block [Refer Note 31] | 3,250.00 | 3,250.00 | 3,250.00 |
| (e) | Demand from suppliers | 152.13 | 152.13 | 152.13 |
| | | 9,954.54 | 10,037.64 | 6,328.21 |

**Note:**

The above includes demand received from Commissioner of Customs (Preventive) aggregating to Rs. 4,389.99 lacs pertaining to the financial year 2012-13 on account of levy of additional customs duty on classification of the imported coal as bituminous coal as against Company's classification as steam coal. During the year, the Company has filed an appeal against the aforesaid order in the Customs, Excise and Service Tax Appellate Tribunal, Kolkata. The Company had paid an amount of Rs. 1,087.94 lacs and recognised the non-cenvatable portion of the duty and applicable interest as expense whereas cenvatable portion had been recognised as an advance in the year 2012-13.

**(b) Other money for which the Group is contingently liable**

Rs. In lacs

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| (i) | Renewable energy purchase obligation | 632.89 | 632.89 | 549.26 |
| (ii) | Others | 2,349.66 | 2226.46 | - |
| | | 2,982.55 | 2859.35 | 549.26 |

**31** (a) In the month of November 2012, Ministry of Coal ("MoC") issued notices to the Company for invocation of bank guarantee of Rs. 3,250.00 lacs submitted towards performance of conditions for allocation of coal block against which the Company had filed a writ petition in the Hon'ble High Court of Delhi, which directed the Company to keep the bank guarantee valid till 30 November, 2015 by which date the MoC was directed to take decision. Meanwhile, the bank guarantee expired and had not been renewed, since no communication had been received from MoC. Subsequently, MoC issued a notice dated 28 December, 2015, stating that the bank guarantee be invoked and the aforesaid amount be deposited. Consequent to MoC's notice, the Company has moved to the Hon'ble High Court of Delhi, where the matter is pending adjudication. The Company has been advised and has obtained a legal opinion that as the original allocation has been declared illegal and cancelled by the Hon'ble Supreme Court, the bank guarantee pertaining to such allocation (which is non-est and void ab initio) shall consequently be deemed to be invalid and void ab initio. Pending finalisation of the matter, the amount continues to be disclosed as a contingent liability.

(b) (i) During pendency of the aforesaid matters in Hon'ble High Court of Delhi, the Hon'ble Supreme Court of India vide its order dated 24 September, 2014 has cancelled allocation of 214 coal blocks including the Radhikapur (East) Coal Block which was allotted to the Company on 7 February, 2006. The expenditure incurred on the Radhikapur (East) Coal Block upto 31 March, 2017 aggregates to Rs. 18,040.96 lacs (31 March, 2016: Rs. 18,040.96 lacs, 1 April, 2015: Rs 18,040.96 lacs).

(ii) Pursuant to the judgment of Hon'ble Supreme Court of India, the Government of India has promulgated Coal Mines (Special Provision) Rules, 2014 ("Rules") for allocation of the coal mines through auction and matters related thereto. In terms of the said Rules, the successful bidder will be called upon to pay to the prior allocattee the expenses incurred by the prior allocatee towards land and mine infrastructure. Pursuant to MoC's directive seeking the details of expenses vide letter dated 26 December, 2014, the Company has furnished the required statement of expenses on 05 January, 2015. Based on the Rules and necessary legal opinion obtained by the Company, no provision is considered necessary.

**32** Estimated amounts of contracts remaining to be executed on capital account and not provided for : Rs.152.49 lacs (As at 31 March, 2016: Rs. 223.05 lacs, 1 April, 2015: Rs.844.29 lacs ) [Net of advances Rs.19.06 (As at 31 March, 2016 Rs. 0.25 lacs, 1 April, 2015: Rs.109.09 lacs)].

**33 Cross subsidy surcharge payable to power distribution companies**

In 2012-13, the Company injected power to State Grid due to denial of permission for open access by Orissa Power Transmission Corporation Limited ("OPTCL") to supply power to the parent company Tata Steel Limited beyond the period of invocation of section 11 of Electricity Act, 2003 by the Government of Odisha i.e., June, 2012. As a result of which the Company could not meet the minimum stipulated criteria of 51% self-consumption of generated power as a captive power plant and the provisions of Cross Subsidy Surcharge under Electricity Act, 2003 became applicable. The Company filed a case before the Odisha Electricity Regulatory Commission ("OERC") for relief which was granted and consequently the Company has filed a case before Appellate Tribunal of Electricity ("ATE"), which is pending for adjudication. As a matter of prudence, an amount of Rs.601.00 lacs had been provided in the year ended 31 March, 2015.

**34** (a) The Company had filed a writ petition before the High Court of Orissa for sales tax exemption for a period of two years w.e.f. June 10, 1997 as a Pioneer Unit. The High Court initially ruled that the Company should pay the sales tax under dispute pending disposal of the writ petition. Accordingly, the Company paid sales tax, which had not been collected from customers, and amounts aggregating to Rs. 573.73 lacs had been charged to the Statement of Profit and Loss during the years 1997-98 to 1999-2000.

The High Court directed the Sales Tax Authorities to refund the amount after ascertaining that the said refund shall not unjustly enrich the Company. The Sales Tax Officer passed the order stating that the refund shall unjustly enrich the Company against which the Company has filed a writ petition in the High Court challenging the correctness of the assessment and the same is pending. Pending finalisation of the matter no adjustments have been made in the financial statements.

