

Independent Auditor's Report

TO THE MEMBERS OF TATA STEEL LIMITED

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements

1. We have audited the accompanying standalone Ind AS financial statements of **Tata Steel Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018 the 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

2. 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 to give a true and fair view of the 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 specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) 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 of 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder including 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.
5. 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 and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements 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.

6. 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 auditors' 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.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

8. 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 March 31, 2018, and its total comprehensive income (comprising of profit and other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matter

9. The standalone Ind AS financial statements of the Company for the year ended March 31, 2017, were audited by another firm of chartered accountants under the Companies Act, 2013 who, vide their report dated May 16, 2017, expressed an unmodified opinion on those financial statements. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2016, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act ("the Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order.

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 the Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule n of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
 - i. The Company has disclosed the impact, if any, of pending litigations as at March 31, 2018 on its financial position in its standalone Ind AS financial statements — Refer Notes 36 and 37 to the standalone Ind AS financial statements;
 - ii. The Company has long-term contracts including derivative contracts as at March 31, 2018, for which there were no material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended March 31, 2018 except for amounts aggregating to ₹4.62 crores, which according to the information and explanations provided by the Management is held in abeyance due to dispute / pending legal cases.
 - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2018.

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/ E-300009.

Chartered Accountants

Russell I Parera

Partner

Mumbai

May 16, 2018

Membership Number 042190

Annexure A to the Independent Auditor's Report

Referred to in paragraph 11(f) of the Independent Auditors' Report of even date to the members of Tata Steel Limited on the standalone Ind AS financial statements for the year ended March 31, 2018

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Tata Steel Limited ("the Company") as of March 31, 2018 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

2. 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 (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 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 Act.

Auditors' Responsibility

3. 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") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. 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.

4. 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 standalone Ind AS financial statements, whether due to fraud or error.
5. 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

6. 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 the standalone 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 the standalone 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 standalone Ind AS financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. 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

8. In our opinion, 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 March 31, 2018, 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 Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/ E-300009.

Chartered Accountants

Russell I Parera

Partner

Mumbai

May 16, 2018

Membership Number 042190

Annexure B to the Independent Auditor's Report

Referred to in paragraph 10 of the Independent Auditors' Report of even date to the members of Tata Steel Limited on the standalone Ind AS financial statements as of and for the year ended March 31, 2018

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) According to the information and explanations given to us and the records examined by us, the title deeds of immovable properties are held in the name of the Company, except for the following:
 - (i) title deeds to freehold land with gross carrying amount and net carrying amount of ₹60.44 crore and ₹60.44 crore respectively, which are held in the name of erstwhile companies which have subsequently been amalgamated with the Company;
 - (ii) title deeds to buildings with gross carrying amount and net carrying amount of ₹83.48 crores and ₹76.73 crores respectively, which are held in the name of erstwhile companies which have subsequently been amalgamated with the Company.
 - (iii) title deeds to freehold land with gross carrying amount and net carrying amount of ₹202.67 crores and ₹202.67 crores respectively, which were not readily available.
 - (iv) title deeds to buildings with gross carrying amount and net carrying amount of ₹95.62 crores and ₹81.59 crores respectively, which were not readily available.
- ii. The physical verification of inventory (excluding stocks with third parties) have been conducted at reasonable intervals by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In respect of inventories of stores and spares, the management has a verification programme designed to cover all the items over a period of three years. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. The Company has granted secured/unsecured loans, to companies covered in the register maintained under Section 189 of the Act. The Company has not granted any secured / unsecured loans to any other party, as applicable, covered in the register maintained under Section 189 of the Companies Act, 2013.
 - (a) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest except for two inter corporate deposits made during the year aggregating to ₹7.60 crores, placed with a subsidiary company and a joint venture company. Maximum amount outstanding during the year was ₹67.00 crores and ₹0.60 crores from the aforesaid subsidiary company and joint venture company respectively. As these companies are not going concerns, therefore in our opinion these deposits are prejudicial to the Company's interests.
 - (b) In respect of the aforesaid loans, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Except for amounts aggregating ₹760.12 crores outstanding towards principal and interest from six subsidiary companies and two joint venture companies, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest as applicable.
 - (c) In respect of the aforesaid loans, the total amount overdue towards principal and interest for more than ninety days as at March 31, 2018 is ₹648.28 crores. In such instances, in our opinion, reasonable steps have been taken by the Company for the recovery of the principal amounts and interest thereon.

- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of the loans and investments made, and guarantees and security, as applicable, provided by it.
- v. According to the information and explanations given to us, the Company has not accepted any deposit during the year. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 73, 74, 75 and 76 or any other relevant provisions of the Act and the Rules framed thereunder to the extent notified, with regard to unclaimed deposits, as applicable. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products.