(b) As per Industrial Policy Resolution 1992 of Government of Odisha, the Company has to pay a minimum sales tax of Rs. 252.56 lacs before availing exemption from sales tax on incremental sale of Sponge Iron from Kiln 1 and 2. The Company had paid the above amount until the rate of sales tax was reduced. With reduction in rate of sales tax, the Company considered that the above limit of Rs. 252.56 lacs had to correspondingly reduce and accordingly made reduced payment. The Company however had provided the differential amount of Rs. 513.83 lacs upto the date of availing the benefit i.e., upto 31 March, 2012. The Company had started collecting sales tax on sale of sponge iron produced in those kilns w.e.f. 1 April, 2012 and depositing the same with Sales Tax Authorities after availing set off of applicable input tax credit.

## 35 Related party transaction

### (a) List of related parties and relationship

| | Name of the Related Party | Relationship |
|---|---|---|
| (i) | Tata Sons Limited | Company having significant influence |
| (ii) | Tata Steel Limited | Holding Company |
| (iii) | TM International Logistics Limited | Fellow Subsidiary |
| (iv) | Jamshedpur Utilities & Services Company Limited | Fellow Subsidiary |
| (v) | Tayo Rolls Limited | Fellow Subsidiary |
| (vi) | The Tinplate Company of India Limited | Fellow Subsidiary |
| (vii) | Tata Pigments Limited | Fellow Subsidiary |
| (viii) | Tata Metaliks Limited | Fellow Subsidiary |
| (ix) | Tata Steel Global Procurement Co. Pte. Limited. | Fellow Subsidiary |
| (x) | The Indian Steel and Wire Products Limited | |
| (xi) | Tata International Singapore PTE Limited | Subsidiary of Tata Sons Limited |
| (xii) | Tata International Limited | Subsidiary of Tata Sons Limited |
| (xiii) | TC Travel & Services Limited | Subsidiary of Tata Sons Limited |
| (xiv) | Tata Consultancy Services Limited | Subsidiary of Tata Sons Limited |
| (xv) | Jamipol Limited | Associate of Tata Steel Limited |
| (xvi) | Mr. Sanjay Kumar Pattnaik, Managing Director (Executive director upto 31 October, 2016 Managing Director w.e.f. 1 November, 2016) | Key Managerial Personnel |
| (xviii) | Mr. D. P. Deshpande, Former Managing Director (upto 31 October, 2016) | Key Managerial Personnel |

### (b) Related party transactions / balances

| Nature of transactions | Name of the related party | Year ended 31 March, 2017 Amount (Rs. In lacs) | Year ended 31 March, 2016 Amount (Rs. In lacs) |
|---|---|---|---|
| Sale of goods | Tata Steel Limited | 5,024.28 | 4,245.60 |
| | Tata Metaliks Limited | 19.12 | 28.23 |
| | Tayo Rolls Limited | - | 61.95 |
| | Tata International Limited | 4,234.12 | 3,924.56 |
| **Total** | | 9,277.52 | 8,260.34 |
| Sale of power | Tata Steel Limited | 5,003.08 | 4,783.02 |
| **Total** | | 5,003.08 | 4,783.02 |
| Purchase of goods | Tata Steel Limited | 14,252.45 | 11,043.53 |
| | Tata Pigments Limited | 1.13 | 1.02 |
| | The Indian Steel and Wire Products Limited | 5.49 | 5.20 |
| | Tata International Limited | 2,148.44 | - |
| | TATA International Singapore PTE Limited | 12,788.41 | 11,474.84 |
| **Total** | | 29,195.92 | 22,524.59 |
| Services rendered | Tata Steel Limited | - | 0.59 |
| **Total** | | - | 0.59 |
| Services received | Tata Steel Limited | 30.69 | 45.87 |
| | TM International Logistics Limited | 689.64 | 691.48 |
| | The Tinplate Company of India Limited | 0.03 | 0.05 |
| | Jamshedpur Utilities & Service Company Limited | 0.04 | - |
| | Tata Consultancy Services Limited | 35.69 | 35.54 |
| | TC Travel & Services Limited | 25.10 | 19.32 |
| | Tata Sons Limited | 159.15 | 164.04 |
| **Total** | | 940.34 | 956.30 |
| Reimbursement of expenses | TM International Logistics Limited | 605.47 | 922.98 |
| | Tata Steel Global procurement Co. PTE Limited | - | 17.81 |
| | Tata International Limited | 600.48 | 388.46 |
| | TATA International Singapore PTE Limited | 6.94 | 560.40 |
| | TC Travel & Services Limited | 28.99 | 22.79 |
| **Total** | | 1,241.88 | 1,912.44 |
| Dividend income | Jamipol Limited | 70.00 | 80.00 |
| **Total** | | 70.00 | 80.00 |
| Dividend paid | Tata Steel Limited | 839.36 | 839.36 |
| **Total** | | 839.36 | 839.36 |

| Nature of Balances | Name of the related party | As at 31 March, 2017 Amount (Rs. In lacs) | As at 31 March, 2016 Amount (Rs. In lacs) | As at 01 April, 2015 Amount (Rs. In lacs) |
|---|---|---|---|---|
| Trade receivables | Tata Steel Limited | 486.77 | 485.90 | 367.49 |
| | Tayo Rolls Limited | - | - | 8.40 |
| **Total** | | 486.77 | 485.90 | 375.89 |
| Trade payables | Tata Steel Limited | 1,391.15 | 862.45 | 1,522.23 |
| | TM International Logistics Limited | - | 22.01 | - |
| | Tata Pigments Limited | - | 1.02 | - |
| | The Indian Steel & Wire Products Limited | 1.06 | - | |
| | Tata Sons Limited | 135.77 | 132.65 | 175.37 |
| | Tata International Limited | 411.37 | - | - |
| | Tata Consultancy Services Limited | 32.57 | 32.42 | 31.63 |
| | TC Travel & Services Limited | 2.64 | - | 0.07 |
| **Total** | | 1,974.56 | 1,050.58 | 1,729.30 |
| Advances | Tata Steel Global Procurement Co. Pte .Limited | - | 1.82 | - |
| | The Tinplate Company of India Limited | 20.00 | - | 71.86 |
| | The Indian Steel & Wire Products Limited | - | 0.04 | - |
| **Total** | | 20.00 | 1.86 | 71.86 |

**(c) Compensation of key management personnel**

| Nature of transactions | Name of the related party | Year ended 31 March, 2017 Amount (Rs. In lacs) | Year ended 31 March, 2016 Amount (Rs. In lacs) |
|---|---|---|---|
| Remuneration | Mr. Sanjay Kumar Pattnaik, Managing Director | 151.02 | 126.98 |
| | Mr. D.P. Deshpande, Former Managing Director | 128.02 | 139.25 |
| Gratuity paid | Mr. D.P. Deshpande, Former Managing Director | 98.67 | - |
| Leave paid | Mr. D.P. Deshpande, Former Managing Director | 38.46 | - |

## 37 CIF Value of Imports

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| (a) Raw materials | 14,558.81 | 11,824.89 |
| (b) Components, stores and spares | 47.26 | 28.62 |
| | 14,606.07 | 11,853.51 |

## 38 Expenditure in Foreign Currency (on accrual basis)

Rs. In lacs

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| Travelling expenses | 8.60 | 5.15 |
| Legal and professional cost | 195.77 | - |
| | 204.37 | 5.15 |

## 39 Consumption of Imported and Indegenous Materials

| | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|
| | % | Amount (Rs.in lacs) | % | Amount (Rs.in lacs) |
| (a) Raw materials consumed | | | | |
| Indigenous | 42.43% | 15,686.90 | 49.72% | 20,193.27 |
| Imported | 57.57% | 21,281.36 | 50.28% | 20,419.90 |
| | 100.00% | 36,968.26 | 100.00% | 40,613.17 |
| (b) Stores and spare parts | | | | |
| Indigenous | 95.23% | 943.19 | 97.27% | 876.50 |
| Imported | 4.77% | 47.26 | 2.73% | 24.58 |
| | 100.00% | 990.45 | 100.00% | 901.08 |
| Less: Transferred to repairs to machinery and building | | - | | 505.92 |
| | | 990.45 | | 395.16 |

## 39 Employee Benefits

### (a) Defined contribution plans

The Company operates defined contribution retirement benefit plans for all its qualifying employees. Where employees leave the plans prior to full vesting of the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The Company has recognised, in the Consolidated Statement of Profit and Loss for the year ended 31 March, 2017, an amount of Rs. 303.01 lacs (for the year ended 31 March, 2016: Rs. 286.07 lacs) as expenses under the following defined contribution plans. As at 31 March, 2017, contribution of Rs. 37.25 lacs (as at 31 March, 2016 Rs. 34.93 lacs) representing amount payable to the Employee Provident Fund and Rs. 8.58 lacs (as at 31 March, 2016 Rs. 8.50 lacs) representing amount payable to the superannuation fund in respect of the year ended 31 March 2017 (year ended 31 March, 2016) reporting period had not been paid to the plans. The amounts were paid subsequent to the end of respective reporting periods.

**Rs.in lacs**

| | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|
| **Contributions** | | |
| (i) Contribution to provident fund | **194.84** | 180.55 |
| (ii) Contribution to superannuation fund | **108.17** | 105.52 |
| | **303.01** | 286.07 |

### (b) Defined benefits plans and other long term employee benefits

The Company operates post retirement defined benefit plans as follows:

**Post retirement defined benefit plans**

(i) Post retirement gratuity [Funded]

(ii) Post Retirement Medical Benefits of Past Managing Directors (PRMB) [Unfunded]

(iii) Pension to Past Managing Directors [Unfunded]

**Description of Plan Characteristics and Associated Risks**

Gratuity liability arises on retirement, resignation, and death of an employee. The aforesaid liability is calculated on the basis of 15 days salary (i.e. last drawn salary plus dearness allowance) upto 30 years of service and beyond 30 years of service, the liability is calculated on the basis of one month salary for each completed year of service or part thereof in excess of 6 months. Vesting occurs upon completion of 5 years of service.

The present value of the defined benefit obligation and the related current service cost are measured using the Projected Unit Credit method with actuarial valuations being carried out at each balance sheet date.

The gratuity plan typically exposes the Company to actuarial risks such as: interest rate risk, longevity risk and salary risk.

1 **Interest rate risk :** A decrease in the Indian government bond yield rate (discount rate) will increase the plan liability.