We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax with effect from July 1, 2017 and other material statutory dues, as applicable, with the appropriate authorities, other than arrear dues outstanding for more than six months as at March 31, 2018 set out below. We are informed that the Company has applied for exemption from operations of Employees' State Insurance Act at some locations. We are also informed that actions taken by the authorities at some locations to bring the employees of the Company under the Employees' State Insurance Scheme has been contested by the Company and payment has not been made of the contributions demanded.

The extent of the arrears of statutory dues outstanding as at March 31, 2018, for a period of more than six months from the date they became payable are as follows:

Name of the statute	Nature of dues	Amount (₹ in crores)
Central Excise Act, 1944	Excise Duty	0.14

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of goods and service tax as at March 31, 2018 which have not been deposited on account of any dispute and the particulars of dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax and service tax as at March 31, 2018 which have not been deposited on account of a dispute, are as follows:

Name of Statute	Nature of dues	Amount (net of payments) (₹crore)	Amounts paid (₹crore)	Period for which dispute relates to	Forum where Dispute is pending
Income-tax Act, 1961	Income-tax	395.31*	580.28*	1998-1999, 2006-2007, 2007-2008, 2009-2010, 2010-2011	Tribunal
		0.67	-	2010-2011	Income-tax Officer
Customs Act, 1962	Customs Duty	79.67	50.00	2005-2008	Commissioner
		3.95	0.07	2002-2003	High Court
Central Excise Act, 1944	Excise Duty	0.85	-	1983-1985	Assistant Commissioner
		246.13	111.47	1989-1990, 1994-2002, 2003-04, 2005-2017	Commissioner
		0.18	-	1985-1987, 1998-1999	Deputy Commissioner
		34.66	0.10	1988-1990, 2003-2009	High Court
		0.03	0.01	1998-1999	Joint Commissioner
		691.45	45.76	1990-1991, 1992-1997, 1998-2015, 2016-17	Tribunal
Sales Tax Laws	Sales Tax	26.07	11.30	1973-1974, 1977-1979, 1983-1984, 1991-1997, 2000-2002, 2008-2009	High Court
		57.91	3.97	1977-1978, 1980-1981, 1983-1985, 1987-1988, 1989-1999, 2000-2001, 2003-2005, 2009-2012, 2013-2015, 2016-2017	Tribunal
		325.03	18.12	1988-1990, 1991-1992, 1993-1994, 2001-2005, 2006-2014	Commissioner
		0.03	0.03	2001-2002	Joint Commissioner
		164.03	2.31	1975-1976, 1983-1988, 1994-1995, 1997-2006, 2007-2009, 2013-2015	Deputy Commissioner
		28.15	2.47	2002-2003, 2012-2015	Additional Commissioner
		8.79	2.67	1973-1974, 1980-1993, 1994-1997, 2001-2002, 2003-2005, 2008-2009	Assistant Commissioner
		252.84	1.07	1994-1996, 2007-2008, 2012-2016	High Court
Value Added Tax Laws	Value Added Tax	21.30	3.30	2005-2011, 2012-2015	Tribunal
		103.93	1.21	2005-2015, 2016-2017	Commissioner
		119.56	4.60	2010-2011, 2012-2014	Joint Commissioner
		15.48	1.71	2005-2011, 2014-2015	Deputy Commissioner
		0.89	0.05	2012-2015	Additional Commissioner
		0.12	0.06	2005-2006, 2008-2009, 2013-2014, 2016-2017	Assistant Commissioner
Finance Act, 1994	Service Tax	0.04	0.001	2013-2014, 2015-2016	Assistant Commissioner
		5.56	0.12	2004-2018	Commissioner
		0.97	-	2009-2010	Deputy Commissioner
		1,291.87	10.17	2004-2017	Tribunal

*excluding net excess payments/adjustments for the years 2008-2009, 2011-2012 and 2012-2013 aggregating ₹ 282.86 crores.

The following matter has been decided in favour of the Company although the department has preferred appeal at higher levels:

Name of Statute	Nature of dues	Amount (net of payments) (₹ crore)	Period for which dispute relates to	Forum where Dispute is pending
Central Excise Act, 1944	Excise Duty	235.48	2004-2005	Supreme Court
		0.64	2013-2014	Tribunal

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders, as applicable, as at the balance sheet date.
- ix. In our opinion and according to the explanations given to us, money raised by way of further public offer (rights issue) during the year and the term loans have been applied for the purposes for which they were obtained. Out of the total money received by way of rights issue during the year, amounts aggregating ₹ 2614.29 crores are lying in cash and cash equivalents as at year end, pending eventual utilisation for specific purposes as per the terms and conditions of the rights issue.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.
- xi. The Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone Ind AS financial statements as required under Indian Accounting Standard 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For Price Waterhouse & Co Chartered Accountants LLP

Firm Registration Number: 304026E/ E-300009.

Chartered Accountants

Russell I Parera

Partner

Mumbai
May 16, 2018

Membership Number 042190