2 **Salary Inflation risk :** The present value of the defined benefit plan liability is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

3 **Mortality risk :** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after the employment. Indian Assured Lives Mortality (2006-08) ultimate table has been used in respect of the above. A change in mortality rate will have a bearing on the plan's liability.

4 **Investment risk :** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to Government Bonds Yield. If plan liability is funded and return on plan assets is below this rate, it will create a plan deficit.

In respect of the plans in India, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out as at 31 March, 2017 by Mr. Ritobrata Sarkar, Fellow, Institute of Actuaries of India. The present value of defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

**(c) Details of the Funded Gratuity and Unfunded Post Retirement Pension are as follows**

| | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|
| | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| **1 Reconciliation of opening and closing balances of obligation** | | | | |
| a. Opening defined benefit obligation | 1,533.44 | 687.98 | 1,356.52 | 519.93 |
| b. Current service cost | 86.52 | | 77.70 | - |
| c. Interest cost | 111.51 | 50.96 | 103.00 | 38.71 |
| d. Remeasurement (gains)/losses | | | | |
| (i) Actuarial gains and losses arising from changes in demographic assumption | - | 67.41 | - | 116.32 |
| (ii) Actuarial gains and losses arising from changes in financial assumption | 73.09 | - | - | - |
| (iii) Actuarial gains and losses arising from changes in experience adjustments | 120.39 | (44.58) | 7.29 | 53.89 |
| e. Benefits paid | (189.34) | (60.74) | (55.03) | (40.87) |
| f. Past Service costs | - | 575.98 | - | - |
| g. Acquisition cost | 48.33 | - | 43.96 | - |
| **Closing defined benefit obligation** | 1,783.94 | 1,277.01 | 1,533.44 | 687.98 |

| | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|
| | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| **2 Movements in the fair value of the plan assets are as follows:** | | | | |
| a. Opening fair value of plan assets | 1,578.17 | - | 1,356.52 | - |
| b. Interest income | 114.97 | - | 107.41 | - |
| c. Remeasurement gains/(losses) | | | | |
| (i) Return on plan assets (excluding amounts included in net interest expense) | 9.38 | - | 11.38 | - |
| d. Contributions from the employer | 222.43 | - | 113.93 | 40.87 |
| e. Benefits paid | (189.34) | - | (55.03) | (40.87) |
| f. Acquisition cost | 48.33 | - | 43.96 | - |
| **Fair value of plan assets as at end of the year** | 1,783.94 | - | 1,578.17 | - |

| | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|
| | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| **3 Reconciliation of fair value of assets and obligations** | | | | | | |
| a. Fair value of plan assets as at end of the year | 1,783.94 | - | 1,578.17 | - | 1,356.52 | - |
| b. Present value of obligation as at the end of the year | 1,783.94 | 1,277.01 | 1,533.44 | 687.98 | 1,356.52 | 519.93 |
| c. Amount recognised in the balance sheet | | - | | | | |
| (i) Retirement benefit asset - Current | | - | - | - | - | - |
| (ii) Retirement benefit asset - Non current | | - | 44.73 | - | - | - |
| (iii) Retirement benefit liability - Current | - | 68.94 | | 49.21 | - | 40.79 |
| (iv) Retirement benefit liability - Non current | - | 1,208.07 | - | 638.77 | - | 479.14 |

**4 Amounts recognised in the Consolidated Statement of Profit and Loss in respect of these defined benefit plans are as follows:**

| | | Year ended 31 March, 2017 | | Year ended 31 March, 2016 | |
|---|---|---|---|---|---|
| | | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| a. | Service cost | | | | |
| | (i) Current service cost | 86.52 | - | 77.70 | - |
| | (ii) Past Service Cost | - | 575.98 | - | - |
| b. | Net interest expense | (3.46) | 50.96 | (4.41) | 38.71 |
| | **Components of defined benefit costs recognised in profit or loss** | 83.06 | 626.94 | 73.29 | 38.71 |
| | **Remeasurement on the net defined benefit liability:** | | | | |
| c. | The return on plan assets (excluding amounts included in net interest expense) | (9.38) | - | (11.38) | - |
| d. | Actuarial gains and losses arising from changes in demographic assumption | - | - | - | 116.32 |
| e. | Actuarial gains and losses arising from changes in financial assumption | 73.09 | 67.41 | - | - |
| f. | Actuarial gains and losses arising from changes in experience adjustments | 120.39 | (44.58) | 7.29 | 53.89 |
| | **Defined benefit costs recorded in Other comprehensive income** | 184.10 | 22.83 | (4.09) | 170.21 |
| **Total of defined costs** | | 267.16 | 649.77 | 69.20 | 208.92 |

The current service cost, past service cost and the net interest expense for the year are included in the 'Employee benefits expense' in the Consolidated Statement of Profit and Loss.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

5 The plan assets of the Company managed through a trust are managed by Life Insurance Corporation (LIC). The details of investments relating to these assets are not shown by LIC. Hence, the composition of each major category of plan assets, the percentage or amount that each major category constitutes to the fair value of the total plan assets has not been disclosed.

**6 The principal assumptions used for the purposes of the actuarial valuations were as follows:**

| | | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|---|
| | | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| a. | Discount rate (per annum) | 7.00% | 7.00% | 7.75% | 7.75% | 7.75% | 7.75% |
| b. | Expected rate of salary increase (per annum) | 8.00% | 6.00% | 8.00% | 6.00% | 8.00% | 4.00% |
| c. | Estimated rate of return on plan asset (per annum) | 9.10% | NA | 9.10% | NA | 9.10% | NA |
| d. | Mortality rate | Indian Assured Lives Mortality (2006-08) modified ultimate | LIC (1996-98) Annuitants ultimate | Indian Assured Lives Mortality (2006-08) modified ultimate | LIC (1996-98) Annuitants ultimate | Indian Assured Lives Mortality (2006-08) modified ultimate | LIC (1996-98) Annuitants ultimate |
| e. | Withdrawal rate | | | | | | |
| | - Ages from 20-25 | 5% | | 5% | | 5% | |
| | - Ages from 25-30 | 3% | | 3% | | 3% | |
| | - Ages from 30-35 | 2% | Refer note below | 2% | Refer note below | 2% | Refer note below |
| | - Ages from 35-50 | 1% | | 1% | | 1% | |
| | - Ages from 50-55 | 2% | | 2% | | 2% | |
| | - Ages from 55-58 | 3% | | 3% | | 3% | |

Note :

In respect of Ex - MD Pension, the effects of morbidity and withdrawal have been factored by constructing a Multiple Decrement Table taking into account the above mortality table.

| | | As at 31 March, 2017 | | As at 31 March, 2016 | | As at 01 April, 2015 | |
|---|---|---|---|---|---|---|---|
| | | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) | Gratuity Amount (Rs. In lacs) | Ex - MD Pension Amount (Rs. In lacs) |
| 7 | **Duration** | | | | | | |
| | **Weighted average duration of the defined benefit obligation** | | | | | | |
| | Number of years | 6 | 6 | 6 | 10 | 7 | 10 |
| 8 | **The amount included in the Balance Sheet arising from the entity's obligation in respect of its defined benefit plans is as follows:** | | | | | | |
| | Present value of defined benefit obligation | 1,783.94 | 1,277.01 | 1,533.44 | 687.98 | 1,356.52 | 519.93 |
| | Fair value of Plan Assets | 1,783.94 | - | 1,578.17 | - | 1,356.52 | - |
| | **Funded status** | - | (1,277.01) | 44.73 | (687.98) | - | (519.93) |
| | Expected contribution (best estimate) to funded plans in subsequent financial year | 163.55 | NA | 85.24 | NA | 113.93 | NA |

**9 Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

**a) On post retirement gratuity plan**

i) If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease by Rs. 96.08 lacs (increase by Rs. 108.21 lacs) [as at 31 March, 2016: decrease by Rs. 86.99 lacs (increase by Rs. 92.04 lacs)] [as at 1 April, 2015: decrease by Rs. 76.95 lacs (increase by Rs. 81.42 lacs)].

ii) If the expected salary growth increases (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 106.16 lacs (decrease by Rs. 96.13 lacs) [as at 31 March, 2016: increase by Rs. 91.45 lacs (decrease by Rs. 87.24 lacs)] [as at 1 April, 2015: increase by Rs. 80.90 lacs (decrease by Rs. 77.17 lacs)].

**b) On post retirement pension plan**

i) If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease by Rs. 69.98 lacs (increase by Rs. 77.01 lacs) [as at 31 March, 2016: decrease by Rs. 63.36 lacs (increase by Rs. 68.86 lacs)] [as at 1 April, 2015: decrease by Rs. 47.88 lacs (increase by Rs. 52.04 lacs)].

ii) If the expected salary growth increases (decreases) by 100 basis points, the defined benefit obligation would increase by Rs. 77.39 lacs (decrease by Rs. 70.92 lacs) [as at 31 March, 2016: increase by Rs. 69.70 lacs (decrease by Rs. 64.66 lacs)] [as at 1 April, 2015: increase by Rs. 52.67 lacs (decrease by Rs. 48.86 lacs)].

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

**c) Experience on actuarial gain/(loss) for benefit obligations and plan assets:**

| **Particulars** | Gratuity | | | | |
|---|---|---|---|---|---|
| | Year ended 31.03.2017 | Year ended 31.03.2016 | Year ended 31.03.2015 | Year ended 31.03.2014 | Year ended 31.03.2013 |
| Present value of DBO | 1,783.94 | 1,533.44 | 1,356.52 | 1,053.91 | 1,019.49 |
| Fair value of plan assets | 1,783.94 | 1,578.17 | 1,356.52 | 1,093.98 | 1,019.49 |
| Funded status [Surplus / (Deficit)] | - | 44.73 | - | 40.07 | - |
| Experience gain / (loss) adjustments on plan liabilities | 193.48 | 7.30 | (62.91) | (29.12) | (53.42) |
| Experience gain / (loss) adjustments on plan assets | 9.38 | 11.38 | 2.11 | 2.57 | - |
| **Particulars** | **Ex-MD's Pension** | | | | |
| Present value of DBO | 1,277.01 | 687.98 | 519.93 | 462.80 | 498.24 |
| Fair value of plan assets | - | - | - | - | - |
| Funded status [Surplus / (Deficit)] | (1,277.01) | (687.98) | (519.93) | (462.80) | (498.24) |
| Experience gain / (loss) adjustments on plan liabilities | 22.83 | 170.21 | (6.67) | (8.16) | (283.10) |
| Experience gain / (loss) adjustments on plan assets | - | - | - | - | - |

**(d) Details of the Unfunded PRMB are as follows**

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| | | **PRMB** | |
| | | Amount (Rs. in lacs) | Amount (Rs. in lacs) |
| **1** | **Reconciliation of opening and closing balances of obligation** | | |
| | a. Opening defined benefit obligation | 53.59 | 54.64 |
| | b. Interest cost | 4.02 | 4.18 |
| | c. Remeasurement (gains)/losses | | |
| | (i) Actuarial gains and losses arising from changes in financial assumption | 3.57 | - |
| | (ii) Actuarial gains and losses arising from changes in experience adjustments | (2.29) | (3.89) |
| | d. Benefits paid | (3.42) | (1.34) |
| | e. Past Service costs | 25.55 | - |
| | **Closing defined benefit obligation** | 81.02 | 53.59 |

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|---|
| | | | **PRMB** | |
| | | Amount (Rs. In lacs) | Amount (Rs. In lacs) | Amount (Rs. In lacs) |
| **2** | **Reconciliation of fair value of assets and obligations** | | | |
| | a. Fair value of plan assets as at end of the year | - | - | - |
| | b. Present value of obligation as at the end of the year | 81.02 | 53.59 | 54.64 |
| | c. Amount recognised in the balance sheet | | | |
| | (i) Retirement benefit asset - Current | - | - | - |
| | (ii) Retirement benefit asset - Non current | - | - | - |
| | (iii) Retirement benefit liability - Current | 7.70 | 5.77 | 5.78 |
| | (iv) Retirement benefit liability - Non current | 73.32 | 47.82 | 48.86 |

3 **Amounts recognised in the Consolidated Statement of Profit and Loss in respect of these defined benefit plans are as follows:**

| | | Year ended 31 March, 2017 | Year ended 31 March, 2016 |
|---|---|---|---|
| | | PRMB | |
| | | Amount (Rs. In lacs) | Amount (Rs. In lacs) |
| a. | Service cost | | |
| | (i) Current service cost | - | - |
| | (ii) Past Service Cost | 25.55 | - |
| b. | Net interest expense | 4.02 | 4.18 |
| | **Components of defined benefit costs recognised in profit or loss** | **29.57** | **4.18** |
| | Remeasurement on the net defined benefit liability: | | |
| c. | Actuarial gains and losses arising from changes in financial assumption | 3.57 | - |
| d. | Actuarial gains and losses arising from changes in experience adjustments | (2.29) | (3.89) |
| | Components of defined benefit costs recorded in other comprehensive income | 1.28 | 3.89 |
| **Total** | | 30.85 | 0.29 |

4 **The principal assumptions used for the purposes of the actuarial valuations were as follows:**

| | | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|---|
| a. | Discount rate (per annum) | 7.00% | 7.75% | 7.75% |
| b. | Medical cost - % of annual entitlement utilised (per annum) | 20.00% | 20.00% | - |
| c. | Mortality rate | LIC Annuitants (1996-98) Ultimate | LIC Annuitants (1996-98) Ultimate | LIC Annuitants (1996-98) Ultimate |

5 **Experience on actuarial gain/(loss) for benefit obligations and plan assets:**

(Amount Rs. in lacs)

| **Particulars** | PRMB | | | | |
|---|---|---|---|---|---|
| | Year ended 31.03.2017 | Year ended 31.03.2016 | Year ended 31.03.2015 | Year ended 31.03.2014 | Year ended 31.03.2013 |
| Present value of DBO | 81.02 | 53.59 | 54.64 | 50.86 | 55.60 |
| Fair value of plan assets | - | - | - | - | - |
| Funded status [Surplus / (Deficit)] | (81.02) | (53.59) | (54.64) | (50.86) | (55.60) |
| Experience gain / (loss) adjustments on plan liabilities | (1.28) | 3.89 | 3.87 | 4.25 | 19.38 |
| Experience gain / (loss) adjustments on plan assets | - | - | - | - | - |

6 The average duration of the defined benefit plan obligation representing average duration for active members is 6 years (As at 31 March, 2016: 10 years; As at 1 April, 2015: 10 years)

**7 Sensitivity analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

**On PRMB**

i) If the discount rate is 100 basis points higher/(lower), the defined benefit obligation would decrease by Rs. 3.21 lacs (increase by Rs. 3.46 lacs) [as at 31 March, 2016: decrease by Rs. 3.76 lacs (increase by Rs. 4.02 lacs)] [as at 1 April, 2015: decrease by Rs. 3.83 lacs (increase by Rs. 4.10 lacs)].

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

**Additional information relating to employee benefits obligation:**

1. The estimate of future salary increases take into account inflation, seniority, promotion and other relevant factors.
2. Discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.
3. Expected rate of return on plan assets is based on the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.
4. Net liabilities for pension, gratuities and post retirement medical benefits is disclosed in note 14 under the heading "Post-employment defined benefits", whereas net assets relating to pension, gratuities and post retirement medical benefits are disclosed under note 8 under the heading "Employee benefits assets"
5. Expenses relating to pension and post retirement medical benefits are included in Employee benefits expense under the heading Salaries and Wages including Bonus in note 24 whereas expenses for retiring gratuities are included under the Contribution to Provident and Other Funds in note 24.

**(e) Actuarial assumptions for compensated absences**

| Particulars | Refer note below | As at 31 March, 2017 | As at 31 March, 2016 | As at 1 April, 2015 |
|---|---|---|---|---|
| (i) Discount rate (per annum) | 1 | 7.00% | 7.75% | 7.75% |
| (ii) Salary escalation rate (per annum) | 3 | 8.00% | 8.00% | 8.00% |

Notes :

1. The discount rate is based on the prevailing market yields of India Government securities as at the balance sheet date for the estimated term of obligations.
2. The compensated absences plan is unfunded.
3. The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

## 40 Segment reporting

(a) The Group has identified business segment as the primary segment. The Group is engaged in production of sponge iron and generation of power from waste heat. Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on manufacture of sponge iron and generation of power, reportable segments for financial statements in accordance with Ind AS 108 "Operating Segment". The Group's activities/operations are primarily within India.

(b) Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments and also amounts allocated on a reasonable basis. The expenses, which are not directly relatable to the business segment, are shown as unallocable. Assets and liabilities that cannot be allocated between the segments are shown as unallocable assets and liabilities respectively.

(c) **Segment Disclosures**

| **Particulars** | **Year ended7 31 March, 201** | Year ended 31 March, 2016 |
|---|---|---|
| | **Amount (Rs. In lacs )** | Amount (Rs. In lacs ) |
| **Segment revenue** | | |
| Sponge Iron | **56,512.99** | 58,521.16 |
| Power | **6,464.49** | 6,130.62 |
| Less: Inter segment sales | **(1,461.41)** | (1,347.60) |
| | **61,516.07** | 63,304.18 |
| **Segment results** | | |
| Sponge Iron | **804.98** | (3,097.00) |
| Power | **4,320.17** | 4,236.84 |
| Unallocated income/(expenditure) | **3,469.53** | 3,738.24 |
| **Profit before finance costs and tax** | **8,594.68** | 4,877.86 |
| **Less: Finance costs** | **244.40** | 538.36 |
| **Profit before tax** | **8,350.28** | 4,339.50 |
| **Less: Tax expenses** | **2,473.24** | 1,145.72 |
| **Profit after tax** | **5,877.04** | 3,193.78 |
| **Other comprehensive income** | **(136.15)** | (106.09) |
| **Total comprehensive income for the year** | **5,740.89** | 3,087.69 |

Name of Customer's contributed 10% or more to the Group's revenue:

| **Sl no.** | **Name of Customer** | **Segment** | **Year ended 31 March, 2017** | Year ended 31 March, 2016 |
|---|---|---|---|---|
| | | | **Amount (Rs. In lacs )** | Amount (Rs. In lacs ) |
| 1 | K. D. Iron & Steel Co. | Sponge Iron | **6,454.49** | 6,515.20 |
| 2 | Lhaki Steels & Rolling Private Limited | Sponge Iron | **9,793.17** | - |
| 3 | Tata Steel Limited | Power | **5,003.08** | 4,783.02 |

| **Particulars** | **As at 31 March, 2017 Amount (Rs. In lacs )** | As at 31 March, 2016 Amount (Rs. In lacs ) | As at 01 April, 2015 Amount (Rs. In lacs ) |
|---|---|---|---|
| **Segment assets** | | | |
| Sponge Iron | **38,309.91** | 18,998.56 | 26,144.14 |
| Power | **4,722.96** | 4,519.43 | 4,522.34 |
| Unallocated | **61,556.04** | 75,227.35 | 66,624.19 |
| | **1,04,588.91** | 98,745.34 | 97,290.67 |

| Particulars | As at 31 March, 2017 | As at 31 March, 2016 | As at 01 April, 2015 |
|---|---|---|---|
| | Amount (Rs. In lacs ) | Amount (Rs. In lacs ) | Amount (Rs. In lacs ) |
| **Segment liabilities** | | | |
| Sponge Iron | 10,479.16 | 9,620.43 | 9,247.80 |
| Power | 678.85 | 154.50 | 14.18 |
| Unallocated | 6,938.64 | 6,365.53 | 6,657.99 |
| | 18,096.65 | 16,140.46 | 15,919.97 |

| | As at 31 March, 2017 | As at 31 March, 2016 |
|---|---|---|
| | Amount (Rs. In lacs ) | Amount (Rs. In lacs ) |
| **Addition to Non-Current assets** | | |
| Sponge Iron | 28.91 | 1,790.43 |
| Power | - | - |
| Unallocated | - | - |
| | 28.91 | 1,790.43 |
| **Depreciation and amortisation** | | |
| Sponge Iron | 1,031.10 | 1,027.17 |
| Power | 245.21 | 228.91 |
| Unallocated | - | 33.22 |
| | 1,276.31 | 1,289.30 |
| **Non cash expenditure other than depreciation and amortisation** | | |
| Sponge Iron | - | - |
| Power | - | - |
| Unallocated | - | - |
| | - | - |

## 41 DISCLOSURE RELATING TO PROVISIONS AS PER IND AS 37- PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions for interest on income tax and others have been recognised in the financial statements considering the following:

(i) The Company has a present obligation as a result of past event;

(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

| Particulars | **Year ended 31 March, 2017** | Year ended 31 March, 2016 | **Year ended 31 March, 2017** | Year ended 31 March, 2016 | **Year ended 31 March, 2017** | Year ended 31 March, 2016 |
|---|---|---|---|---|---|---|
| Carrying amount as at beginning of the year | **2,723.99** | 2,509.39 | **601.00** | 601.00 | **1,587.00** | 1,263.30 |
| Provision made during the year | **240.78** | 214.60 | **-** | - | **2.31** | 323.70 |
| Amount paid during the year | **452.00** | - | **-** | - | **-** | |
| Unused amount reversed during the year | **-** | - | **-** | - | **-** | |
| Carrying amount as at the end of the year | **2,512.77** | 2,723.99 | **601.00** | 601.00 | **1,589.31** | 1,587.00 |
| Nature of obligation | VAT, entry tax and sales tax including interest thereon | | Cross subsidy surcharge payable to power distribution companies | | Interest on income tax | |
| Expected timing of resultant outflow | On decision by competent authority | | On decision by competent authority | | On decision by competent authority | |
| Indication of uncertainty about those outflows | The above matters are under dispute with authorities | | The above matters are under dispute with authorities | | The above matters are under dispute with authorities | |
| Major assumptions concerning future events | The matter is with higher authorities for adjudication. On the grounds of prudence, provision is made. | | The matter is with higher authorities for adjudication. On the grounds of prudence, provision is made. | | The matter is with higher authorities for adjudication. On the grounds of prudence, provision is made. | |
| Amount of any expected reimbursement, i.e.., amount of any asset that has been recognised for that expected reimbursement | Nil | Nil | Nil | Nil | Nil | Nil |

## 42 OPERATING LEASES

The Company has cancellable operating lease agreements for office spaces and residential accommodations, the tenure of which generally vary from less than a year to 3 years. Terms of such lease include option for renewal on mutually agreed terms. Operating lease rental expenses aggregating Rs. 76.49 lacs (Previous Year: Rs. 80.85 lacs) have been debited to the Statement of Profit and Loss.

## 43 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY:

**a.** Gross amount required to be spent by the Company during the year March 31, 2017 : Rs. 218.70 lacs

**b.** Amount spent during the year ended March 31, 2017 (figures in brackets represents amount for the previous year)

| Sl No. | Particulars | Paid (A) | Yet to be Paid (B) | Total (A)+(B) |
|---|---|---|---|---|
| (i) | Construction / acquisition of any asset | -<br>(-) | -<br>(-) | -<br>(-) |
| (ii) | On purposes other than (i) above | **166.96**<br>(243.92) | **52.25**<br>(33.57) | **219.21**<br>(277.49) |
| | **Total** | **166.96**<br>(243.92) | **52.25**<br>(33.57) | **219.21**<br>(277.49) |

| c. | **Details of related party transactions** | **As at March 31, 2017** | As at March 31, 2016 |
|---|---|---|---|
| (i) | Contribution during the year | **Nil** | Nil |
| (ii) | Payable as at the year end | **Nil** | Nil |

**44** The Group did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.

**45** There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company, except a sum of Rs. 4.08 lacs, which is held in abeyance due to pending legal cases.

**46** Disclosure of additional information as required by the Schedule III:

| Name of entity | Year | Net Assets i.e. total assets minus total liabilities | | Share in profit or loss | |
|---|---|---|---|---|---|
| | | As % of consolidated net assets | Amount Rs. in lacs | As % of consolidated (Profit)/ Loss | Amount Profit/(Loss) Rs. in lacs |
| 1 | 2 | 3 | 4 | 5 | 6 |
| Tata Sponge Iron Limited, (Parent) | 2016-17 | 99.87% | 86,378.49 | 99.95% | 5,874.04 |
| TSIL Energy Limited, (Subsidiary) | 2016-17 | 0.13% | 113.77 | 0.05% | 3.00 |
| | | 100.00% | 86,492.26 | 100.00% | 5,877.04 |

| Name of entity | Year | Share in other comprehensive income | | Share in total comprehensive income | |
|---|---|---|---|---|---|
| | | As % of consolidated other comprehensive Income/(Loss) income | Amount Rs. in lacs | As % of consolidated total comprehensive Income/(Loss) Income)/Loss | Amount Rs. in lacs |
| 1 | 2 | 7 | 8 | 9 | 10 |
| Tata Sponge Iron Limited, (Parent) | 2016-17 | 100.00% | (136.15) | 99.95% | 5,737.89 |
| TSIL Energy Limited, (Subsidiary) | 2016-17 | - | - | 0.05% | 3.00 |
| | | 100.00% | (136.15) | 100.00% | 5,740.89 |

**47** Details of the Company's subsidiary at the end of the reporting period are as follows.

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group | | |
|---|---|---|---|---|---|
| | | | **As at 31 March, 2017** | As at 31 March, 2016 | As at 1 April, 2015 |
| TSIL Energy Limited, (Subsidiary) | Generation and sale of power* | India | 100% | 100% | 100% |

* The Company was incorporated to primarily engage in generation and sale of power and is yet to carry out such activities.

**48** The consolidated financial statements were approved for issue by the board of directors on 26 April, 2017

For and on behalf of the Board of Directors

**A. M. Misra -** *Chairman*
**Sanjay Kumar Pattnaik -** *Managing Director*
**S. K. Mishra -** *Chief Financial Officer*
**Sanjay Kasture -** *Company Secretary*

Kolkata, 26 April, 2017

# Route Map to AGM Venue

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